FINANCIAL SERVICES AND SMALL AND MEDIUM-SIZED ENTERPRISE GROWTH AND DEVELOPMENT

RAPID EVIDENCE ASSESSMENT, [JUNE 2017]

The authors of this report are:

Dr Simon White
Ms Aurelie Larquemin (Landell Mills)
Professor William Steel
Quality Assured by Professor Christopher Cramer (SOAS, University of London)

Funding

This is an independent report commissioned and funded by the Research and Evidence Division in the Department for International Development. This material has been funded by UK aid from the UK Government, however, the views expressed do not necessarily reflect the UK Government's official policies.

Conflicts of interest

There were no conflicts of interests in the writing of this report.

Contributions

The opinions expressed in this publication are not necessarily those of the Department of International Development. Responsibility for the views expressed remains solely with the authors.

Citation

This report should be cited as: Dr Simon White, Professor William Steel, Ms Aurelie Larquemin, (2017) *Financial Services and Small and Medium-Sized Enterprise Growth and Development.* London: Department for International Development.

Title:	Rapid Evidence Assessment: Financial Services and Small and Medium-Sized Enterprise Growth and Development.	
Client:	DFID	
PO Number:	PO 40103109	
Contact and correspondence:	IMC Worldwide, 64 – 68 London Road • Redhill • Surrey, • RH1 1LG • UK TEL: +44 (0)1737 231400 FAX: +44 (0)1737 771107 e-mail: lucy.nickoll@imcworldwide.com	
Authors:	Dr Simon White, Ms Aurelie Larquemin, Professor William Steel	
Amendment record:	Version:	Date:
	Draft Report	6th March 2017
	Revised Draft Report	3rd April 2017 19 May 2017 29th June 2017
	Final Report	29th June 2017
Quality Assurance Lead :	Professor Christopher Cramer	
Quality Control:	Lauren Atherton Sarah Goodwin	3rd April 2017 19th May 2017
Output Approval:	David Rinnert	

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EXECUTIVE SUMMARY

This rapid evidence assessment (REA) examines the evidence on the effectiveness of programme interventions designed to ignite the growth of small firms and their transition into medium-sized enterprises. It considers the evidence on the question: What financing support interventions have been effective and ineffective in supporting the sustainable transition from small firms to medium-sized firms in Low and Medium Income Countries (LMICs), how and why?

A structured search for evidence was undertaken involving academic journals and institutional databases. This search focused on evidence published in the last ten years as well as recommendations from international experts. While the search yielded many papers and studies on the general themes of the research question, far less 'hard' relevant evidence was found. The search process identified only 62 studies with evidence related to the research question. These studies were organised into three groups based on their location. Thus, of the 62 studies, 21 produced evidence from Ghana and West Africa, 13 from elsewhere in Africa and 28 from other LMICs.

These studies were assessed to determine the quality of their conceptual framing, the appropriateness of the research design, the validity of the research methods used, and the extent to which the study can be replicated (i.e., would produce the same results if repeated). This produced a score to classify each study as High, Moderate or Low Quality. Of the 62 studies found, 22 were assessed as High Quality studies, 15 Moderate and 25 Low. The studies found were divided into four broad intervention themes: access to finance (13 studies), grants (18 studies), banking sector reform (11 studies), and microfinance (20 studies).

From the evidence gathered, there are a number of factors affecting the growth of small and medium enterprises (SMEs) in LMICs. Poor business environments and investment climates, inadequate infrastructure and telecommunications, and high levels of corruption constrain SME growth, along with poor access to finance. However, it is unclear which factors are more important, and their significance appears to vary across countries, as does their impact on enterprises of different size classes. Beyond the problems associated with shallow SME finance markets, the most common constraints found to inhibit small enterprise growth and transition were a poor investment climate and business environment, and the low management capacities of many small enterprise owners and managers.

While, to some extent, all studies assessed in this review considered the problem of **access to finance**, 13 studies provided evidence on the effect of this problem on enterprise growth and transition. Only three High Quality studies described the effects of access to finance on enterprise growth. None of these was conducted in African economies. There were eight Moderate and three Low Quality studies. These studies show that greater access to finance improves enterprise performance and growth. Evidence was also found on how improving linkages between SMEs and financial institutions can improve enterprise performance, although the causality of this relationship has not always been established. The High Quality

studies show how the introduction of credit bureaus improves SME access to finance and the positive impact this has on enterprise performance.

There are a relatively high number of High Quality studies dealing with the use of enterprise **grants**. Of the 18 studies found, 11 were High Quality studies, one Moderate and six Low Quality studies. The review distinguished between the use of grants as a single enterprise development intervention and the combined use of complementary non-financial services, otherwise known as business development services (BDS). It also considered the evidence regarding the use of grants for enterprises to purchase BDS. The one-off provision of funds or BDS was found to have some initial effect on enterprise performance, but this is not typically sustained over time. More results are gained through the use of grants to stimulate markets for BDS and for creating additionalities. While many firms need to improve their management capabilities in order to grow and transition, they are generally unaware of this. Thus, grants have been used to stimulate a demand for BDS. Indeed, some evidence was found to suggest that sustained managerial consulting has major impact on SMEs.

Banking sector reforms seek to improve the provision of financial services to SMEs through commercial banks. This includes efforts to increase competition in the banking sector through deregulation and privatisation. This review is particularly interested in banking sector reforms designed to develop the SME market among banks or to otherwise extend the range of financial products and services to SMEs, including the use of guarantees and other risk-mitigation strategies, such as insurance. However, of the 11 studies found on this topic, only five were assessed as High Quality and only two High Quality studies came from Africa. Evidence was found showing how banking sector reforms lead to enterprise growth, although these effects have not always been sustained. Rather than substituting for other forms of credit, directed credit is used to finance increased enterprise production. Severely credit-constrained SMEs exhibit a very high marginal rate of return to additional finance. Banking sector reforms that increase competition improve the flow of credit to SMEs. These shocks in commercial bank credit to SMEs have a major impact on sales and profits. However, not all studies found that banking sector reforms led to increased flows to SMEs. In some cases, only those firms with collateral were found to have a relatively better access. Direct government interventions in the credit market, such as directed lending programmes and risk-sharing arrangements, can have positive effects on the access SMEs have to finance. However, care must be taken when designing and managing these interventions to ensure they stimulate the development of new products and services in the SME market and thereby benefit the broader SME sector, rather than only supporting the growth of those enterprises participating directly in the programme.

This review focused on interventions affecting the growth and transition of small firms into medium-sized firms. However, in some cases, evidence on the use of **microfinance and traditional finance mechanisms** was also considered where this was specifically focused on growth. Half of the 20 studies found on this topic were assessed as Low Quality and most of these (i.e., nine studies) dealt with Ghana and West Africa. The four High Quality studies found dealt with other LMICs. There is no evidence that microfinance improves firm performance and growth in a systematic way. This causal relationship is only identified in some specific settings and for specific microenterprise sub-groups. However, secondary outcomes, including changes in enterprise size are only briefly considered and no conclusive evidence is presented.

Four studies were found assessing the determinants to high-growth enterprises. While there is much interest in supporting the development of high-growth enterprises (sometimes referred to as ‘gazelles’), the evidence on the interventions targeting this group of firms is generally weak. Only two High Quality studies were found to specifically include high-growth firms, and their findings are too general to be of use. Indeed, the process for effectively selecting potential high-growth firms before they grow appears to be a major challenge.

Five High Quality studies were found to provide evidence specifically related to women’s enterprise development. Most studies suggest that female-owned enterprises grow more slowly and generate lower profits than male-owned enterprises. This is in part associated with lower returns in activities traditionally dominated by women. Overall, women appear to benefit as much as male business owners from financial services. However, there are clearly different factors affecting the performance, growth and transition potential of female owned and managed enterprises, such as the additional household, non-business related demands on their resources.

Overall, the results of this review suggest there is no strong evidence presented in publications between 2007 and 2017 on the sustained effect of financial services on small enterprise growth and transition. Therefore, it is not possible to clearly state what works and why. Despite this, the literature reviewed provides leads on what could work, for whom and in what circumstances.

What works?

Improving access to finance generally enhances SME growth and transition. However, while it is commonly argued that the high cost of finance and the eligibility requirements of commercial finance providers are major obstacles, the evidence from this review reveals a more complex picture. The high cost of finance and the limited access SMEs have to it is only one constraint to enterprise growth. Other factors, such as poor business environments, inadequate infrastructure, corruption, and inexperienced business owners with poor management skills, also inhibit growth. While there is evidence to show how stronger linkages between the enterprises and financial institutions can improve access to financial services and induce growth, it is important not to isolate access to finance as a single constraint to growth, but to consider it as part of a more holistic approach.

Grants create short-term firm-level effects and can stimulate market development. While increasing the capital stock of SMEs can have a positive effect on firm-level indicators, changes in employment resulting from this type of intervention are smaller. Grant funds improve the performance of enterprises of all sizes, but the evidence indicates that the sustained impact of these interventions over, say, three to five years, is minimal. Grants have been used successfully to stimulate the demand among SMEs for BDS, which can contribute to enterprise growth and transition. Business plan competitions have been shown to be one effective means of focusing grants for maximum likely impact.

Well-designed banking sector reforms stimulate competition, develop financial markets and increase credit flows into SMEs, but if this is to lead to SME growth and transition, it requires a clear understanding of how SMEs can manage risk and growth. Within the commercial banking sector, there are emerging opportunities for new SME financing instruments, such as leasing and factoring. However, this takes time and requires the right incentive structures for broad institutional change.

What does not work?

Since it is unhelpful to treat poor access to finance as the only constraint to SME growth, financial services should be integrated with BDS programmes that build enterprise competencies, while responding to broader systemic, business environment influences.

Short-term frameworks for designing and measuring grant effects do not work. The one-off provision of funds or BDS was found to have some initial effect on enterprise performance, but little long-term impact on investment and transformation has been found. The net impact of grants may be limited to individual firm-level effects, instead of being used to catalyse a broader, systemic change in financial markets.

General banking sector reforms that do not specifically integrate SME concerns will not automatically create better results for SMEs. While the evidence in this field highlights the benefits of increased competition among banks and the resulting flows of credit directed towards SMEs, these policy interventions should be combined with efforts to encourage banks to identify market opportunities and develop new products within the SME sector. However, evidence on these reforms from West Africa is extremely limited.

Microfinance has not been found to improve enterprise performance and growth, except in certain circumstances and among certain sub-groups. While larger, more mature microenterprises appear to make better use of these interventions, many other variables influence these outcomes.

Summary of the High and Moderate Quality Evidence

The table on the following pages provides a summary of the quality of evidence on interventions for small enterprise growth and transition, indicating the number of studies and their key findings – categorised as effective, mixed, promising, ineffective, and inconclusive.

Quality of evidence: Access to finance and firm growth	
Effective	**Introduction of credit bureaus** Two High Quality studies
	Improving linkages between SMEs and financial institutions One Moderate Quality study
	Poor business environments reduce access to finance and affect firm performance Three Moderate Quality studies
Mixed	**Poor business environments reduce access to finance and affect firm performance** Four Moderate Quality studies
Inconclusive	**Risk mitigation schemes can deter growth-oriented investments** One Moderate Quality study
Quality of evidence: impact of grants on enterprise performance	
Effective	**In-kind grants to profitable microenterprises** Two High Quality studies
	Cash or in-kind grants raise profits for male microenterprises Two High Quality studies
	Cash or in-kind grants raise profits for credit-constrained enterprises One High Quality study
	Use of business plan competitions One High Quality study
	Sustained managerial consulting has major impact on SMEs One High Quality study
	Positive first-year results from matching grants for BDS One High Quality study
Promising	**Grants spur innovation through science-industry collaboration** One High Quality study
Mixed	**Capital grants do not raise profits for female microenterprises** Two High Quality studies
	No impact to women in subsistence enterprises Two High Quality studies
	One-time grants have short-run effects, not long-term One High Quality study
	Initial impact of loan and training on male microenterprises does not last One High Quality study
	Grants for consulting advice has short-run effects, not long-term One High Quality study
	Training helps ensure loan impact for men, not for women One High Quality study

Ineffective	**No impact of grants** One High Quality study
Quality of evidence: Effect of banking sector reform on enterprise performance	
Effective	**Banking reforms lead to enterprise growth** Three High Quality studies
Mixed	**Bank guarantees do not necessarily improve productivity** One High Quality study
Quality of evidence: Microfinance	
Promising	**Microfinance can moderate the effects of external shocks** One Moderate Quality study
Mixed	**Lending through formal institutions improves enterprise performance** One High Quality study **Microfinance supports growth under certain conditions** Two High Quality studies One Moderate Quality study
Ineffective	**Microfinance supports enterprise performance** One Moderate Quality study
Inconclusive	**Microfinance supports growth under certain conditions** One Moderate Quality study

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LIST OF ACRONYMS AND ABBREVIATIONS

BDS	Business development service
DFID	UK Department for International Development
DS	Descriptive statistics
ETH	Ethnographic study
EXP	Experimental
IFAD	International Fund for Agricultural Development
LMIC	Low and Medium Income Countries
NA	Not assessed (literature cited in the text, which does not form a part of the evidence assessed for this review)
MM	Mixed methods
MSEs	Micro and small enterprises
MSMEs	Micro, small and medium enterprises
PSD	Private sector development
QCA	Qualitative comparative analysis
QE	Quasi-experimental
REA	Rapid Evidence Assessment
SA	Statistical analysis
SEAF	Small Enterprise Assistance Fund
SMEs	Small and medium enterprises
SR	Systematic review
US$	United States Dollar
WBES	World Bank Enterprise Survey
↑	High-quality evidence
→	Moderate-quality evidence
↓	Low-quality evidence

CHAPTER 1: INTRODUCTION

1.1 BACKGROUND

This report reflects DFID's increased emphasis on the generation and use of rigorous evidence to inform programme design and policy-making. A prerequisite of evidence-informed policy and programming is to ensure that the best research evidence (i.e., rigorous, substantive and objective research evidence) is accessible and easily available. By basing decisions on the most up to date information of 'what we know', it is anticipated that the success, impact and value for money of policies and programmes will be enhanced.

This review examines the evidence on the effectiveness of programme interventions designed to ignite the growth of small firms and their transition into medium-sized enterprises. The DFID Ghana Country Office and DFID's central Research and Evidence Division jointly initiated the review after identifying the challenge of addressing the so-called 'missing-middle' in many Low and Medium Income Countries (LMICs). This refers to the apparent lack of transition in local enterprise size classes from micro to small to medium-sized enterprises. Many of these countries, including Ghana, show little evidence of this kind of growth. Instead, many small enterprises remain small and uncompetitive with low levels of productivity.

Current literature suggests that growth and transformation is unlikely to be driven by micro or small firms. Instead, medium and large firms drive these processes, particularly those that are export-oriented and integrated into global supply chains (Bloom et al., 2014 NA–Not Assessed).[1] These firms tend to be more productive and able to provide higher paying, formal and sustainable jobs. Additionally, these firms are also better able to capture and create backward linkages to the rest of the economy when interacting with foreign direct investment (FDI). While development policies should focus on emerging growth-oriented or export-focused firms in the traded economy, there is a dearth of such firms in LMICs. There are many microenterprises engaged in crowded, local markets and a handful of large enterprises, often multinational, which drive globally connected import and export markets. Between these, there are very few growth-oriented or integrated SMEs. This is the missing middle.

There are numerous debates theorising the origins and functions of the missing middle. Using data from formal and informal manufacturing firms in India, Indonesia and Mexico, Hsieh and Olken (2014 NA) argue the missing middle does not exist: while mid-sized enterprises are missing in these economies, so too are large enterprises. However, Tybout (2014 NA) suggests the missing middle is still a relevant concept, arguing there are a variety of features of the business environment, which can create the missing middle and these

[1] Non-Assessed (NA) refers to those studies which were not quality assessed in this review. These studies, which are listed as General References, provide important background, contextual or supportive information, but do not specifically present evidence on the effect of a programme intervention on enterprise growth or transition.

effects cannot be rigidly linked to enterprise employment levels. In Ghana, Teal (2016 NA) considered these arguments when assessing manufacturing data dating back to 1962 and does not find a missing middle as defined by either Hsieh and Olken (2014 NA) or Tybout (2014 NA). Instead, he finds the enterprise size distribution in Ghana is close to what would be expected without policy distortions, unlike in India, Indonesia and Mexico.[2] However, he does find large differences between enterprises of different sizes and observes increasing differences over time in productivity of small and large enterprises, in particular when looking at value added, concluding that Ghana very much needs its 'one percent' of enterprises.[3] Also in Ghana, Davies and Kerr (2015 NA) track the survival of manufacturing enterprises from 2003 to 2013 and find small enterprises are more likely to exit than large enterprises. This confirms an earlier study by Sandefur (2010 NA) showing that microenterprises in Ghana accounted for the bulk of gross and net job creation from 1987 to 2003, mainly as a result of the massive new entry of micro and small enterprises, which drove average firm size down by over 50 per cent. Indeed, these new firms were not destined to become medium or large enterprises over time. Instead, small enterprises in Ghana 'die early and small'. As Sandefur (2010 NA) says, 'big firms don't represent successful micro-entrepreneurs that have risen through the ranks of smaller firms. Rather, big firms are born big'. Finally, Sutton and Kpentey (2012 NA) map the top 50 large enterprises in Ghana and find just over half had their origins in the domestic private sector. Of the 27 domestic private-sector firms, only 15 began life as start-ups. Just under half of the 27 were offshoots of local trading companies that had been in operation for many years before venturing into manufacturing.

One strategy to create more productive and decent jobs in LMICs is to support the transformation from small firms to larger, more productive firms with better paying, more specialised jobs. Donor and development agencies, including DFID, support private sector development through investment climate, business environment reforms and enterprise development programmes and services designed to enhance the performance of local firms. These programmes seek to address the barriers to growth and investment in domestic firms and to open up new market opportunities for enhancing local participation in global value chains.

Many programmes have also sought to distinguish between supporting microenterprises, which are often informal and described as 'survivalist' firms, and may be important for employment absorption at the bottom, and those with a high potential for growth in output and productivity. The most dynamic among the latter group are often referred to as 'gazelles' (see Berner, et al., 2012 and Philips et al., 2007).[4]

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2 This is what Teal (2016) describes as a 'Paretian distribution'.

3 Large enterprises of more than 100 employees, produced 60 per cent of value added in 1987, while representing only 0.8 per cent of manufacturing enterprises. In 2003 they produced 56 per cent of value added while only representing 0.3 per cent of enterprise.

4 The term 'gazelle' originates from the United States literature on high performance, African-American small rms (see Boston & Boston, 2007).

In many cases, the growth of small firms is restricted by a lack of access to debt finance and its high costs, while equity financing does not reach firms of this size. Indeed, this forms a part of the broader research question considered in this review. Equity financiers consider the cost of managing this investment too high compared to larger deals. Thus, the constraints small enterprises face need to be addressed. However, it is not clear what the most effective, sustainable and market-based approaches are to supporting and financing such firms.

There is a general lack of rigorous research synthesising the existing evidence on the effectiveness of financing interventions designed to support the establishment and growth of small firms to medium-sized enterprises. This is a critical area of economic development, where evidence is required to inform DFID's and other donor funded approaches.

The overall objective of this commission is to provide a quality assessment and synthesis of empirical evidence of what works to support the growth of small enterprises and their transition to medium-sized and large enterprises. This assessment will help inform policy options for decision-makers in aid agencies and governments on where and how to engage, or where not to engage.

This report has been primarily prepared for the DFID Research and Evidence Division, the DFID Ghana Country Office, other DFID offices and divisions, as well as other donors, development organisations and government stakeholders working in private sector development in partner countries. It is anticipated that the findings presented in this report will be used for policy and programme design by the above stakeholders. In addition, the findings will be disseminated through a range of DFID communications channels, including a video-conferencing event.

DFID Ghana will use these findings to support the design of a business case for a proposed new programme that supports the transition agenda. Additionally findings will be shared with government and other stakeholders to influence policy and approaches in this area.

1.2 RESEARCH QUESTION

This REA has sought to review and assess evidence on the following research question: [5]

What financing support interventions have been effective and ineffective in supporting the sustainable transition from small firms to medium-sized firms in Low and Medium Income Countries (LMICs), how and why?

[5] In the early stages of this review, a broader scope for assessing the evidence of a wide range of financial and non-financial interventions was considered. However, this scope was reduced to a focus on financial services. This is not to imply non-financial services are less relevant. Instead, the short timeframe allocated to this review and the expressed interest in evidence around enterprising finance, which was to inform the preparation of a programme business case, created the need for a more defined scope.

1.3 INTERPRETING THE RESEARCH QUESTION

There are a number of important elements of this question, which require clarification.

SUPPORT INTERVENTIONS

The primary focus of this review is on the effects of financing interventions on enterprise growth. The lack of access to finance is considered to be one of the major constraints to growth and the transitioning of enterprises from one size class to another. However, it is acknowledged there may be other constraints to growth and other support interventions, commonly referred to as business development services (BDS), are also considered within this context.

There is no universal definition of the term 'SME'. This is despite some agencies attempting to provide one. For example, the International Finance Corporation (IFC) defines SMEs as having from ten to 300 employees and assets between US$100,000 and US$15 million or sales in the same US Dollar range. While the World Bank has no single definition, it targets enterprises with five to 99 employees for its enterprise surveys.[6] Data from the World Bank Enterprise Survey (WBES) are used in a number of studies reviewed in this report. However, this definition can cover a very large section of the enterprise community in LMICs. Moreover, the implications of size vary according to the economic, regulatory and other conditions in each country.

National governments typically define enterprise size within their national legislation, reflecting national economic and social conditions. These definitions can contain a range of criteria, such as number of people employed, value of fixed assets and annual turnover.

Box 1: Enterprise size classes, Ghana
• Microenterprise: 1-5 employees, fixed assets not exceeding US$10,000 excluding land and buildings • Small enterprise: 6-29 employees, fixed assets not exceeding US$100,000 excluding land and buildings • Medium enterprise: 30-99 employees • Large enterprise: 100 or more employees.
SOURCE: National Board for Small Scale Industries (NBSSI 1990)

While enterprise size classes vary from country to country, this review considers a broader category of micro, small and medium-sized enterprises (MSMEs) as generally applied across African LMICs and is concerned with privately owned firms and not government enterprises. See Box 1 for the enterprise size classes in Ghana. However, researchers may apply a specific definition of enterprise size that is not consistent with Ghana or any universal, worldwide definition, making it difficult to apply a single definition to all the studies reviewed.

6 The OECD defines SMEs as ten to 250 employees and no more than €10 million sales. The EU defines SMEs as ten to 250 employees, with €10 to 50 million in turnover or €10 to 43 million in assets.

Moreover, enterprise sizes are distributed along a spectrum, where the distinction between a micro enterprise of five workers and a small enterprise of seven workers is somewhat arbitrary.

This review focuses on the growth of SMEs. It highlights the importance of recognising the varying effects policy and programme interventions can have on different segments of the enterprise sector, including those enterprises in different size classes. As discussed later in this report, interventions designed to support the creation of new microenterprises differ significantly from those that support the expansion of existing SMEs. Differences in enterprise sizes often reflect differences in ownership structures, management systems, production processes, and resources available. Similarly, microenterprises in LMICs are more likely to be informal enterprises operating in local markets, while bigger enterprises are more likely to be formal and export-oriented. Thus, this review distinguishes between the reported effects of policy and programme interventions on enterprises of different size classes, while focusing on those promoting the growth of SMEs.

ENTERPRISE GROWTH, PERFORMANCE AND SUSTAINABLE TRANSITIONS

The research question refers to 'supporting the sustainable transition'. This refers to the transition from one size class to another (i.e., from small enterprise to medium-sized enterprise). However, it is recognised that some studies may identify interventions that have led to improvements in firm performance and not necessarily a shift from one size class to another. Indeed, hardly any studies were found to measure impacts through these transitions and more attention is given to the impact programme interventions have on performance (e.g., using growth, productivity and sustainability measures, including increases in turnover or in number of people employed). Such studies are treated as relevant to the REA and have been included.

The research focus is on interventions that enhance the ability of enterprises to finance their operations, growth and transition to a larger or more formal status. Non-financial services may be noted if they play an important supporting role, but studies focusing only on non-financial services have not been included.

It is understood that a typical measure of the impact of financial services on enterprise growth would focus on the effect of these services after the period of the programme or service. Thus, the effect would be sustained beyond the programme period. Evidence of a *sustained* impact could only be measured after the programme has been concluded or through a longitudinal assessment of the impact of the programme or service on private enterprises. Wherever possible, this review has sought to identify those studies where evidence on sustained effects is presented.

Interventions are considered effective if they yield demonstrable results in terms of growth, productivity, sustainability, and transition in the enterprises affected, and 'ineffective' if no discernible gains were identified, or indeed, should a negative effect on enterprise performance be found. Although the data may not be conducive to systematic disaggregation with respect to male and female-headed enterprises, interventions that appear particularly effective or ineffective for female-owned and managed enterprises have been highlighted.

1.4 CONCEPTUAL FRAMEWORK

The conceptual framework for this assessment has been formulated around the research question.

PROGRAMME INPUTS

The research question refers to financing support interventions. This includes all services designed to improve the access small and medium enterprises have to finance leading to enterprise growth. This may include loans, equity, venture funds, and trade funds as well as savings facilities, insurance, guarantees and other forms of financial risk mitigation. While the review focuses on how financial services have aided enterprise growth, the use of non-financial services or business development services (BDS) has also been considered to the extent that these were used to complement and aid the effect of financial services. Due to the short timeframe provided for this 'rapid' review, the evidence on exclusively non-financial constraints to growth and transition has not been reviewed.

PROGRAMME OUTCOMES

Drawing again from the research question, it is suggested that the outcomes from the above inputs are sustained enterprise growth leading to a transition from small firms to medium-sized enterprises. This assessment considers outcomes relating to enterprise growth, which may include increases in turnover, profits (including taxable profits), productivity, and employment. It is recognised that the research is likely to cover a range of indicators of enterprise growth, all of which would be considered relevant for this assessment.

Figure 1: Conceptual framework

Programme impact	Changes in the profile of enterprise size classes: indicating a growth of enterprises size classes, from small to medium-sized enterprises. This may lead to a decline in what some see as the 'missing middle' (the gap in the profile of various size classes in which middle-sized enterprises are missing and where enterprise size class transitions are low). However, care should be taken when interpreting the existence of a 'missing middle' as a problem with enterprise growth.
Programme outcome	Sustained growth of micro, small and medium enterprises (e.g., as measured in terms of increases in sales, turnover, profit, productivity, employment).
Programme inputs (interventions)	Financial services and complementary non-financial services: programmes or services designed to increase the access small and medium (private) enterprises have to financial services.

1.5 STRUCTURE OF THE REPORT

The next chapter, Chapter 2, discusses the methodology used in this review. It describes the steps undertaken to search for and identify evidence and the procedures and criteria used for assessing the quality of this evidence.

Chapter 3 presents the general findings. This contains an overview of the evidence, based on intervention themes and its distribution across geographical areas (i.e., West Africa, Africa and other LMICs).

Chapter 4 presents the findings contained in the reviewed evidence based on the major intervention themes.

Chapter 5 contains an overall assessment of the body of evidence and identifies what has been found to work and not work.

The final chapter, Chapter 6, concludes with reflections and expands on the emerging issues surrounding the research question.

CHAPTER 2: METHODOLOGY

This evidence assessment followed a systematic process of search and assessment, in line with that broadly outlined in the DFID (2014) *How to do an REA Note*. These are as follows:

- Evidence search;
- Application of inclusion and assessing for relevance; and
- Assessment of evidence quality.

2.1 SEARCH PROTOCOL

The search for studies followed a structured process. Figure 2, below, identifies the databases used for evidence searches.

Figure 2: List of databases searched

SEARCH ENGINES
Google Scholar
IDEAS/RePEc
JSTOR
Science Direct
Scopus
Social Science Research Network (SSRN)
Web of Sciences
JOURNALS
Economic Journal
Enterprise Development and Microfinance
Finance and Development
Journal of Small Business and Enterprise Development
Journal of African Economies
Journal of Development Economics
Journal of Modern African Studies
The Review of Economics and Statistics
World Development
INSTITUTIONAL DATABASES
Accion/Centre for Financial Inclusion
African Development Bank
Agence Française de Développement: Impact Evaluations
Asian Development Bank: Evaluation Resources

Consultative Group to Assist the Poor (C-GAP)
Department of International Development (DFID)
DFID Research4Development
Donor Committee for Enterprise Development
Inter-American Development Bank: Evaluations
Independent Evaluation Group (World Bank Group)
International Initiative for Impact Evaluation
Institute for Development Studies (IDS), University of Sussex
Institute for Poverty Alleviation (IPA), New Haven CT
Microsave library
Overseas Development Institute
SEEP Network – Small Enterprise Education and Promotion Network, Inc.
UNU WIDER (United Nations University's World Institute for Development Economics Research)
World Bank Group

Figure 3 presents the general search phrases used in the search. Thus, in most database searches, 16 individual searches were conducted. However, this was dependent on the capacity of the search engine or database used. For example, an academic search engine such as JSTOR provides for a variety of search filters, where the results of a single broad search can be narrowed. Very few institutional databases have such detailed search and filtering capacities. Thus, it was necessary to adopt a pragmatic approach to searching to suit the specific capacities and organisational frameworks of the various databases.

Figure 3: Search phrases

'enterprise' AND 'capital'	'enterprise' AND 'credit'
'enterprise' AND 'finance'	'enterprise' AND 'financial services'
'enterprise' AND 'growth'	'enterprise' AND 'microfinance'
'gazelles' AND 'finance'	'missing middle' AND 'finance'
'missing middle' AND 'financial services'	'SME' AND 'finance'
'SME' AND 'financial services'	'SME' AND 'growth'
'SME' AND 'microfinance'	'SME' AND 'capital'
'SME' AND 'credit'	'value chain' AND 'finance'

In most cases, it was possible to exclude studies on two criteria: age and location. The evidence searches focused on studies published within the last ten years (i.e., studies more than ten years ago, before 2007, were largely excluded). They also focused on studies from LMICs (i.e., studies not dealing with SMEs in LMICs were excluded). However, in some cases these exclusions had to be manually applied.

The initial searches produced a high number of studies in many search engines and databases (see Annex A). Often, it was not possible to apply filters or additional search criteria to reduce the number of studies. In these cases, it was necessary to manually review the results and select studies based on their apparent relevance to the research question.

The manual selection of studies based on apparent relevance was not as cumbersome or time-consuming as originally thought. In most cases, the relevance of a study could generally be assessed based on the title of the study and its abstract. Many studies were found dealing with the issue of finance in developing economies and the role of SMEs, including the problems and constraints facing small firms in LMICs. However, far fewer studies focused on the impact or effects of financial services on enterprise transitions or growth.

2.2 APPLICATION OF INCLUSION AND ASSESSING FOR RELEVANCE

Using the initial search results, the relevance of the study to the research question was then assessed. To this end, the following questions were asked of each study:

- Does the study deal with the provision of financial services, possibly with complementary non-financial services, for micro, small and medium enterprises in LMICs or Africa or West Africa and Ghana?
- Does the study present evidence on the effects of these services on enterprise growth in LMICs, Africa West Africa or Ghana?

For example, a test search of the term ‘SME’ AND ‘finance’ using Scopus, filtering studies from 2007 onwards, produced 340 results. While all these studies were no more than ten years old, many were focused on developed economies. These were immediately excluded.

The figure below provides a summary of the inclusion and exclusion criteria applied to the selection of studies.

Figure 4: Inclusion and exclusion criteria

	Inclusion Criteria	**Exclusion Criteria**
Geographical location	LMIC	Upper and high-income countries
Language	English and French	Not in English or French
Publication date	From 2007 to 2017	Pre-2006
Publication format	Journal articles, working papers, other academic research, evaluations, discussion papers	Other (e.g. book, design manuals, operational documents, descriptions of programmes, process reviews)
Aim of study	Investigating the effect of financial and other services on SME transition and growth	Not investigating the effect of financial and other services on SME transition and growth (e.g., defining and describing the limitations to enterprise growth, general financial inclusion, general microfinance)
Study design	Primary empirical research (i.e., quantitative OR qualitative) OR	EITHER lacking explanation of methodology OR secondary literature

	systematic reviews	review OR theoretical

Studies were categorised into three groups: studies from Ghana and West Africa, those from elsewhere in Africa, and those from LMICs.

The figure below provides a full description of the manner in which the studies were organised.

Figure 5: Classification of evidence

Study Location	Ghana and other West African countries Elsewhere in Africa Other LMICs
Type of Study	Primary or Secondary (Theoretical studies not included)
Method of Study	Primary-Quantitative: Quantitative: Experimental (EXP) Primary-Quantitative: Quasi-Experimental (QE) Primary-Quantitative: Descriptive Statistics (DS) Primary: Mixed Methods (MM) Primary-Qualitative: Interviews and Focus Group Discussions Only (INT) Primary-Qualitative: Case Study (CS) Primary-Qualitative: Ethnography (ETH) Primary-Qualitative: Discourse Analysis (DISC) Secondary: Systematic Review (SR)
Type of Financial Service Intervention	Access to finance Grants (with or without BDS) Banking sector reforms Microfinance
Type of Supporting Non-Financial Service Intervention (if relevant)	Type of business development service (e.g., management training)

In addition to the search process, the Project Team reviewed the most relevant studies to identify other studies the authors of these studies had cited. Specific searches for interesting and relevant papers were then conducted. Relevant studies found in this way were included in the appropriate folders listed above. Sixty relevant studies were found in this way.

The Project Team also approached a number of internationally renowned experts in SME finance to inform them of the project and to seek their assistance in locating any studies these experts considered appropriate. The figure below lists these experts.

Figure 6: SME development and finance experts consulted

Prof Thorsten Beck Professor of Banking and Finance, Cass Business School, London
Dr Matthew Gamser and Dr Melina Mirumlstein SME Finance Forum, Washington DC

Dr Leora Klapper Lead Economist, Finance and Private Sector Research Team Development Research Group, World Bank, Washington DC
Dr David McKenzie Lead Economist, Development Research Group The World Bank, Washington DC
Dr Lucia Sanchez Director, SME Program, Innovations for Poverty Action, New Haven CT
Mr Jim Tanburn Coordinator, Donor Committee for Enterprise Development, Cambridge UK

Most of the people listed above have responded and provided links to relevant studies and databases. Most of the studies these experts provided were studies the Project Team had previously found through the search process. Indeed, only two new papers were found this way, bringing the total list of studies that were quality assessed to 62.

2.3 QUALITY ASSESSMENT

Each of the selected studies was subjected to a detailed quality assessment. Drawing from the quality assessment principles outlined in the DFID (2014) *How to Note of Assessing the Strength of Evidence*, the following four-point quality assessment was applied:

1. Conceptual framing: this concerns the extent to which the study acknowledges existing research and constructs a clear hypothesis or conceptual framework for investigation. A High Quality study identifies existing research and uses this to frame the study, presenting a clear research question or hypothesis in order that the research results will improve knowledge of the issue.

2. Appropriateness: this focuses on the appropriateness of the design of the study and its methodology. While study types vary (e.g., quantitative, qualitative, quasi-experimental, longitudinal) the appropriateness of these methods to address the research question is assessed. A High Quality study clearly demonstrates how it was designed to answer the research question.

3. Validity: this is concerned with the credibility of the research and the extent to which the study presents results that measure the causal relationship it intends to measure. Because this review deals with the effect of financial services on enterprise growth, it is particularly interested in assessing the cause and effect linkages and how accurately these relationships are described and investigated. A High Quality study is internally valid: it measures the relationships it sets out to measure. Because of the importance of validity, this review has given extra weight to validity measures. See figure below.

4. Reliability: this reflects the extent to which the measures used in the study are stable and capable of producing consistent results. A High Quality study is assessed as reliable when it demonstrates it applies a consistent (i.e., stable) measure that,

when repeated, would produce the same results. Attention is given to how and why the sample was selected, where relevant. In this REA, because of the importance of evidence that is reliable, the reliability score of a study is given extra weight. See figure 7 below.

Figure 7: Assessment Criteria and Scoring Matrix

ASSESSMENT CRITERIA	WEIGHTING & SCORE
Conceptual Framing Measures the extent to which the study acknowledges existing research and constructs a clear hypothesis and/or conceptual framework for investigation. Highest score (3) 'no concerns': study identifies wide range of existing research and clearly frames the study with a research question or hypothesis. Middle score (2) 'some concerns'. Lowest score (1) 'major concerns': provides little review of previous research; lacks a clear research question or hypothesis.	(0-3) x 1 Out of 3
Appropriateness Measures the appropriateness of the study design and its methodology (e.g., quantitative, qualitative, quasi-experimental, longitudinal). Highest score (3) 'no concerns': study clearly demonstrates how its design suits the research question or hypothesis. Middle score (2) 'some concerns'. Lowest score (1) 'major concerns': study provides no explanation as to how its design suits the research question or hypothesis, or the explanation given is not considered plausible.	(0-3) x 1 Out of 3
Validity Measures the credibility of the research and the extent to which the study presents results that effectively and meaningfully measure effects and accurately describes these relationships. Highest score (3) 'no concerns': study clearly and credibly measures the relationships it sets out to measure. Middle score (2) 'some concerns'. Lowest score (1) 'major concerns': study employs measures that do not capture effects or key relationships in a credible way.	(0-3) x 2 Out of 6
Reliability Measures the extent to which the measures used in the study are stable and capable of producing consistent results. This includes a consideration of any explanation given to sampling (i.e., what choices were made when sampling and why). Highest score (3) 'no concerns': study demonstrates it applies consistent (i.e., stable) measures that, when repeated, it would produce the same results. Middle score (2) 'some concerns'. Lowest score (1) 'major concerns': study appears to lack consistent measurement techniques.	(0-3) x 2 Out of 6
ASSESSMENT SCORE	**18**

Using the results of the quality assessment, a score may range from 6 to 18. Based on this score, the studies were categorised into three groups: High, Moderate and Low.

Figure 8: High, Moderate and Low Quality studies defined

Study Quality	Abbreviation	Score	Definition
High	↑	14-18	Comprehensively addresses multiple principles of quality
Moderate	→	10-13	Some deficiencies in attention to principles of quality
Low	↓	6-9	Major deficiencies in attention to principles of quality

Some references are cited in this review, which are not treated as a part of the body of evidence. This literature has not been scored in the manner described above. In these cases, the citation will include the abbreviate NA, meaning 'not assessed'.

2.4 ANALYSIS AND SYNTHESIS OF FINDINGS

Once relevant studies had been sourced and assessed against the inclusion and quality criteria, the selected studies were carefully described and recorded using the following structure:

- Author(s)
- Title
- Year of publication
- Source, i.e., journal, book, report — or "grey" or unpublished study or report (however, drafts or incomplete studies were not assessed)
- Language (English or French)
- Geographical coverage (i.e., countries from which data was taken, organised as "Ghana", "LMIC Africa" and "LMIC Other")
- Type of data (quantitative, qualitative, mixed-methods, M&E document)
- QA Score (listing studies descending order of quality)
- Size of the evidence base (e.g., number of cases, sample size)
- Intervention type (type of financial or other support under study)
- Summary of major findings.

An evidence map was then assembled based on three dimensions: (i) the sub-sectors of evidence (access to finance, grants, banking sector reforms and microfinance); (ii) the geographic locations (Ghana and West Africa, Other African Countries and Other LMICs); (iii) and the quality score of the evidence.

2.5 QUALITY ASSURANCE

Because the process of quality assessment is the most vulnerable to researcher bias, a structured approach to quality assurance was established. This reduced the risk of assessing the quality of the evidence in a non-transparent or inconsistent manner.

At the commencement of the project, the Project Team established a REA Protocol, in consultation with DFID's Research and Evidence Division. This document explicitly described the process of quality assessment and illustrated the use of assessment criteria as applied to three studies. This allowed the Project Team members and DFID to compare their assessments of these sample papers and to discuss and agree on the interpretation and weighting of these criteria. Thus, a shared understanding of the approach to assessing the quality of the evidence was achieved.

Two Project Team members were involved in quality assessment. While one of these members undertook most of the assessments, the other (the Team Leader) monitored the progress and results of the quality assessment process on a daily basis. All documents were shared using a cloud-based platform, allowing all team members to view and comment on the process as progress was made.

At various intervals during the review process, the Team Leader undertook a number of blind assessments of selected studies, without the knowledge of the person primarily responsible for quality assessment. This random sample of papers was scored independently and the scores were then compared. If there was a noteworthy deviation in the two scores, this was discussed in order to achieve a commonly agreed score. A total of 25 studies were crosschecked in this way. Of these, only three had their scores revised.

CHAPTER 3: GENERAL FINDINGS

3.1 RANGE OF STUDIES

The figure below shows the distribution of studies found to be relevant to the research question based on the quality of the study (i.e., High, Moderate and Low) and the geographic locations from where the evidence was drawn (i.e., Ghana and West Africa, elsewhere in Africa and other LMICs).

Sixty-two studies were found and assessed: 21 from Ghana and West Africa, 13 from elsewhere in Africa and 28 from other LMICs.

Twenty-two High Quality studies were found in total, representing 35 per cent of the total. Of these, only three studies examined the factors associated with enterprise growth. There were 13 studies, or 59 per cent of the High Quality studies, which were primarily concerned with microenterprises. Thus, while this review sought to identify evidence on enterprise growth among SMEs, it found a generally small range of studies specific to these firms. In some cases, the definitions used to distinguish between microenterprises and SMEs in a developing economy context are unclear or imprecise, in other cases, researchers appear more concerned with the creation and survival of nascent enterprises than with the expansion of existing SMEs.

Only five of the High Quality studies were from Ghana and West Africa, three from elsewhere in Africa, and the remaining 14 studies were from other LMICs.

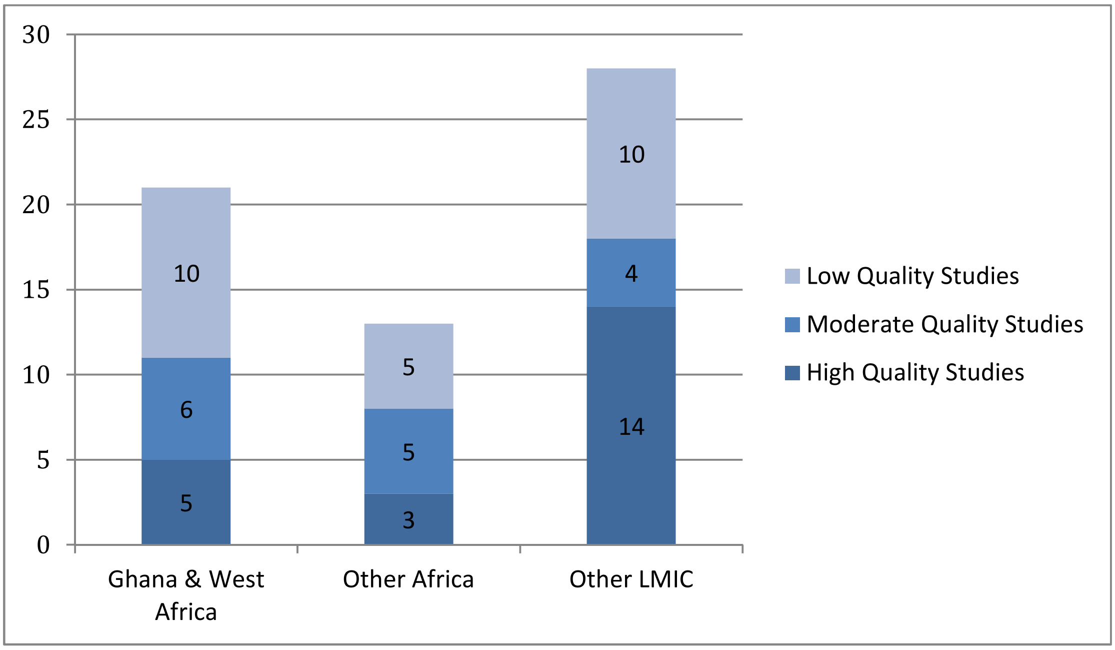
Twenty-one studies were from Ghana and West Africa, with just over half (i.e., 11 studies) being classified as High or Moderate Quality. In the other LMICs, 18 of the 28 studies found were of a High or Moderate Quality.

The studies found were divided into four broad intervention themes: access to finance (13 studies), grants (18 studies), banking sector reform (11 studies), and microfinance (20 studies). In addition to the studies found, the findings of relevant systemic reviews were also undertaken. In the microfinance intervention theme, two systemic evidence reviews were considered.[7]

Thus, the size and quality of the studies found presented challenges to this review and the interpretation of the evidence uncovered. Moreover, of the evidence that was found and regarded to be High Quality, the majority did not relate to small enterprises according to common definitions (e.g., the IFC definition) or that suggested for the Ghanaian context suggested in this review. Thus, care must be taken in interpreting the evidence in the context of small enterprises as the findings may have limited transferability.

[7] Systemic reviews on microfinance: Stewart et al. (2010) and Duvendack et al. (2011).

Figure 9: Number of directly relevant studies identified

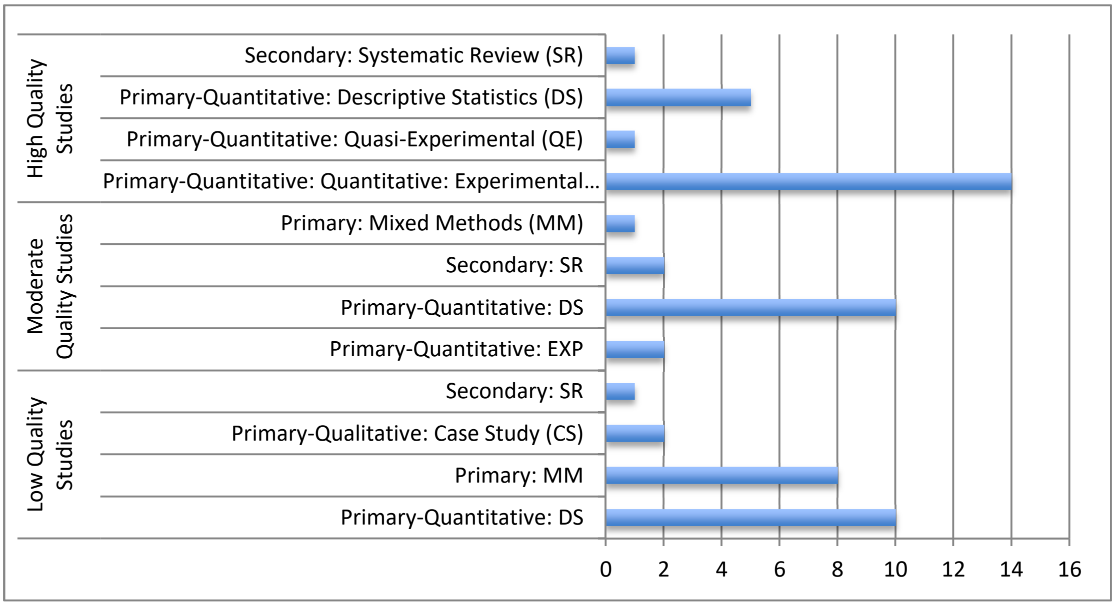


The High Quality studies were assessed as conceptually well framed; they clearly positioned the study among literature on the issue under study and presented the uniqueness of the study. The study design and method was clearly defined, the rationale behind the design choice was clear. The models and analysis take into account different parameters that could have affected the results, which are thus considered stable and reliable. Fifteen High Quality studies and two Moderate Quality studies applied an experimental or quasi-experimental methodology. See figure below. While it is debatable whether such methods can be considered the 'Gold Standard' in research of this kind, these studies typically rated highly because they explicitly sought to establish causality. The High Quality studies generally applied models and analysis, which take into account different parameters that could have affected the results, which are thus considered stable and reliable.

The Moderate Quality studies typically relied more on the use of Descriptive Statistics. Ten Moderate Quality studies and ten Low Quality studies applied Descriptive Statistics, compared to five High Quality studies. This is not to suggest that Descriptive Statistics is an inferior method or analysis, but among the studies assessed for this review these studies were not able to establish, or were not designed to establish causality. Only correlations are established.

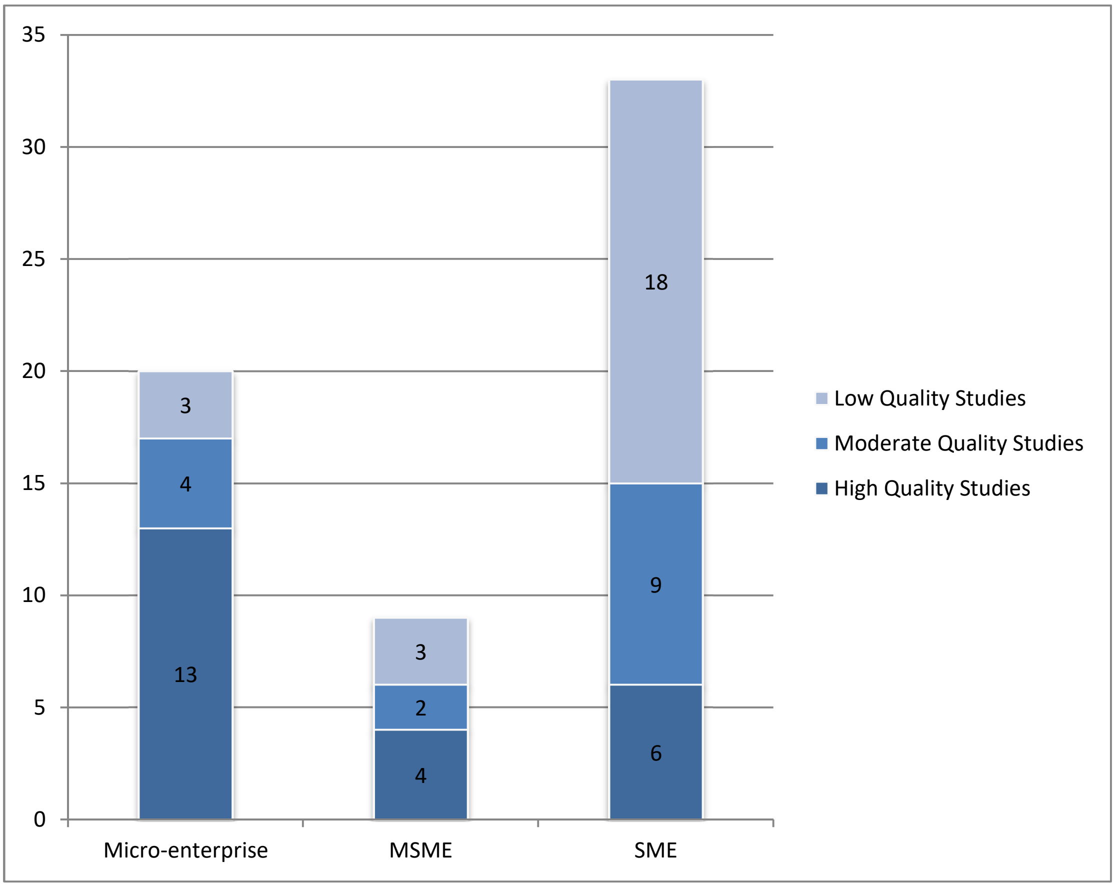
Eight Low Quality studies applied a Mixed Methods approach. Again, this is not to imply that this approach is sub-standard. Indeed, one Mixed Methods study was assessed as High Quality. However, the Low Quality studies reviewed could only establish somewhat weak correlations and, in general, the results cannot be considered stable.

Figure 10: Methodologies applied: High, Moderate and Low Quality



Most of the studies collected focused on the impact of services on the SMEs, with a number of studies including microenterprises into a broader MSME category. See the figure below.

Figure 11: Number of studies by enterprise size classifications

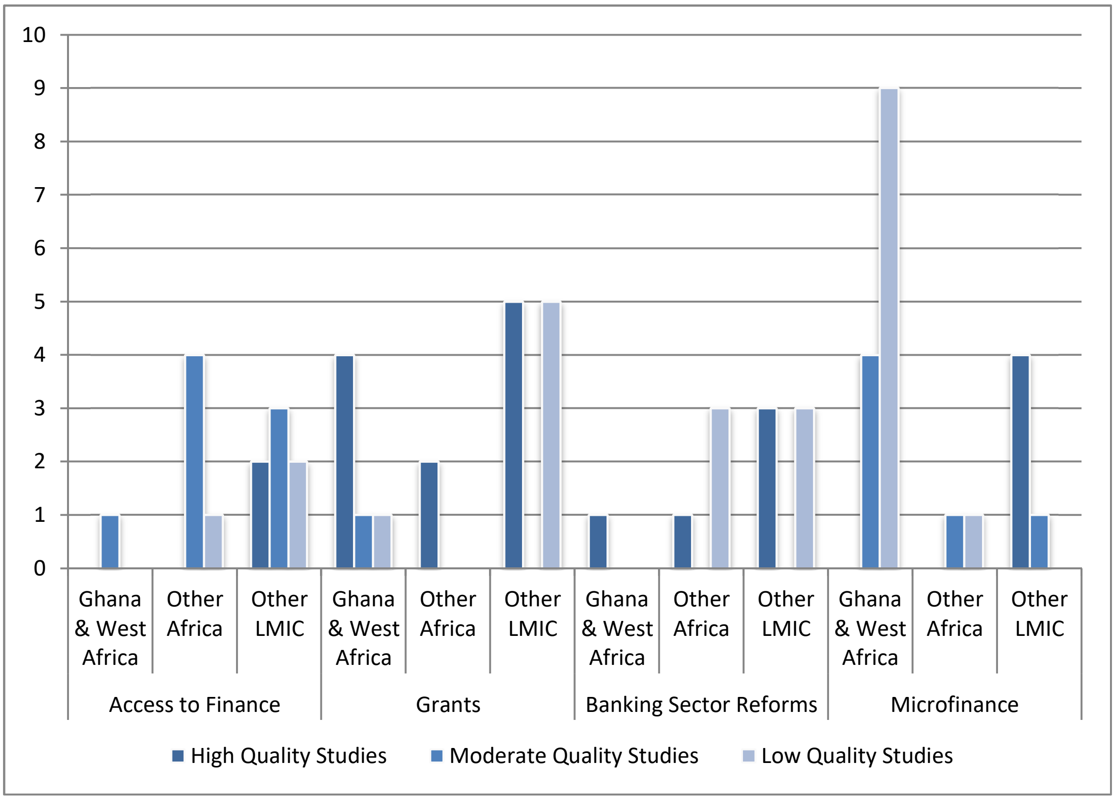


Nineteen studies were found focusing on micro and very small enterprises (i.e., generally up to five employees). These studies were only included in the review where they were found to provide some insight into the growth and transition of small enterprises into medium-sized enterprises.

3.2 INTERVENTION THEMES

The figure below provides an overview of the selected studies, based on their location and summarising the number of studies according to the intervention type they examined and the size of enterprise. This figure does not include any studies categorised as indirectly relevant; only those that are considered directly relevant to the research question are included.

Figure 12: Number of studies by location and intervention



A wide range of possible interventions was included in the evidence search. However, it was possible to categorise the spectrum of studies found overall into four broad intervention themes:

- Access to finance: 13 studies;
- Grants: 18 studies;
- Banking sector reform: 11 studies; and
- Microfinance: 20 studies.

These are discussed in more detail in the following chapter.

The small number of High and Moderate Quality studies do not make it possible to provide strong evidence on the sustained effect on any specific programme intervention on enterprise growth and transition published between 2007 and 2017. However, drawing from all the studies reviewed, there is some evidence to show how specific programme interventions may be considered. While it is important to distinguish between the evidence provided by studies of different qualities, the results of all studies are valuable because they present the current range of findings from an apparently under-researched field. In addition, while the search procedure and quality assessment was as objective as possible, it does have limitations (see below).

The intervention categories above suggest there are more studies dealing with microfinance than any other single category. These are predominantly of Low Quality. It should be remembered that only studies dealing with microfinance and its effects on firms, mostly but not exclusively microenterprises, were included.

In terms of target groups, the largest category is SMEs, reflecting the search procedure. However, the precise definitions of the size classes used in these studies are likely to vary.

The next largest target group category was microenterprises, which in some cases included household enterprises and informal enterprises run from home. There were a few studies dealing with MSEs and some with MSMEs.

Figure 13: Study citations by location and intervention

Access to finance			
Quality	**Ghana & West Africa**	**Other Africa**	**Other LMIC**
HIGH ↑	None	None	Ayyagari, et al. (2016↑), Martinez Peria and Singh (2014↑)
MODERATE →	Grimm, et al. (2016→)	Atieno (2009→), Kinda and Loening (2008→), Loewe, et al. (2013→), Mthimkhulu and Aziakpono (2015→)	Aterido, et al. (2007→), McKenzie (2009→), Paniagua and Denisova (2012→)
LOW ↓	None	Wekesa Bunyasi, et al. (2014↓)	Stickney, C. (2016↓), World Bank Group (2014↓)
Grants			
Quality	**Ghana & West Africa**	**Other Africa**	**Other LMIC**
HIGH ↑	Fafchamps, et al. (2013↑), Fafchamps, et al. (2011↑), McKenzie (2016↑), Karlan, D et al. (2014↑)	Campos et al. (2012↑), Fiala (2015↑)	Bruhn and McKenzie (2017↑), de Mel, et al. (2009↑), de Mel, et al. (2008↑), McKenzie, et al. (2016↑), McKenzie and Woodruff (2008↑)
MODERATE →	Osei-Assibey (2010→)	None	None
LOW ↓	IFAD (2012↓)	None	Andersson, et al. (2014↓), Coffey International Development (2013↓), O'Riordan, et al. (2013↓), SEAF (2011↓, 2007↓)

Banking sector reforms			
Quality	**Ghana & West Africa**	**Other Africa**	**Other LMIC**
HIGH ↑	Alimi, et al. (2016↑)	Beck and Cull (2016↑)	Banerjee and Duflo (2014↑), Bauchet and Morduch (2013↑), Oh, et al. (2009↑)
MODERATE →	None	None	None
LOW ↓	None	Gibson (2016↓), Fanta (2012↓), Tumwine, et al. (2015↓)	IFC (2014a↓, 2014b↓), Kopyta and Domenech (2013↓)
Microfinance			
Quality	**Ghana & West Africa**	**Other Africa**	**Other LMIC**
HIGH ↑	None	None	Augsburg, et al. (2015↑), Banerjee, et al. (2015↑), Karlan and Zinman (2009↑), Skoufias, et al. (2013↑)
MODERATE →	Alhassan (2016→), Grimm, et al. (2012→), Peprah, et al. (2016→), Steel and Tornyie (2010→)	Gubert and Roubaud (2011→)	Kondo, et al. (2008→)
LOW ↓	Alabi, et al.,(2007↓), Anane, et al. (2013↓), Awuah and Addaney (2016↓), Boateng and Boateng (2014↓), Edafiaje (2011↓), Fauster, et al. (2014↓), Independent Evaluation Group (2016↓), Quaye, et al.,(2014↓)	Rotich, et al. (2015↓)	None

3.3 LIMITATIONS

This REA developed agreed search strings and inclusion and exclusion criteria. After the systematic search of publishing platforms and institutional websites, the Project Team took three steps to refine the search. First, they snowballed, delving into the references in studies included in the search to find some relevant studies that met the inclusion criteria but that had not turned up in the search. Second, they did hand searches, looking for relevant publications meeting the inclusion criteria that team members either knew of or were sure could be found on specific topics. Third, the Team Leader contacted a small number of experts in the field to seek out additional relevant studies.

These efforts all produced relevant studies that were added to the analysis to increase coverage, but simultaneously diminish replicability. However, it is still likely that there are studies produced in 2010-15 that are relevant to the research, but were not found in the search or in the additional snowballing, hand searches, or expert contacts. This is most likely a product of the constraints of search terms (additional search strings might be designed to include further relevant publications) and of the limited snowballing and hand searches that were done. These in turn are a function of the resource constraints on the REA. Thus, it is important to emphasise that this REA has limitations in what it has been able to cover and analyse.

CHAPTER 4: THEMATIC SYNTHESIS

This chapter reviews the evidence found related to key themes or programme interventions:

- Access to finance;
- Grants;
- Banking sector reform; and
- Microfinance.

A range of actors may initiate these interventions. While donor and development agencies often design and support programmes and services in conjunction with their partners, there are also cases where developing country governments, commercial banks and large multinational organisations have initiated programmes to improve the opportunities for SME growth. Each of these actors can influence the access SMEs have to finance and other services and can drive change in these markets.

4.1 ACCESS TO FINANCE

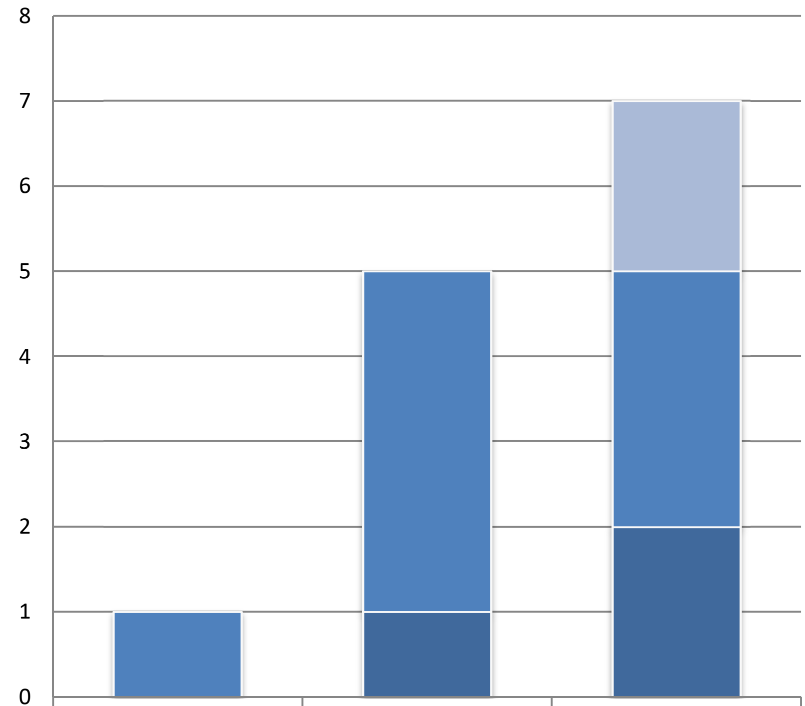
To some extent, all studies assessed in this review consider the problem of access to finance. The objective of enterprise development programmes and services is to address the barriers to growth, in particular the lack of access to finance. However, in this section attention is given to evidence regarding the impact improved access to finance has on enterprise growth. This includes a consideration of the effect of non-financial factors on enterprise performance.

Only two High Quality studies were found dealing with the effects of access to finance on enterprise growth and neither of these was conducted in African economies. Most of the other studies were of a Moderate (8) or Low (3) Quality.

See figure on the following page.

Seven studies use data from the World Bank Enterprise Surveys (WBES) to assess the effect access to financial services has on enterprise growth, including two studies that used Investment Climate Survey data. See Section 4.7 for a discussion on methodologies.

Figure 14: Range of evidence by location and quality: Access to finance



	Ghana & West Africa	Other Africa	Other LMIC
High Quality Studies	0	0	2
Moderate Quality Studies	1	4	3
Low Quality Studies	0	1	2

4.1.1 Observations on the body of evidence: Access to finance

Very little High Quality evidence was found isolating the problem of finance and demonstrating the effect this has on firm growth. There are many studies describing the problem small enterprises have in obtaining the inputs they require for growth or transition. The lack of access to finance is one of the most often cited obstacles to firm growth, especially in LMICs. This REA focuses on those studies with clear evidence of the impact or scale of this problem, as measured in terms of its effect on enterprise growth and transition.

The figure below provides a summary of the main findings related to access to finance. It shows a generally weak body of evidence on this topic, with four High and Moderate Quality studies providing evidence of a positive effect of access to finance on firm performance. Four Moderate Quality studies provided mixed findings.

Figure 15: Quality of evidence: Access to finance and firm growth

IMPACT	FINDING AND QUALITY OF EVIDENCE	Total
Effective	**Introduction of credit bureaus** Two High Quality studies	Two (2) High Quality studies Three (3) Moderate Quality studies Two (2) Low Quality studies
	Improving linkages between SMEs and financial institutions One Moderate Quality study	
	Poor business environments reduce access to finance and affect firm performance Three Moderate Quality studies	
	Increased access improves firm performance Two Low Quality studies	
Promising	None	None
Mixed	**Poor business environments reduce access to finance and affect firm performance** Four Moderate Quality studies	Four (4) Moderate Quality studies
Ineffective	None	None
Inconclusive	**Risk mitigation schemes can deter growth-oriented investments** One Moderate Quality study	One (1) Moderate Quality study

As figure 15 above shows, there is inconclusive evidence regarding the influence finance has on enterprise growth when compared to other non-financial constraints. In some cases this is because there are other factors influencing enterprise growth (e.g., poor investment climate and business environment), which increase the cost of business and reduce their ability to access to markets, including input markets, such as finance. In other cases this is because SME growth is directly constrained by inadequate access to finance: commercial banks consider the SME sector too risky, which affects the access and cost of commercial SME finance. Beyond business environment and investment climate reforms, most non-financial constraints to growth are addressed through the provision of BDS. This evidence is presented in Section 4.2.

In the studies discussed below, small enterprises are found to be more vulnerable to the other 'non-financial' constraints to growth than larger firms. However, much of this evidence is based on perceptions and correlations. For example, while Aterido, et al. (2007→), Loewe, et al. (2013→) and Kinda and Loening (2008→) show how larger firms rate problems with infrastructure, crime and telecommunications as greater than access to finance, there is little empirical evidence to suggest these factors are indeed more or less important to growth. What is clear is that SMEs face more obstacles accessing finance than larger enterprises (see Beck and Cull 2016↑ and Paniagua and Denisova 2012→). Thus, in the search for other non-financial obstacles to growth, it becomes difficult to isolate individual effects on enterprise performance. While poor SME growth may reduce the demand for SME finance, shallow under-developed SME finance markets also reflect a range of other structural problems in the economy.

The only two High Quality studies dealing with access to finance focussed on the role of credit bureaus. The Moderate Quality studies present a broader spread of findings, summarised below.

Poor business environments reduce access to finance and affect firm performance

Seven Moderate Quality studies described a range of factors affecting enterprise performance. These factors included investment climate and business environment constraints as well as inadequate business management capabilities.[8]

Firm level data from 70,000 enterprises across 107 countries drawing from the WBES found poor access to finance is a major bottleneck to job creation at the firm level, along with weak business regulations, corruption and, to a lesser extent, inadequate infrastructure. MSEs had less access to formal finance and pay more in bribes than larger firms. Moreover, MSEs face greater interruptions in infrastructure services, while larger firms spend significantly more time dealing with officials and red tape. A weak business environment shifts the size distribution of firms downwards. Lack of access to finance was found to reduce the employment growth of all firms, especially micro and small firms, while corruption and poor access to infrastructure was found to reduce employment growth more among medium and large firms. These results suggest that significant reforms to the business environment, including the finance sector, are needed to spur micro firms to grow into the ranks of the SMEs (Aterido, et al., 2007→).

In Egypt, the scarcity of medium-sized enterprises was not found to be the result of insufficient enterprise growth or transition, but rather a consequence of the downsizing of medium enterprises. Loewe, et al. (2013→) describe how the business environment, notably problems in state-business interactions such as licensing, taxation, inspections, and competition control, constrain enterprise survival and growth. These problems are mainly due to deficits in law enforcement, rather than in the cost of time and money required to comply. The authors suggest the main problems for upgrading SMEs in Egypt are: human capital deficits, the lack of motivation and readiness to take risks, poor market research, the inability to deal with persistent deficits in the rule of law, and inadequate access to finance. Only a few SMEs manage to circumvent these obstacles through skilled business management. Furthermore, the reluctance of Egyptian entrepreneurs to co-operate with each other means they do not benefit from the advantages of vertical or horizontal business linkages.

8 These findings confirm generally established empirical research which shows that while access to finance is an important growth constraint for SMEs, financial and legal institutions play an important role in relaxing this constraint, and that innovative financing instruments can help facilitate SMEs' access to finance even in the absence of well developed institutions. For example, Beck and Demirguc-Kunt (2006, NA) show that a competitive business environment, of which access to finance is an important component, facilitates entry, exit and growth of firms and is essential for the development process. They argue for business environment reform for all firms to promote a large SME sector.

A study of nonfarm enterprises in rural Tanzania describe a low-return sector struggling to compete in a difficult business environment, where some 28 per cent of rural households have at least one family member working in a rural nonfarm enterprise. Using data from the World Bank's Rural Investment Climate Survey (i.e., WBES), collected by the National Bureau of Statistics, this study finds better access to finance, infrastructure and cell phone communication is significantly correlated with higher enterprise employment growth. Even marginal improvements of the rural investment climate, they say, matter. Perceived constraints and constraints measured with objective data at the community-level are largely consistent, suggesting some robustness of the empirical results. However, this was the first analysis of rural enterprise dynamics of its kind in Tanzania and the conclusions should be taken carefully (Kinda and Loening, 2008→).

An analysis of WBES from South Africa (2003 and 2007), using sequential multivariate regressions based on a Growth Diagnostics framework, identifies two levels of obstacle 'intensities' and finds access to finance is a relatively less important obstacle, compared with problems arising from crime, electricity and transportation of goods (Mthimkhulu and Aziakpono, 2015→).

Improving access to finance improves enterprise performance, especially among small firms

Access to finance for SMEs in Africa is a significant problem affecting smaller firms more than larger firms. Using a regression analysis of WBES data to investigate access to finance among a range of firm and country characteristics, Beck and Cull (2016↑) find that enterprises in Africa are less likely to be able to obtain a commercial loan than in other developing regions of the world. Smaller firms were found to be around 30 per cent less likely to have a formal loan than large firms, while medium-sized firms were 13 to 14 per cent less likely. They describe how SME finance in Africa could be improved through an increase in foreign-owned banks, especially those from emerging-market economies, as well as through new financial innovations, including transactional lending instruments such as leasing and factoring.

Beck and Cull (2016↑) identify three segments of enterprises in Africa and describe their different financing needs and profiles. The first are informal microenterprises, which are unlikely to become bankable over the medium- to long-term. These firms seem a natural target group for microcredit institutions and rely more heavily than other enterprises on informal finance providers. This issue is discussed later in Chapter 4 (see Section 4.4). A second segment, medium-sized enterprises, is often well established and participating in export markets. These firms have access to bank finance, but struggle to get access to equity finance, including through financial markets. A third segment is made up of small formal enterprises, some of which might have high growth potential and run by 'transformational entrepreneurs'. These, 'missing middle' firms, are too big for microfinance institutions, but not formal or established enough for banks. These, the authors claim, are the firms most affected by shallow financial markets.

Improving access to finance helps firms expand their operations and can have a positive effect on the quality and number of jobs created. These effects tend to be greatest for smaller firms (Paniagua and Denisova 2012→). Combining access to finance with advisory services was also found to have a more positive effect on employment generation. Thus, by access to finance firms can create jobs through establishment of new businesses and the expansion of existing ones. However, while programme evaluations have led reform efforts in areas such as microfinance, microenterprises, insurance, and regulatory reform, there are, in fact, only a handful of rigorous studies. More evaluations are needed on a wider range of policies in a number of different institutional settings, to learn what works, where and why (McKenzie, 2009→).

Two Low Quality studies described the importance of financial services to firms with a high potential for growth, but provided little evidence or guidance on how these firms could be identified (Stickney, 2016↓, World Bank Group, 2014↓).

Introduction of credit bureaus

Two High Quality studies use WBES data to show how the introduction of credit bureaus has improved access to finance and improved firm performance. In the first study, covering 50,000 firms across 70 developing countries, Ayyagari, et al. (2016↑) find that increased access to finance results in higher employment growth, especially among micro, small, and medium enterprises. For example, they report that firms with access to a loan exhibit employment growth between one and three percentage points higher than firms with no access to finance, while the introduction of a credit bureau increases employment growth by over five percentage points compared to countries where credit bureaus do not exist. These results are robust to using firm fixed effects, industry measures of external finance dependence, and propensity score matching in a complementary panel data set of more than four million firms in 29 developing countries. The effect of access to finance on employment growth is shown to be particularly large for firms in industries that are more dependent on external finance. These effects are all economically large as well as statistically significant. The association between finance and job growth appears to be stronger among MSMEs than among large firms. The authors find that MSMEs and SMEs, which are potentially more financially constrained than large firms given their limited information environment, are particularly likely to exhibit higher employment growth with the introduction of credit bureaus compared to large firms.

In the second study, Peria and Singh (2014↑) use WBES data from 63 countries (2002-2013) and find the likelihood that a firm has access to finance increases with the use of bureaus, while interest rates drop, maturity lengthens, and the share of working capital financed by banks increases. The effects of credit bureau reforms are more pronounced the greater the coverage of the credit bureau and the scope and accessibility of the credit information-sharing scheme. Credit bureau reforms were also found to have a greater impact on firms' access to finance in countries where contract enforcement is weaker. There is also some evidence that the effects of credit bureau reform are more pronounced for smaller, less experienced, and more opaque firms.

Improving access to finance through stronger linkages between SMEs and financial institutions

One Moderate Quality study from two urban centres in Kenya used primary data collected from a sample of small-scale enterprises to examine the nature of linkages between MSEs and financial institutions (Atieno, 2009→). This study also examined the networks among MSEs, and the effect these networks have on enterprise performance. Firms interacting with financial institutions were found to have significantly better profits, greater production volumes and higher initial temporary employment than those businesses without such interaction. Associations help members access certain services, which can help to improve their performance, such as information, finance and support on social issues that may affect their business performance. Linkages between the enterprises and with financial institutions improve access to financial services. Financial services contribute directly either to the development of the business by injecting external funding or by addressing social problems that could affect its financial stability and hence performance. Policies are recommended to strengthen the institutional networks among MSEs and with financial institutions. Firms that belong to associations achieve better performance than those without.

A Moderate Quality study of 370 tailors in Ouagadougou shows that support programmes operating outside of formal financial networks do not necessarily lead to enterprise growth. This study examined the trade-offs faced by entrepreneurs due to the coexistence of modern economic activities and traditional norms and institutions and finds informal solidarity schemes constrain growth by limiting the potential for firms to enter expanding markets. Growth-oriented enterprises stepped away from solidarity sharing networks in order to build up capital in their firms (Grimm, et al., 2016→).

4.1.2 Summary of findings: Access to finance

Many constraints reduce the potential for small enterprises to grow and transition to a larger size class. They include investment climate and business environment constraints as well as the low management capacities of small enterprise owners and managers, in addition to the lack of access small enterprises have to financial services. However, there is very little evidence available on the relative significance of non-financial constraints compared with those associated with poor access to financial services. There are many factors creating shallow SME financial markets and constraining SME growth overall.

Improving access to finance improves enterprise performance, especially among small firms. Improving access to finance helps firms expand their operations and can have a positive effect on the quality and number of jobs created. These effects tend to be greatest for smaller firms.

Enterprises in Africa are less likely to have a loan than in other developing regions of the world. Yet there appear to be new opportunities for increasing SME finance through transactional, asset-based financing instruments such as leasing and factoring.

Combining access to finance with advisory services has a more positive effect on employment generation. Thus, by access to finance firms can create jobs through establishment of new businesses and the expansion of existing ones.

While financial services can support enterprises with a high potential for growth, there is little evidence or guidance on how these firms can be identified.

There are positive effects produced by in-kind grants on the profitability of microenterprises. These include the effects of grants provided through business competitions and from matching-grants for the purposes of purchasing BDS.

While many firms need to improve their management capabilities in order to grow and transition, they are generally unaware of this. Thus, grants have been used to stimulate a demand for BDS. Indeed, some evidence was found to suggest that sustained managerial consulting has a major impact on SMEs.

The introduction of credit bureaus can play an important role in improving the access to finance and the positive effects on firm performance.

The nature of the linkages between MSEs and financial institutions affects enterprise performance. Firms interacting with financial institutions were found to have significantly better profits, greater production volumes and higher initial temporary employment than those businesses without such interaction.

While evaluations have been used to guide a wide range of donor-supported reform efforts in areas such as microfinance, microenterprises, insurance, and regulatory reform, there is only a handful of rigorous studies. Few experimental studies were found and, most researchers have relied on observations and correlations. Very few evaluations measure employment effects. Indeed, more evaluations are needed on a wider range of policies in a number of different institutional settings, to learn what works, where and why.

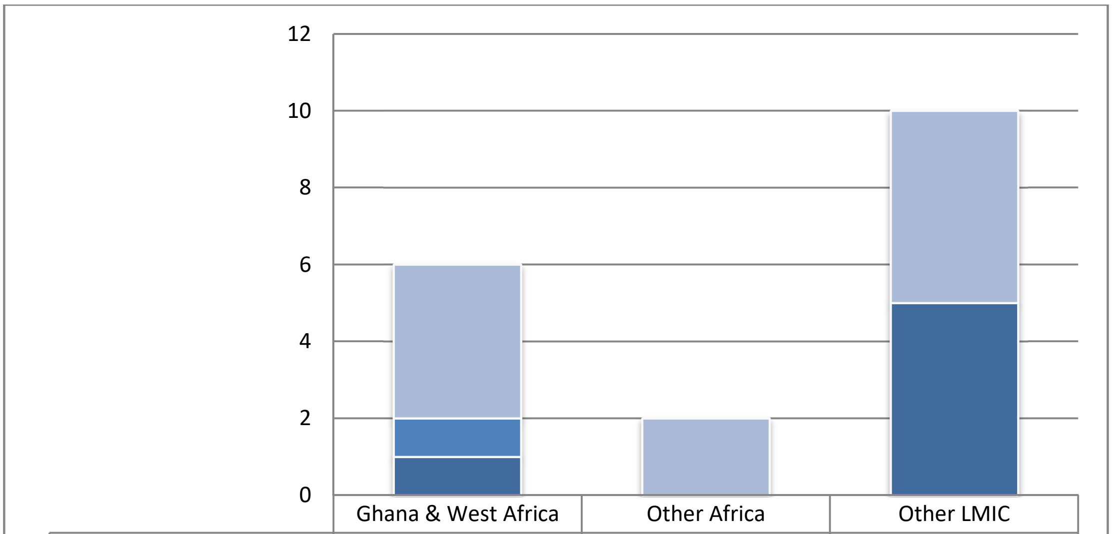
4.2 GRANTS

The one-off provision of funds or BDS was found to have some initial effect on enterprise performance, but this is not typically sustained over time. More results are gained through the use of grants to stimulate markets for BDS and for creating additionalities.

The term ‘grants’ is used to include financial support to SMEs that is provided without the requirement to repay funds. This includes capital grants made on an experimental basis to observe impact and so-called ‘matching grants’, where the enterprise receives funds, but is required to provide some proportion of its own funds to support a growth strategy. Grants include ‘in-kind support’, where inputs are provided to the enterprise free of charge.

There are a relatively high number of High Quality studies in this field. Of the 18 studies found, 11 were High Quality, one Moderate and six Low.

Figure 16: Range of evidence by location and quality: Grants



	Ghana & West Africa	Other Africa	Other LMIC
High Quality Studies	4	2	5
Moderate Quality Studies	1	0	0
Low Quality Studies	1	0	5

The discussion on grants is divided into two parts. First, evidence is presented regarding the use of grants alone to promote SME growth and transition. Then, the evidence on the use and effect of grants to obtain BDS is presented.

4.2.1 Observations on the body of evidence: Grants

Figure 17 below shows a spread in the quality of studies providing very different findings on the impact of grants on enterprise performance. While there are eight High Quality studies reporting that grants do improve enterprise performance, one High Quality study does not confirm this and four High Quality studies are not convinced these effects are found among women-owned enterprises. As the discussion below indicates, there are considerable concerns regarding the long-term effects of one-off capital 'shocks'.

There is considerable literature showing that SMEs tend to be capital-constrained in the imperfect financial markets found in developing countries such as Ghana. Hence, there is strategic importance in increasing the abilities of SMEs to obtain finance for profitable investment and working capital opportunities. However, the evidence also implies the importance of sustained access to finance, since the impact of one-time capital injections tends to diminish over time. Hence an effective programme of intervention to develop SMEs must address the systemic problems of access to finance, as well as facilitating individual SMEs with growth potential to obtain the needed finance.

There is some evidence that the use of funds by household microenterprises is subject to pressure from the household and other demands. Thus, the impact of increased finance on the business may be limited by diversion of funds outside of the enterprise and to other uses, rather than continued investment and reinvestment of funds and profits into the business.

Figure 17: Quality of evidence: impact of grants on enterprise performance

IMPACT	FINDING AND QUALITY OF EVIDENCE	Total
Effective	**In-kind grants to profitable microenterprises** Two High Quality studies	Eight (8) High Quality studies Three (3) Low Quality Studies
	Cash or in-kind grants raise profits for male microenterprises Two High Quality studies	
	Cash or in-kind grants raise profits for credit-constrained enterprises One High Quality study	
	Business plan competition winners One High Quality study	
	Sustained managerial consulting has major impact on SMEs One High Quality study	
	Positive first-year results from matching grants for BDS One High Quality study	
	Most Asian SME grant winners invested additional funds, improved productivity or entered new markets Three Low Quality studies	
Promising	**Grants spur innovation through science-industry collaboration** One High Quality study	One (1) High Quality study
Mixed	**Capital grants do not raise profits for female microenterprises** Two High Quality studies	Eight (8) High Quality studies
	No impact to women in subsistence enterprises Two High Quality studies	
	One-time grants have short-run effects, not long-term One High Quality study	
	Initial impact of loan and training on male microenterprises does not last One High Quality study	
	Grants for consulting advice has short-run effects, not long-term One High Quality study	
	Training helps ensure loan impact for men, not for women One High Quality study	
Ineffective	**No impact of grants** One High Quality study	One (1) High Quality study
Inconclusive	None	None

USE OF GRANTS ALONE

One-off grants improve enterprise performance, but this is not usually sustained

The one-off provision of funds has been found to have some initial effect, but little long-term impact on investment and transformation. While some evidence of an initial boost in enterprise performance was found, this is not typically sustained. Thus, special government SME credit programmes with one-off loans are unlikely to succeed, especially when artificially low interest rates make them unprofitable to financial intermediaries, and do not enhance the firm's long-term access to commercial finance.

Positive effects are less likely in highly competitive, supply-saturated markets. Studies tend to find little or no impact in microenterprises or subsistence businesses (Karlan et al. 2014↑, Fafchamps et al. 2013↑). One problem is that business funds may tend to leak out to many competing demands for household and other uses faced by small business owners. Hence, provision of cash grants is unlikely to have sustained impact on microenterprises.[9] Thus, to achieve business growth, it may be important to restrict grant usage strictly for the business and minimise the risk of diversion into other uses. In contrast, microfinance started out as 'microenterprise finance' for business use only, can be expanded over time to a broader concept of increasing household access to finance for multiple uses.

A number of studies found dealing with grants focus on business plan competitions, where grants are provided to competition winners. This includes the provision of cash-grants to enterprises, with or without BDS support, such as business advice or training. In terms of impact on enterprise performance, no significant difference between cash and restricted in-kind grants has been found (Mel et al. 2008↑, McKenzie and Woodruff 2008↑). The impact on employment in microenterprises is delayed at best and may initially take the form of additional demands on household labour, rather than an increase in paid employees or simply greater labour input by the self-employed owner (see de Mel et al., 2008↑ and Fiala, 2015↑).

Government programmes providing subsidies to MSMEs often seem to attract fewer responses than expected, due to a combination of political capture, over-strict eligibility requirements, and the strict conditions imposed by donors and governments, which make it difficult and burdensome for eligible firms to apply and receive money (see Campos et al., 2012↑).

[9] Cash grants to micro and household enterprises have a substantial propensity to be spent on non-business uses. Self-employed recipients of unrestricted cash grants in Sri Lanka spent 61 per cent on businesses (i.e., two-thirds on inventories, the rest on equipment), nine per cent on household consumption and repairs, and six per cent to repay loans, while saving 12 per cent (de Mel et al., 2008↑). However, in-kind capital injections have been found to 'stick' more readily, especially for women-owned and managed enterprises (see Fafchamps et al., 2013↑).

McKenzie (2015→) investigated whether some self-employed micro-entrepreneurs have the potential to grow beyond ten employees, and whether public policy can help overcome the constraints to such growth. Tracking over three years business plan competitors who were randomly awarded grants compared to the control group, this study shows that winning the business plan competition led to greater firm entry, higher survival of existing businesses, higher profits and sales, and higher employment, including increases of over 20 percentage points in the likelihood of a firm having ten or more workers. These effects appear to occur largely through the grants enabling firms to purchase more capital and hire more labour. Thus, access to capital was found to facilitate moving from the microenterprise to small enterprise category.

Osei-Assibey (2010→) examines the nature of finance to determine if grants (i.e., 'free money'), loans or self-raised finance created different effects for MSE productivity and growth. The study examines which institutional sources (e.g., formal, semi-formal, informal, and self-finance) are more associated with enterprise productivity and finds that loan and debt financing is more associated with a higher productivity edge, compared to grant finance. Debt finance was found to be positively associated with productivity edge of the enterprise, while financing from donation or charity did not. Significant positive associations between a more formal financing source and MSE productivity were also found.

Returns on capital are higher for smaller firms

The underlying rationale for intervening to make finance more readily available to SMEs is that they are capital-constrained and lack access to affordable finance that could help overcome that constraint. There is High Quality evidence of high return to increased capital: Fafchamps et al. (2013↑) find 15 per cent per month return to increased capital in household enterprises (i.e., no paid employees) if they are already profitable, but not to low-return 'subsistence' enterprises.

A major constraint to SME borrowing is persistent high interest rates, which make borrowing unaffordable for most SMEs. For example, in Ghana, even commercial bank loans have persistently been above 10 to 15 per cent per annum real interest rates, and microfinance and savings and loans company rates are even higher.[10] While microenterprises with rapid turnover often may be better able to afford such rates on short-term loans, McKenzie and Woodruff (2008↑) present High Quality evidence that returns to capital increases were higher for microenterprises than SMEs. They used a randomised experiment with data from a panel of microenterprises in the city of Leon, Guanajuato in Mexico over a period of five quarters to measure the effects of a capital shock on firms. They estimate a marginal return to capital of 20 to 33 per cent. The benefit was much higher for financially constrained firms.

10 Currently, the range is from 3.5 to 5.0 per cent per month flat rate. Despite some fluctuations, rates that can be considered abnormally high even by Sub-Saharan African standards have persisted for nearly two decades due to a combination of macroeconomic policies and structural factors.

Finance was found to be less of a constraint for firms that are formal, have more educated owners and have owners whose fathers have previously owned a business.[11]

Enterprise growth requires sustained access to finance and BDS

There are questions regarding the sustainability of impacts from one-time interventions. Karlan et al. (2014↑) tested whether the transformation from micro enterprise to small business is possible by providing substantial cash grants, with and without customised business advice. Although both treatments had positive short-term effects on investment and business practices, these one-time interventions produced no meaningful long run change in firm size. This is the only study found dealing specifically with the effects of programme interventions on size class transitions. Despite increased investment and improved practices in the short term, profits were not found to have increased. Indeed, profits tended to fall, such that the microenterprises reverted to their previous practices.

One question is whether returns to incremental investment in capital are sufficient to repay the costs of borrowing, if SMEs are able to access loans. For own-account micro-entrepreneurs in Sri Lanka, de Mel et al. (2008↑) found that an increase in capital stock in the form of a grant or in-kind support for microenterprises generated a real annual return in excess of 60 per cent, which greatly exceeds the market interest rate on loans being charged by banks and microfinance institutions. However, there is some evidence that returns to capital are lower for SMEs than for microenterprises. McKenzie and Woodruff (2008↑) present an updated study from their earlier assessment on returns to capital for SMEs in Mexico and find SMEs may be less able to afford the relatively high costs of credit from microfinance institutions than are microenterprises.[12]

Evaluations of programme performance

In a High Quality study on grant programmes, Campos et al. (2012↑) finds these programmes are more likely to achieve expected numbers and objectives if they focus on supporting treatments known to be effective, have eligibility criteria that make it easy for firms to apply and procedures that minimise delay in receiving the grant. However, the evidence on programme impacts on enterprise performance is generally weak.

The Low Quality studies dealing with the effects of grants on enterprise performance typically sought to prove the effectiveness of specific programmes. Many of these studies appeared biased and did not present sufficient rigour or objectivity. The International Fund for Agricultural Development (IFAD) (2011↓) assessment of the Rural Enterprises Project in Ghana showed how integrated training, BDS and access to finance for microenterprises, resulted in 19 per cent of firms moving up from one of four stages (i.e., start-up, survival, normal growth, rapid growth), showing substantial improvements in profitability and job

[11] An earlier study, McKenzie and Woodruff (2006 Not Assessed, NA), found the average monthly returns on capital were ten to 20 per cent for firms with capital stock below US$200, but only five per cent for firms with capital stock between US$500 and US$1,000.

[12] McKenzie and Woodruff (2006 NA).

creation. The Small Enterprise Assistance Fund (SEAF) claim the success of their programme in terms of enterprise growth (SEAF, 2011↓) while SEAF (2007↓) claims that the multiplier effects created by these interventions are greater than generally understood.[13] While BDS in the form of financial and business training has been found to improve business practices and performance, the World Bank Group (2014↓) finds that these influences tend to be small, dependent on context and gender, and produce mixed results.

Challenge funds are a particular form of enterprise-oriented grant that have been developed over the last 15 years. These instruments are an increasingly prominent feature of the landscape of international cooperation and development. While this REA is concerned with enterprise challenge funds, the range of funds spans the public and private sectors. Challenge funds have been used to fund the activities of civil society and non-profit organisations, as well as academic research.[14]

An enterprise challenge fund provides public funds to the business sector and aims to mitigate against risk in markets where business innovation can contribute to poverty alleviation. Most challenge funds use matching grants to businesses. The grant is 'matching' because the grant award from the challenge fund is conditional upon leveraging at least a similar magnitude of funding from the enterprise, which can at times be treated as an in kind contribution. This is the mechanism used to share risk between the challenge fund and grantee and ensure grantee ownership of the project.

Most challenge funds evaluations focus on 'relatively easy-to-measure indicators, which are fairly low along the results chain', such as outreach and impact on the commercial viability of grantee businesses (Brain, 2014 NA). While there are a large number of reports monitoring and reviewing challenge funds, there are very few robust evaluations to generate evidence of a quality that allows us to draw conclusions about the broader impacts of these facilities (also see Andersson, et al., 2014↓, Heinrich, 2014 NA and Kessler, 2013 NA).

Challenge funds have encouraged better business practices among grantees because their criteria require solid corporate governance and transparent financial management. Grantees had used grant funds to upgrade internal systems, and learned about community

13 They use a combined set of 18 case studies to show that every dollar invested generates, on average, an additional US$12 in the local economy. The companies profiled generated an average Economic Rate of Return, which includes both the financial and quantifiable social returns, of 66 per cent, versus an average Financial Rate of Return, which includes returns to financiers only, of 21 per cent.

14 O'Riordan, et al. (2013↓) review the work of 50 enterprise and civil society challenge funds operated by international agencies around the world. They refer to the following seven-point definition of a challenge fund: (1) provides grants or subsidies (2) with an explicit public purpose (3) between independent agencies (4) with grant recipients selected competitively (5) on the basis of advertised rules and processes (6) who retain significant discretion over formulation and execution of their proposals and (7) share risks with the grant provider. They find the majority of these funds are operated through a contracted-in fund manager, rather than through commercial finance institutions.

engagement by adopting environmental, social and governance principles. Such experiences can help businesses to improve, prepare entrepreneurs to engage at a higher level in global markets and facilitate interest from foreign investors who expect stricter standards of governance in business partners. However, quality evidence of these results has not been found (Pompa (2013 NA). Most challenge fund evaluations were a Low Quality (see Coffey International Development (2013↓). Donor and development agencies are being encouraged to provide more rigour when measuring the impact of challenge funds (see Heinrich 2014 NA and Kessler 2013 NA).

Davies and Elgar (2014 NA) argue there is confusion when distinguishing between 'enterprise development' and 'business modification' objectives, and the rationales and instruments appropriate to each. While enterprise development involves reducing risks that impede the establishment or expansion of innovative, poverty-reducing SMEs, business modification involves strengthening incentives for the adoption of poverty-reducing business strategies by established (often multinational) firms.

Enterprise challenge funds can be used to stimulate the growth and transition from small firms to medium-sized firms. Indeed, there are Low Quality studies to confirm this. However, enterprise challenge funds are often designed for other purposes, such as the introduction of green growth, climate change mitigation strategies or general firm-level innovations, many of which entail a social investment function. Thus, the measures used to assess challenge funds are often broad and the methodologies are not always reliable.

GRANTS FOR BUSINESS DEVELOPMENT SERVICES

This review has included a consideration of the evidence indicating how a programme intervention can be effectively combined with other non-financial BDS or even other types of financial service. Studies that included BDS were reviewed only if the BDS was introduced as a complement to increased capital (i.e., in-kind or through grants or loans). Only a few studies explicitly introduced BDS in such a way as to assess its impact on the success, increased capital in improving enterprise performance.

Matching grants can be used to build the demand for better business management and support business growth and transition

Matching grants have been provided for beneficiaries to purchase BDS and promote firm-level innovation. The rationale is that firms tend to under-estimate the gains from using BDS, because these gains spill over to other firms or because of credit market imperfections. McKenzie et al. (2016↑) find that innovation produces an intangible asset and the returns to innovation investment are uncertain.

Another High Quality study by Bruhn et al. (2012↑) shows how SMEs tend to over-estimate their need for external financing because of poor managerial and financial accounting practices. Thus, management training and consulting can be seen as both a complement to, and a substitute for, greater access to finance. In a programme in Mexico offering long-term subsidised management consulting, which proved to be highly cost-effective, the authors found SMEs were reluctant to spend on BDS. One rationale for subsidising BDS for SMEs is to overcome this information barrier with the expectation that a positive experience will help build demand for market development. For the typical small entrepreneur with no professional management training, the benefits of sustained management consulting (i.e., four hours a week over 12 months) can be substantial. In their Mexico study, the treatment group experienced an increase in monthly sales by about 80 per cent; similarly, profits and productivity increased by 120 per cent and one fifth of a standard deviation, respectively, compared to the control group. Improvements were also found in some business practices, such as marketing and keeping formal accounts. However, no significant impact was found on employment.

In their High Quality study in Yemen, McKenzie et al. (2016↑) measured the effects of a 50 per cent subsidy towards the cost of procurement of BDS, such as training, technology, products. Operating in an extremely difficult and low-productivity business environment, this study finds the subsidy, which was not associated with any intervention to enhance access to financial services, created a substantial additionality. Most firms, 43 per cent, would not have undertaken the activity without the subsidy or would have done so at a smaller scale, 41 per cent. Only 16 per cent would have taken up the BDS without any subsidy.

BDS impacts vary, requiring careful diagnosis of needs

A number of studies show that the impact of BDS on enterprise growth and transition is not entirely uniform. Not all BDS produces positive results in terms of enterprise performance. However, reviewing the details of these findings suggest that BDS is a broad field involving a wide range of topics and modalities. Thus, there is a need for better information on how BDS needs are defined and on the mechanisms through which BDS is delivered, including whether these services should be provided with or without financial services. The impacts of BDS appear to vary across male and female owned enterprises as well, suggesting there are other influences on enterprise performance across these groups.

Four High Quality studies provide evidence on this. Karlan et al. (2014↑) found that BDS used alongside cash grants did change the pattern of short-term gains, but had no positive long-term effects, and showed a similar pattern when provided without cash grants. However, Bruhn et al. (2012↑) found that sustained management consulting services can have a major impact on SMEs.[15]

In Uganda, Fiala (2015↑) found that for male-run microenterprises, training helps to ensure the short-term results of the loan interventions last, but no such effect was found for women. For men, the effect of the training appears to increase overall employment in the short run, with a substitution towards family employees over time. This suggests that training needs to be paired with a committed capital infusion in order to be effective.

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[15] Assessing the impact of BDS in the absence of increased capital would require a separate, wider review of that literature.

Bruhn et al. (2012↑) studied a matching grant programme in Puebla, Mexico, which was found to produce a higher than usual match rate for consulting services. This involved a 70 to 90 per cent subsidy. The firms receiving the subsidy did not significantly innovate more, but they did do more marketing, improved their accounting and increased sales and profits.

Grants can be designed to create additionalities

An important concern for the cost-effectiveness of grants is the extent to which they provide additionality. This is, do they induce behaviour that would otherwise not have taken place or involved lower expenditure? Do they leverage resources from the firms themselves or from financial institutions, in the case of grants, intended to enhance access to finance?

A High Quality assessment of a programme in Yemen providing a 50 per cent grant for business development and related services found evidence of additionality: most firms would not have undertaken the activity or would have done so at a smaller scale. Only a small proportion would have done so anyway (McKenzie et al. 2016↑). Another High Quality study found that grants for technical innovation activities by consortia of firms or researchers in Poland increased 'the probability of a project being completed by almost 60 percentage points' and quadruples the probability that the project will result in a patent application (Bruhn at al., 2017↑, 3).

Available empirical studies on the firm-level impact of matching grants describe two types of grant: one-off capital grants, either as cash or in kind, providing a 'capital shock' to firms in order to ignite their growth, and cost-sharing schemes designed to increase access to BDS.

One Low Quality study reports on the effects of a programme conducted in Ghana in the early 2000s. While the quality of this study is poor, it supports a broader understanding of the ways in which matching grants for BDS can be used to create additionalities and foster growth in BDS markets. The World Bank and the IFAD introduced a matching grant, which linked to access to affordable finance, providing a partial grant, usually in the range of 20 to 40 per cent, toward the cost of an eligible investment asset purchased by an eligible borrower, on the condition of obtaining a loan from a participating financial institution (FI). Although the loan is at the FI's relatively high market rate, the cost of debt servicing was considerably lowered, compared to a low-interest loan for the full amount, by reducing the size of the loan and the collateral requirements. In some cases, the FI was able to access a long-term line of credit to allow it to make loans with a longer term than usual. The advantages of linking the grant to a commercial loan approval were that appraisal costs were kept low, viability and feasibility were properly checked by professionals, the sustainability prospects were increased because the firm had more working capital finance, and there is a clear disincentive for mere grant-seeking' (IFAD, 2012↓). Although this was a one-off grant, it was designed to facilitate sustained access to finance by linking the borrower to a financial institution that can provide further loans if the client repays satisfactorily.[16] While not a sustainable solution for enterprise financing, this type of matching grant allowed for relatively quick results. The design of this scheme made it possible for grant recipients to become more 'bankable' and to establish lasting linkages with financial institutions (IFAD, 2012↓).

4.2.2 Summary of findings: Grants

Two types of firm-level impacts resulting from matching grants: one-off capital grants, either as cash or in kind, providing a 'capital shock' to firms in order to ignite their growth, and cost-sharing schemes designed to increase access to BDS. While one-off grants improve enterprise performance, this effect is not usually sustained. The one-off provision of funds or BDS can create an initial effect, but with little long-term impact on investment and transformation. Positive effects are less likely in highly competitive, supply-saturated markets. Enterprise growth requires sustained access to finance and BDS. Sustained management consulting services can have a major impact on SMEs.

Cash or in-kind grants can be effective in increasing profits for male microenterprises, but less so for women owned enterprises. Cash or in-kind grants were generally found to raise profits for credit-constrained enterprises.

No significant difference between cash and restricted in-kind grants were found. The impact on employment in microenterprises is delayed at best and may initially take the form of additional demands on household labour, rather than an increase in paid employees or simply greater labour input by the self-employed owner.

Returns on capital are often higher for smaller firms, than for medium-sized firms, and often, microenterprises grow quicker than small enterprises.

Matching grants can be used to build the demand for better business management and support business growth and transition. SMEs tend to over-estimate their need for external financing because of poor managerial and financial accounting practices. Thus, management training and consulting can be seen as both a complement to, and a substitute for, greater access to finance. BDS impacts vary, requiring careful diagnosis of needs. Indeed, the impact of BDS on enterprise growth and transition is not entirely uniform. Not all BDS produces positive results in terms of enterprise performance. The impacts of BDS appear to vary across male and female owned enterprises as well, suggesting there are other influences on enterprise performance across these groups.

Grants can be designed to create additionalities—they can be used to induce behaviour that would otherwise not have taken place and can leverage additional resources from firms and financial institutions.

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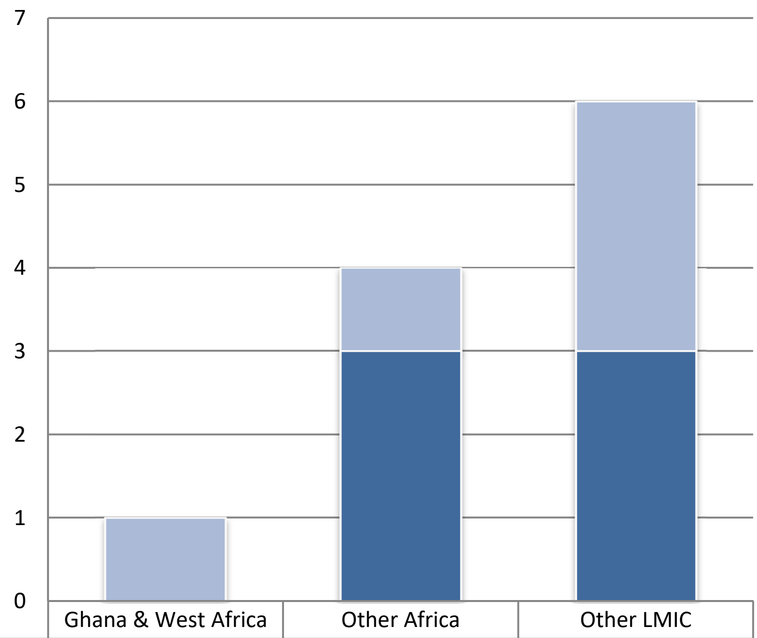
[16] While this programme focused on microenterprises, 68 per cent of beneficiaries were new bank clients and over half of these expected to take out an additional loan (Anyidoho and Steel, 2016 NA).

4.3 BANKING SECTOR REFORM

This category of intervention contains a range of efforts to improve the provision of financial services to SMEs through commercial banks. This includes efforts to deregulate and privatise banks and increase competition in the banking sector. This review is particularly interested in banking sector reforms designed to develop the SME market among banks or to otherwise extend the range of financial products and services to SMEs. This includes the use of guarantees over SME loans and other risk-mitigation strategies, such as insurance.

The figure below shows there were five High Quality, one Moderate and six Low Quality studies found. Only two High Quality studies came from Africa.

Figure 18: Range of evidence by location and quality: Banking sector reform



	Ghana & West Africa	Other Africa	Other LMIC
High Quality Studies	1	1	3
Moderate Quality Studies	0	0	0
Low Quality Studies	0	3	3

4.3.1 Observations on the body of evidence: Banking sector reform

All these studies found a strong link between improvements in the banking sector and enterprise performance.

Figure 19: Quality of evidence: Effect of banking sector reform on enterprise performance

IMPACT	FINDING AND QUALITY OF EVIDENCE	Total
Effective	**Banking reforms lead to enterprise growth** Three High Quality studies	Three (3) High Quality studies Three (3) Low Quality studies
	IFC efforts to improve SME finance in commercial banks Three Low Quality studies	

Promising	None	None
Mixed	**Bank guarantees do not necessarily improve productivity** One High Quality study	One (1) High Quality study
	Financial deepening One Low Quality study	One (1) Low Quality study
Ineffective	None	None
Inconclusive	None	None

Improved banking competition leads to SME growth

Four High Quality studies provide evidence on the positive effects of banking sector reforms on SME growth. In an investigation of the impact of banking policy changes on firm growth in India, Banerjee and Duflo (2014↑) find that banking reforms led to increased credit, which was put to productive purposes. They assess firms that became eligible for credit as a result of a policy change in 1998, and then lost this eligibility as a result of the reversal of this reform in 2000. These are compared with smaller firms that were already eligible for the preferential credit before 1998 and remained eligible in 2000. Comparing the trends in the sales and the profits of these two groups of firms, the authors show there is no evidence that directed credit is being used as a substitute for other forms of credit. Instead, the credit was used to finance more production.[17]

Another High Quality study from Nigeria found that increased commercial lending to SMEs had a major impact on output growth. Alimi, et al. (2016↑) studied the link between SMEs credit financing, financial development and economic growth in Nigeria from 1970 to 2013. Among all financial indicators considered, the result showed that money supply largely account for increases in output growth. The authors conclude that commercial bank credit to SMEs has a direct impact on Nigeria's economy and through the monetary sector.

In a High Quality study focusing on SME finance in Africa, Beck and Cull (2016↑) examine the impact of banking sector reforms and find that firms in more densely populated countries are more likely to obtain a bank loan.[18]

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17 There was a large acceleration in the rate of growth of sales and profits for these firms in 1998, and a corresponding decline in 2000. There was no change in trends around either date for the small firms. This suggests that many of the surveyed rms had been severely credit constrained and the marginal rate of return to capital was very high for these rms. There is some discussion regarding the public-owned nature of the banks at this time and whether this led to non-optimal lending decisions. However, this is discounted because almost a quarter of the total credit to firms in the economy came from private banks, including a number of multinational banks. If the entire under lending was a product of the irrationality of the public bank, any of these private banks could have stepped in.

18 No significant relationship between foreign bank penetration and access to credit within Africa, was found. However, 'a more granular view is needed'. While the share of foreign-owned banks has increased over the past twenty years, the composition of the foreign bank population has changed significantly, with a higher share of banks from other emerging markets, including from within Africa. These banks can bring expertise from similar markets

Subsidies to bank finance can lever additional credit

One High Quality study of microcredit and SME finance in Bangladesh examines the cost-effectiveness of lending to SMEs to reduce poverty through employment and finds the outcome partially depends on how well SME lenders can take advantage of investments or subsidies. Subsidies, which are allocated to a bank or financial institution and passed on to the lending SMEs, can help lever additional capital, which multiplies the impact of the subsidy. The evidence presented rejects the idea that SME finance more efficiently creates jobs for the population currently served by microcredit (Bauchet and Morduch, 2013↑).

Leasing offers unexplored potential

Beck and Cull (2016↑) claim that leasing can be a prominent instrument for SME financing, especially for Africa. However, no evidence of the impact of leasing on firm performance is provided. The authors argue that the collateral requirements for SME finance have been well documented as one of the main impediments that prevent African SMEs from accessing traditional forms of financing needed to acquire machinery and equipment. Leasing is asset-backed and its applications are often assessed based on the project's capacity to service lease payments. Accordingly, businesses and entrepreneurs that are denied traditional banking and commercial credit due to their lack of credit history and inability to provide sufficient guarantees can find a new financing alternative in the leasing market. This can also bring more businesses into the formal sector. In addition, unlike bank credit, leasing directly provides the asset instead of financial resources needed to acquire it, which reduces the possibility to divert funds from their intended purposes. Leasing contracts involve less paperwork and more relaxed credit requirements as well, which leads to shorter waiting periods than for bank loans.

Bank guarantees do not necessarily improve productivity

One High Quality study from Korea evaluates the effect of credit guarantees in Korea and finds that while credit guarantees significantly influenced supported firms to maintain their size in terms of sales and employment, and increase their survival rate, they did not help firms to increase their R&D and investment and hence, growth in productivity (Oh, et al. (2009↑). [19]

Programme evaluations (Low Quality)

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with them, while having the advantage of less organisational and hierarchical distance to their parent banks.

19 The study uses propensity-score matching to estimate treatment impact. However, the danger is that it assumes the process through which the firm receives a guarantee, or not, can be adequately captured by a set of observable variables on which the firms are matched. This requires a high level of discretion and a detailed knowledge of how the programme was actually implemented. Earlier data used by Oh et al. (2008) does not do this and with only data from one year (2000) provides a relatively limited set of firm characteristics. This suggests one should be cautious in accepting their results.

A number of Low Quality studies provide general evidence on the impact of financial sector reforms. A review of the Financial Sector Deepening programme in Kenya found mixed results, largely because the progress in working with commercial banks to develop SME finance capacity was much slower than expected.[20] This was because of the time required to manage organisational change and the need to create the right internal incentives to mitigate the increased risks and costs associated with SME financing (Gibson 2016↓). Another study from Ethiopia found that banking sector reforms did not lead to improved access to finance by SMEs, except for those with collateral. This was mainly attributed to a lack of understanding of the SME market Fanta (2012↓). The World Bank Group (2014↓) confirmed the problems experienced in designing and managing interventions to promote greater inclusion by MSMEs in the commercial banking sector. In Uganda, Tumwine, et al. (2015↓) undertook correlation and regression analysis to find how the cost of borrowing (i.e., interest rate and loan processing costs) affects SME performance.

The International Finance Corporation (2014a↓b↓) reports on its interventions in the banking sector in Lebanon and Pakistan, respectively, while Kopyta and Domenech (2013↓) present evaluation results from Latin America. The IFC suggest its results support the view that SMEs are vital and have the potential to contribute significantly to job creation and recommends that financial institutions continue supporting SMEs through financing and other services to promote sustained job growth.

4.3.2 Summary of findings: Banking sector reform

There is no evidence that directed credit resulting from banking reform is used to substitute for other forms of credit. Instead, credit is used to finance increased production. Previously severely credit constrained SMEs exhibited a very high marginal rate of return.

Banking sector reforms that increased competition were found to improve the flows of credit to SMEs. These shocks in commercial bank credit to SMEs have a major impact on the sales and profits. However, not all studies found banking sector reforms led to increased flows to SMEs. In some cases, only those firms with collateral were found to have relatively better access.

Firms in more densely populated countries were more likely to obtain a bank loan, while the income level is not significantly associated with the likelihood of having a loan.

Progress in developing banks’ SME finance capacity can take a lot of time. Reforms are not achieved through discrete one-on-one pilot projects. The process requires significant change

[20] The programme was established in 2005, with support from DFID, the Swedish International Development Agency (SIDA), and the Bill and Melinda Gates Foundation, to support the development of financial markets to stimulate wealth creation and reduce poverty. Working in partnership with the financial services industry, the programme has sought to expand access to financial services among lower income households and smaller enterprises. Within this broad programme, the GrowthCap project was developed to improve the delivery of bank loans to SMEs. There has not been any evaluation undertaken of the impact of the GrowthCap programme or FSD on enterprise growth, transition or performance.

within banks and across different departments. Incentive structures also have to be changed. On their own, banks typically have little incentive to open themselves to the increased risks and costs associated with SME financing.

Direct government interventions in the credit market, such as directed lending programmes and risk-sharing arrangements, can have positive effects on the access of SMEs to finance and growth, but it can be difficult to design and manage the interventions properly.

Credit guarantees, for example, can improve firm survival rates, but do not necessarily help increase R&D, investment or productivity.

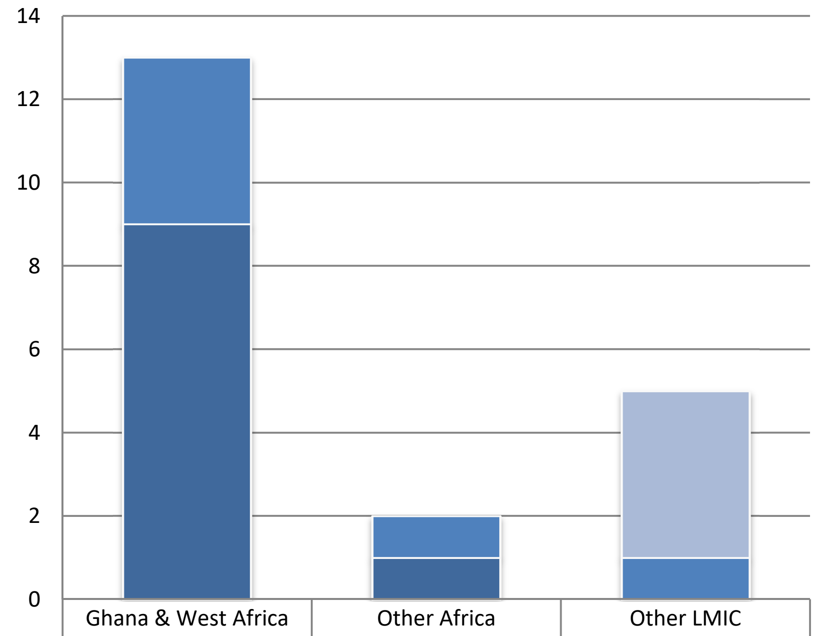
4.4 MICROFINANCE AND TRADITIONAL FINANCE MECHANISMS

While this review has focused on interventions affecting the growth and transition of small firms into medium-sized firms, some relevant evidence on the use of microfinance and traditional finance mechanisms has been found.

While there is a significant body of evidence on the use of microfinance, microenterprises are not the primary focus of this REA. However, the evidence relating to the design, use and monitoring of these interventions can be of interest when considering how to support the transition of enterprises to a larger size class. There is High Quality experimental and quasi-experimental research, which provides evidence on the use of microfinance strategies and interventions directed toward SME growth.

Half of the studies (i.e., ten studies) found on this topic are of Low Quality and most of these (i.e., nine studies) deal with Ghana and West Africa. The four High Quality studies found dealt with other LMICs.

Figure 20: Range of evidence by location and quality: Microfinance



	Ghana & West Africa	Other Africa	Other LMIC
High Quality Studies	0	0	4
Moderate Quality Studies	4	1	1
Low Quality Studies	9	1	0

4.4.1 Observations on the body of evidence: Microfinance

The figure below shows a spread of evidence linking microfinance and improvements in enterprise performance and growth. The High Quality evidence is ambiguous, with only one study finding a clear link and three studies finding a mixed or ineffective effect. The Moderate evidence, comprising five studies, is similarly disbursed, while the Low Quality studies tend to make the claim of a positive effect more frequently: four studies do this.

Figure 21: Quality of evidence: Microfinance

IMPACT	FINDING AND QUALITY OF EVIDENCE	Total
Effective	**Lending through formal institutions can produce better enterprise performance** One High Quality study	One High Quality studies, five (5) Low Quality Studies
	Microfinance supports enterprise performance Five Low Quality Studies	
Promising	**Microfinance can moderate the effects of external shocks** One Moderate Quality study	One (1) Moderate Quality study
Mixed	**Microfinance may support enterprise growth under certain conditions** Two High Quality studies One Moderate Quality study Four Low Quality studies	Four (4) High Quality, one (1) Moderate Quality study, and four (4) Low Quality

		studies
Ineffective	**Microfinance supports enterprise performance** One Moderate Quality study	One (1) Moderate Quality study
Inconclusive	**Microfinance supports growth under certain conditions** One Moderate Quality study	One (1) Moderate Quality study

Lack of collateral that meets strict commercial bank requirements is frequently cited as a major barrier to SME access to bank loans.[21] Microfinance institutions typically address this problem by being more flexible in accepting non-traditional forms of security, including personal guarantees. These methods tend to focus more on business cash flows and use methods, such as incremental increases in loan amount, to establish a track record. Thus, there is a branch of microfinance that is relevant to understanding how credit-constrained enterprises at the smaller end of the size spectrum can access the services they require to grow and transition.

It is unclear whether microfinance services supports enterprise growth overall

The High Quality studies on this topic show mixed results. While microfinance services are most effective when they target more established, growth-oriented firms, this cannot be said for all microenterprises. For example, one High Quality study in Hyderabad, India described a set of preconditions and specific characteristics required if the effects of microfinance were to lead to improvements in business performance. Banerjee et al. (2015↑) study microfinance in households and consider the impact of microcredit on businesses, typically microenterprises. The study involves a randomised evaluation of a group-lending microcredit programme. While business profits were not found to increase for the vast majority of businesses, there were significant increases among enterprises under certain conditions. These conditions included business skills, business management systems, locations, and sectors.

A High Quality experimental study in Manila (Karlan and Zinman, 2009↑) found mixed results from providing microcredit to household and microenterprises. However, the findings show how certain kinds of enterprises perform better than others. In this case, the size and scope of the treated businesses was found to shrink, often as the enterprises shed their unproductive workers, particularly family members. This was especially the case among

[21] In Ghana since 1993, savings and loan companies have served as a type of licensed non-bank financial institution and have explicitly focused on MSMEs. Hence, there is a ready platform of institutions interested in MSME finance—some backed by universal banks that could accommodate successful SMEs that transition to larger scale. See Institute of Statistical, Social and Economic Research (ISSER) and Ernst & Young (2007 NA) and Murinde, 2012 NA).

male borrowers. One explanation given is that increased access to credit reduces the need for 'favour trading' within family or community networks. The authors also highlight the under-studied interactions between credit access and risk-sharing mechanisms, which theorists, policymakers and practitioners often consider less important. This study highlights the need for more evidence on how microenterprises use the credit they can access to mitigate risk and the indirect influence this may have on business performance. Another study from the Philippines, a Moderate Quality quasi-experimental study on the effects of microfinance on households and individuals, found that microfinance programmes increased the number of enterprises established and people employed in these enterprises as a result of the programme. However, no evidence on the impact of these interventions on enterprise performance is provided (Kondo et al., 2008→).

A High Quality experimental study of 1,196 microenterprises in Bosnia and Herzegovina found that the firms that benefited the most from loans were initially more business focused and better established. These enterprises, which existing finance providers generally considered too risky, were more likely to convert their loan into business profits, than newer, less mature, more survival focused enterprises (Augsburg et al., 2015↑). While this study shows mixed results in terms of the impact of microfinance on business profits, with only the effect on the better-established enterprise (i.e., the top one per cent of the sample) being positive and significant.

In a Moderate Quality study from Ghana, Peprah and Ayayi's (2016→) find a positive causal link between the provision of credit and small enterprise performance. The study uses two rounds of survey to examine the relative returns to micro-credit for small enterprises in two regions of Ghana, comparing the impacts of micro-credit on client sales, stock, expenses, and profit with non-clients. Propensity score matching is used to assess the return to micro-loans on retail businesses of clients and non-clients. Micro-credit was found to positively affect enterprise performance. Women-owned enterprises produced higher returns from micro-credit than men-owned businesses. Another Moderate Quality study from Ghana assesses the effect of microcredit from microfinance institutions on women-owned microenterprises in the Tamale Metropolis. This study found a small effect on enterprise performance and argued that microfinance institutions should review their interest rates, loan repayment schedules and loan amounts if they wish to improve their outcomes in terms of enterprise performance (Alhassan, 2016→ and Anane et al., 2013↓).

Four other Low Quality studies from Ghana suggest a positive impact of microfinance institutions on microenterprise performance (Boateng and Boateng, 2014↓, Fauster, 2014↓, Quaye et al., 2014↓, Alabi et al., 2007↓, and Rotish et al., 2015↓). Another Low Quality multi-country study found microcredit was not enough to spur microenterprise investment and growth, in part, because borrowers have heterogeneous growth prospects, lack managerial capacities and face regulatory barriers and psychological or behavioural constraints (World Bank Group, 2014↓). However, there has been some success in developing new business models and product designs to respond to the needs of micro and small firms. Leveraging relationships can be vital and novel mechanisms to deliver credit through retail chains or large suppliers, while relying on payment histories to make loan decisions and lowering costs by using existing distribution networks.[22] One Low Quality study on the role of microfinance institutions in financing small-scale enterprises in Delta State, Nigeria provided generally weak evidence suggesting that microfinance interventions produced an increased level of credit disbursement and gains in agricultural production and other non-farm activities (Edafiaje, 2011↓).

The evidence in these studies is weak due largely to concerns with their methodological frameworks and analysis. Typically, these studies use firm-level surveys and statistical analysis, based largely on observation, which typically attempt to demonstrate a correlation between identified variables, or the lack of a correlation, but do not provide robust evidence of a causal link. A number of these studies also present policy and programme recommendations, which are not supported in sufficient detail by the evidence they present.

Credit from formal institutions may improve business performance

One High Quality study of 9,664 urban-based microenterprises in 27 states in Brazil did not find evidence that an increased supply of microcredit improved firm performance. However, this natural experimental study did find that those enterprises accessing credit from formal sources were more likely to re-invest these funds in the enterprise and produce higher returns (Skoufias et al., 2013↑).[23] The study finds no conclusive proof that access to credit leads to an increase use of financials services by microenterprises, nor that this leads to improved business performance (i.e. larger business profits and more employees). Returns were larger and higher for female-owned firms than male-owned firms. However, existing businesses run by males employ significantly more workers after taking formal credit, while firms owned by women do not. These gender variations suggest factors beyond access to finance alone influence enterprise performance. However, the study provides no explanation of this.

Microfinance can be used to manage external constraints

A Moderate Quality quasi-experimental study on the impact of microfinance institutions on small informal enterprises in Antananarivo, Madagascar found that microcredit interventions mostly helped the larger-sized microenterprises to manage their fixed costs in an unfavourable economic context, brought about by economic recession and political instability (Gubert and Roubaud (2011→). Another Moderate Quality study focusing on the

[22] An example of this is found in Sutton and Kpentey (2012) who describe the Bonwire kente weavers in Ashanti and its role as a textile cluster of more than 100 people. The high cost of inputs and competition from imported garments is a major challenge, with the influx of imported textiles, some of which infringe local brands, being a major concern. Limited access to finance is cited as a serious challenge. The cluster aims to organise the weavers into credit unions to improve access to finance to expand their operations. Since its inception, the cluster has assisted in training in mass-production strategies, subcontracting, and upgrading the technical, marketing and managerial skills of members. However, no evaluation of this programme was found.

[23] This study used a Propensity Score Matching method to compare use of credit from a private or public bank, estimating the 'Average Treatment on the Treated' effect.

small, high-growth, 'credit constrained' enterprises, described as 'informal gazelles', in seven francophone West African countries are unable to grow due to range of business environment factors, including lack of access to finance (Grimm et al. 2012→).

4.4.2 Summary of findings: Microfinance

The evidence described above, particularly the four High Quality studies, show a lack of evidence on whether micro-credit leads to higher business profits for microenterprises. This causal relationship is only identified in some specific settings and for specific microenterprise sub-groups. Secondary outcomes, including changes in enterprise size are only briefly considered and no conclusive evidence is presented.

These results are consistent with those of prior systematic reviews focusing on microfinance (i.e., Stewart et al., 2010 NA and Duvendack et al., 2011 NA). For example, in their systematic review, Stewart et al. (2010 NA) identified only three studies of high quality focusing on micro-credit and none was focused on credit to SMEs. They found only three medium quality studies (i.e., Barnes et al., 2001 NA, Gubert et al. 2005 NA and Nanor et al., 2008 NA) where micro-credit appears to have a mixed-impact on the income of poor people.[24] Stewart et al. (2010 NA) do not discuss the impact of micro-credit on enterprise' size.

Focusing on the impact on poor people's wellbeing, Duvendack et al. (2011 NA) found that microfinance random control trial (RCT) interventions often lack proper randomisation of microfinance allocations and double blinding, a key characteristic of valid RCTs. There were only two RCTs considered relevant and of high enough quality, with only one focusing on the household-level (i.e., Karlan and Zinman, 2009↑). Considering other study designs and focusing on economic outcomes and individual lending, Duvendack et al. (2011 NA) found only one published study matching these criteria (Abou-Ali et al. 2010 NA)[25], but considered this of insufficient quality for the results to be considered. Duvendack et al. (2011 NA) conclude that there is no convincing evidence on the impacts of microfinance on wellbeing. Three out of the four high quality studies identified in this REA were published after these systematic reviews were conducted and complement usefully their results on this specific research question.

While there appear to be sub-groups of microenterprises with a potential for rapid growth (i.e., micro or informal 'gazelles') there are investment climate and business environment constraints that constrain this growth. However, microfinance can be used to help micro and small enterprise manage risk, in particular those risks brought about through unfavourable economic change and political instability.

24 Two studies, Barnes et al. (2001 NA) and Gubert et al. (2005 NA), were published prior to this review's timeframe and Nanor (2008 NA) is a Master's thesis and was not included in this REA.

25 Abou-Ali et al. (2009 NA) was not considered in this review as the study focuses on social impacts (e.g., health, education) on households of a microcredit programme.

4.5 METHODOLOGIES APPLIED

As indicated in Section 3.1, the High Quality studies reviewed are conceptually well framed, clearly positioned within the literature and demonstrated how they contributed to the body of evidence. Fifteen High Quality studies and two Moderate Quality studies applied an experimental or quasi-experimental methodology. These studies typically rated highly because they explicitly sought to establish causality.

A considerable number of studies used data from the World Bank Enterprise Surveys (WBES). This data was established in 2002 and is collected through face-to-face interviews with managers and business owners. Since 2005, most data collection efforts have been centralised within the World Bank Enterprise Analysis Unit. Surveys are conducted using a Global Methodology and over 125,000 interviews in 139 countries have taken place. The surveys use country specific and standardised data. The standardised data is country data that has been matched to a standard set of questions to allow for cross-country comparisons and analysis.

The advantage of this data is in its size and capabilities for cross-country analysis. Beck and Cull (2016↑) describe how an array of new data sources have emerged to enable more rigorous research into operational and growth obstacles facing SMEs. They describe how WBES data has enabled a more granular look at these issues by allowing for differentiation between firms of different size, age, ownership, and geographic location. More recently, these surveys have also been undertaken as panels (i.e., with the same firms being surveyed in subsequent waves), rather than as repeated cross-sectional surveys). This provides additional insights and allows additional hypothesis testing. However, not all the studies using this data were considered High Quality. While High Quality studies such as Ayyagari, et al. (2016↑) used data from 50,000 firms across 70 developing countries and Peria and Singh (2014↑) used data from 63 countries (2002-2013), these studies typically combined the use of WBES data with other sources to come to a clearer view on causal relationships. In other cases, Moderate Quality studies were not able to clearly demonstrate causal relationships.[26] In the case of Beck and Cull (2016↑), WBES was used to gauge access to financial services and the importance of financing constraints for African enterprises. Using regression analysis to relate firms' access to finance to a range of firm and country characteristics, the authors find that enterprises in Africa are less likely to have a loan than in other developing regions of the world.

A handful of studies applied propensity-score matching to estimate the difference in outcomes between beneficiaries and non-beneficiaries within a particular programme intervention. This is typically done to reduce selection bias that may be present in non-experimental data. Oh, et al. (2009↑) propensity-score matching to estimate treatment

[26] For example: Aterido, et al. (2007→) compares WBES data from 70,000 enterprises across 107 countries, Mthimkhulu and Aziakpono, 2015→) uses data from South Africa across two years of data collection (2003, 2007), and Kinda and Loening, 2008→) used data from the Investment Climate Assessment module of the WBES data set in east Africa.

impact of bank guarantees, while Peprah and Ayayi's (2016→) investigate the causal link between the provision of credit and small enterprise performance, using propensity scores to assess the return to micro-loans on retail businesses of clients and non-clients. However, the danger with this method is that the process through which an enterprise is treated or not cannot always be adequately captured by a set of observable variables on which the firms are matched. This requires a high level of discretion and a detailed knowledge of how the programme was actually implemented.

Many programme evaluations scored poorly in this review. This was typically because of an obvious bias in the manner in which the evaluation was conducted or a general lack of detail to fully understand and assess the methods used. McKenzie (2009→) reviews a range of impact evaluations in finance and private sector to identify lessons learned and knowledge gaps. He finds that while evaluations have led reform efforts in areas such as microfinance, microenterprises, insurance, and regulatory reform, there are, in fact, only a handful of rigorous studies. More evaluations are needed on a wider range of policies in a number of different institutional settings, to learn what works, where and why.

Although the experimental methodology is valuable in providing empirical evidence, it can be difficult and costly to carry out. As a result, the time frame may be too short to fully measure effects. Campos et al. (2012↑) describe how publication bias of randomised experiments can occur whereby only those experiments with 'interesting' results get published. They cite several attempts to use experimental methods that failed to assess matching grant programmes in African countries because of 'continued project delays, politicians not willing to allow random assignment, and low programme take-up'. An assessment of SIDA's Challenge Fund experience describes how a three-year period may be far too short to expect the programme to have achieved tangible significant development outcomes and impact (Andersson et al., 2014↓).

CHAPTER 5: DISCUSSION

5.1 OVERALL ASSESSMENT OF THE BODY OF EVIDENCE

There was very little evidence showing the effectiveness of finance and support interventions leading to sustainable transition from small firms to medium-sized firms in LMICs. Any evidence on this topic focuses on other enterprise growth or performance measures, such as sales, profit, productivity, or employment.

There were 62 studies examining the effectiveness of finance and support services: 21 produced evidence from Ghana and West Africa, 13 from elsewhere in Africa and 28 from other LIMCs. Of these, 22 were assessed as High Quality studies, 15 Moderate and 25 Low.

There was no strong evidence on the sustained effect on any specific programme intervention published between 2007 and 2017. Therefore, it is not possible to clearly state what works and why. However, while the body of evidence is generally weak, there are some broad observations that can be made regarding the evidence reviewed, drawing **only** from the High and Moderate Quality studies.

There is some High Quality evidence to suggest that greater access to finance can improve the performance and growth, but this has not been fully substantiated. The High Quality studies within this intervention focused on the effectiveness of credit bureaus in improving access to finance for SMEs and the positive impact this has on enterprise performance (two High Quality studies).

Some correlations were found between improved SME and financial institution linkages and better enterprise performance, but these may not be causal. The enterprises that are able to access credit from formal institutions are more likely to perform better, compared with those accessing credit from informal institutions (one Moderate Quality study). Thus, there may be other factors influencing enterprise performance.

Evidence was found regarding the range of constraints that reduce the potential for small enterprises to grow and transition to a larger size class. These issues include investment climate and business environment constraints as well as the low management capacities of small enterprise owners and managers, in addition to the lack of access small enterprises have to financial services (three Moderate Quality studies).

Evidence was found on the positive effect in-kind grants have on the profitability of microenterprises (two High Quality studies), this includes the effects of grants provided through business competitions (one High Quality study) and from matching-grants for the purposes of purchasing BDS (one High Quality study). Indeed, the evidence suggests that while many firms need to improve their management capabilities in order to grow and transition, they are generally unaware of this. Thus, grants have been used to stimulate a demand for BDS. Indeed, some evidence was found to suggest that sustained managerial consulting has major impact on SMEs (one High Quality study).

Cash or in-kind grants were found to raise the profits of male-owned microenterprises (two High Quality studies), but less so for female-owned enterprises (two High Quality studies). Cash or in-kind grants were generally found to raise profits for credit-constrained enterprises (one High Quality study).

Evidence was found that banking sector reforms lead to enterprise growth (three High Quality studies).

Finally, the evidence that microfinance can be used to improve enterprise performance and growth in inconclusive (two High Quality studies). There are significant variables based on region and enterprise size, age and sector. There is some evidence to suggest that lending through formal institutions produces better enterprise performance for microenterprises (one High Quality study), which is consistent with the finding described above regarding the importance of forging linkages between SMEs and financial institutions.

Four studies were found assessing the determinants to high-growth enterprises. While there is much interest in supporting the development of high-growth gazelles, the evidence on the interventions targeting this group of firms is generally weak. Only two High Quality studies were found to specifically include high-growth firms and their findings are too general to be of use. Indeed, the process for effectively selecting potential high-growth firms before they grow appears to be a major challenge.

Five High Quality studies were found to provide evidence specifically related to women's enterprise development. Most studies suggest that female-owned enterprises grow more slowly and generate lower profits than male-owned enterprises. This is in part associated with lower returns in activities traditionally dominated by women. Overall, women appear to benefit as much as male business owners from financial services. However, there are clearly different factors affecting the performance and growth and transition potential of female owned and managed enterprises.

Figure 22: Summary of the High and Moderate Quality Evidence, by Intervention

Quality of evidence: Access to finance and firm growth	
Effective	**Introduction of credit bureaus** Two High Quality studies
	Improving linkages between SMEs and financial institutions One Moderate Quality study
	Poor business environments reduce access to finance and affect firm performance Three Moderate Quality studies
Mixed	**Poor business environments reduce access to finance and affect firm performance** Four Moderate Quality studies
Inconclusive	**Risk mitigation schemes can deter growth-oriented investments** One Moderate Quality study
Quality of evidence: impact of grants on enterprise performance	

Effective	**In-kind grants to profitable microenterprises** Two High Quality studies
	Cash or in-kind grants raise profits for male microenterprises Two High Quality studies
	Cash or in-kind grants raise profits for credit-constrained enterprises One High Quality study
	Use of business plan competitions One High Quality study
	Sustained managerial consulting has major impact on SMEs One High Quality study
	Positive first-year results from matching grants for BDS One High Quality study
Promising	**Grants spur innovation through science-industry collaboration** One High Quality study
Mixed	**Capital grants do not raise profits for female microenterprises** Two High Quality studies
	No impact to women in subsistence enterprises Two High Quality studies
	One-time grants have short-run effects, not long-term One High Quality study
	Initial impact of loan and training on male microenterprises does not last One High Quality study
	Grants for consulting advice has short-run effects, not long-term One High Quality study
	Training helps ensure loan impact for men, not for women One High Quality study
Ineffective	**No impact of grants** One High Quality study
Quality of evidence: Effect of banking sector reform on enterprise performance	
Effective	**Banking reforms lead to enterprise growth** Three High Quality studies
Mixed	**Bank guarantees do not necessarily improve productivity** One High Quality study
Quality of evidence: Microfinance	
Promising	**Microfinance can moderate the effects of external shocks** One Moderate Quality study
Mixed	**Lending through formal institutions improves enterprise performance** One High Quality study **Microfinance supports growth under certain conditions** Two High Quality studies

	One Moderate Quality study
Ineffective	**Microfinance supports enterprise performance** One Moderate Quality study
Inconclusive	**Microfinance supports growth under certain conditions** One Moderate Quality study

Finally, this review has sought to consider the effects of the above interventions on the transition of small enterprises to a larger size category. The size class definition applied was based on the Ghana NBSSI (1990) definition, which describes small enterprise as those with 5 to 29 employees, and medium enterprise with 30 to 100 employees. However, it was also recognised that other definitions will have been applied in each study. For example, the WBES samples enterprises with 5 to 99 employees.

Only one study was found to specifically assess how an intervention, in this case provision of grant finance, would contribute to the transformation from one size class to another. However, in this case, the transition in question was from a micro to a small enterprise Karlan et al. (2014↑). The vast majority of studies were more focused on how programme interventions affected firm performance, as measured by sales, profits, productivity, and employment.

5.2 WHAT WORKS

There was no strong evidence on the sustained effect of any specific programme intervention published between 2007 and 2017. Therefore, it is not possible to clearly state what works and why. However, there is some evidence to show how specific programme interventions may be considered.

Targeting enterprises with the potential for growth

The small enterprise sector is not homogeneous. There are enormous differences in the ways small enterprises respond to the conditions they operate in and the interventions designed to support growth. A one-size-fits-all approach is not appropriate. Instead, it is important to identify key segments in the business community and to target those with the greatest potential for growth.

The size and age of an enterprise affects its potential for growth. While smaller enterprises are generally more vulnerable to poor business environments and investment climates, and have less access to finance, their potential for growth increases with age and access to markets, including input markets such as finance. Even among the microenterprise sector, the more mature, larger enterprises have been found to benefit the most from support interventions.

Many small enterprises with the potential for growth in LMICs are formal and growth oriented: meaning they are run by men and women who want to grow their enterprise rather than simply survive. These enterprises are typically involved in export markets and are ‘missing middle’ firms: they are too big for microfinance institutions, but not formal or established enough for commercial banks. These firms are most affected by shallow financial markets and are most likely to benefit from interventions that build the market for SME finance.

Improving access to finance can enhance SME growth and transition

The lack of access to finance is considered a critical constraint to the growth and transition of small firms to medium-sized firms. It is commonly argued that the high cost of finance and the eligibility requirements of commercial finance providers (e.g., collateral requirements) are major obstacles to SMEs obtaining the funds they require to become more productive and grow. This, and the high risk commercial banks associate with financing SMEs, whether perceived or real, makes finance difficult for SMEs to obtain.

This review paints a more complex picture. Finance was found to be a lesser constraint to enterprise growth than other factors, such as poor business environments, inadequate infrastructure, corruption, and inexperienced business owners with poor management skills.

While smaller firms are less likely to have a formal loan than large firms, it is unclear what the causal factor is in this relationship. Small firms may be kept small because they do not obtain loans, or they may not be seeking loans for growth. Indeed, there may be other factors keeping them small.

There is evidence showing how access to finance leads to employment growth especially for firms in industries that are more dependent on external finance.

Linkages between the enterprises and with financial institutions can improve access to financial services. Firms that interact with financial institutions have better profits, greater production volumes and higher initial temporary employment than those businesses without such interaction.

Thus, it is important not to isolate access to finance as a single constraint to growth. Financing interventions designed to support enterprise growth and transition should be designed within a broader range of external and internal influences on business behaviour. These include business environment and reforms, among which the use of credit bureaus appears particularly relevant. MSMEs and SMEs are potentially more financially constrained than large firms given the limited information environment, and exhibit higher employment growth with the introduction of credit bureaus compared to large firms.

Grants create short-term firm-level effects and can stimulate market development

Increasing the capital stock of SMEs, such as through cash or in-kind grants, can have a positive effect on firm-level indicators, such as profits and productivity. However, changes in employment resulting from this type of intervention are smaller.

Many grant programmes focus on the microenterprise sector, where there is some evidence that these funds are vulnerable to being diverted away from productive enterprise activities to meeting pressing social and household needs. These external pressures may limit the impact of increased finance on the microenterprise.

Compared with cash grants, in-kind capital injections have been found to 'stick' more readily within the enterprise, especially for women-owned and managed enterprises. Thus, to achieve business growth, it may be best to restrict grants to business purpose only and to minimise the risk of diverting funds into other uses. In general terms, there is no significant difference in impact between cash and restricted in-kind grants on enterprise performance.

There is evidence that grant funds improve the performance of enterprises of all sizes (e.g., competition prizes for small firms, challenge funds, IFC and SEAF funds), but evidence of the sustained impact of these interventions of, say three to five years, is minimal.

Grants have been used successfully to stimulate the demand among SMEs for BDS, which can contribute to enterprise growth and transition. These interventions can build a market for BDS, which in turn improve the management and productive capacities for enterprise growth.

While there is substantial interest in using grants to ignite firms with a potential for rapid growth (i.e., gazelles), there are challenges in knowing how best to identify these firms. This issue goes beyond the provision of grants and includes enterprise finance from commercial banks.

Well-designed banking sector reform can stimulate competition, develop financial markets and increase credit flows into SMEs

Not all banking sector reforms lead to increased access to finance for SMEs or to greater SME growth and transition rates. However, banking sector reforms that increase competition among banks can improve the flows of credit to SMEs. These shocks in commercial bank credit to SMEs have a major impact on the enterprise sales and profits. Moreover, increased flows of credit resulting from banking reform do not necessarily substitute for other forms of credit. Instead, credit is used to finance increased production. With increased access to bank finance, credit-constrained SMEs exhibit a high marginal rate of return.

Progress in developing commercial banking SME products and services can take a lot of time. It is important to create the right incentive structures and to support a broad institutional change process. On their own, banks typically have little incentive to open themselves to the increased risks and costs associated with SME financing.

5.3 WHAT DOES NOT WORK

Treating poor access to finance as the only constraint to SME growth

Promoting SME growth and transition should not involve isolated, financial support services. Instead, it is important to integrate financial services into BDS programmes that build enterprise competencies, while responding to broader systemic, business environment influences.

Short-term frameworks for designing and measuring grant effects

The one-off provision of funds or BDS was found to have some initial effect on enterprise performance, but little long-term impact on investment and transformation has been found. While an initial boost in enterprise performance may occur, this is not typically sustained. Thus, special government SME credit programmes with one-off loans are unlikely to succeed, especially when artificially low interest rates make them unprofitable to financial intermediaries, and do not enhance the firm's long-term access to commercial finance.

The positive effects of grant schemes are less likely in highly competitive, supply-saturated markets.

The net impact of grants may be limited to individual firm-level effects, instead of being used to catalyse a broader, systemic change in financial markets.

Government programmes providing subsidies to MSMEs often seem to attract fewer responses than expected, due to a combination of political capture, over-strict eligibility requirements, and the strict conditions imposed by donors and governments, which make it difficult and burdensome for eligible firms to apply and receive money.

General banking sector reforms that do not specifically integrate SME concerns

Banking reforms that do not respond to the specific constraints SMEs face when accessing finance, such as restrictive collateral requirements, will not lead to increased credit flows to SMEs. In these cases, only those firms with collateral will benefit from banking reforms.

Poorly targeted microfinance strategies

It remains unclear whether microfinance improves enterprise performance and growth. While increased credit flows to enterprises from formal sources is associated with better business performance (i.e., larger profits and more employees), the precise mechanisms and effects of these interventions are difficult to measure. It appears that the larger and more established the enterprise, within the microenterprise size spectrum, the more likely it is to benefit (i.e., to grow) from microfinance support. This implies there is more impact gained, in terms of enterprise growth and transition, by targeting microenterprise interventions toward the stronger, well established firms.

While there appear to be microenterprises with a potential for rapid growth (i.e., micro or informal 'gazelles') there are a number of factors, other than the lack of finance, that constrain this growth. This includes business environment constraints and internal business management deficits.

Support to microfinance institutions should include the provision of BDS and the training of microfinance institution staff in SME credit assessment and management. This allows for better packaging of microfinance support interventions, which may encourage a more positive effect in terms of growth and size-class transitions.

CHAPTER 6: CONCLUSION

6.1 WHY IS THE EVIDENCE LIMITED?

The challenge to support the development of SMEs in Africa is not new. While, a range of interventions, financial and non-financial, have been used, the lack of good quality evidence on the impact of these interventions is somewhat surprising. However, this appears to be consistent with a general concern in development assistance more broadly, and the private sector development more specifically.

The use of common enterprise size classes to measure enterprise growth and transition requires careful attention. Many of the studies reviewed did not relate to small enterprises according to common definitions. Thus, care must be taken in interpreting the evidence in the context of small enterprises as the findings may have limited transferability from one country to another.

The greatest shortcoming in the evidence assessed for this review is the low number of studies that explicitly seek to establish causality between the programme intervention and SME growth and transition. The High Quality studies assessed in this review were conceptually well framed and clearly positioned among literature on the issue under study. The study design and method was clearly defined and the rationale behind the design choice was clear. The models and analysis applied took into account different parameters that could have affected the results, which were considered stable and reliable.

There has clearly been an increase in studies applying an experimental or quasi-experimental methodology in recent years. Ten of the 15 High Quality studies reviewed were published on or after 2013. While these methods are not the sole means of producing High Quality results, their use highlights the importance of trying to establish causality. These studies are not always easy, cheap or possible, but they do produce valid and reliable research results.

The influence of timeframe on studies appears interesting. There are a number of studies where the timeframes for impact are relatively short. For example, Karlan et al. (2014↑) assessed impact after one to two years. This could be a reason why some studies do not identify significant effects.

Because they may take longer to materialise than the time period of the study, evaluations of the impacts of financial interventions may underestimate the total benefits. Phillips and Steel (2003, NA) argue that evaluation ‘depends on indirect benefits from future streams of transactions that would not otherwise have occurred’. For example, an evaluation of a programme that provided vouchers to MSEs for skills and management training found that a ‘sustainable demand shift was indicated by increased willingness to pay for training: 40 per cent of respondents reported having paid cash directly for subsequent training and indicated a willingness to pay an average of 25 to 42 per cent of the voucher value for subsequent training, as against ten to 20 per cent during the project’ (Phillips and Steel, 2003 NA). However, this did not necessarily result in an actual expansion of the market; although some training providers did offer their own vouchers—for about 40 per cent discount, rather than 90 per cent—after the programme, most had focused on serving the government project over the actual potential clients, and did not continue to offer affordable training to MSEs.

Especially for experimental studies with a limited time frame and budget, firm-level growth effects, especially employment effects, may take longer to materialise than the period of the study. For example, McKenzie et al. (2016↑) cites Bruhn et al. (2012, NA) to show how no impact on employment was found in the first year of the programme, but data captured three years later did appear to show employment increases.

The evidence is also limited by studies in which supporting institutions appear to have something to prove. They lack the objectivity required to provide a valid and reliable assessment of their programme interventions. These studies typically apply Descriptive Statistics, Mixed Methods and Case Studies to support the view that their programme has succeeded. Often, these institutions are the sponsors and authors of these studies. Governments, business organisations and donor and development agencies have a vested interest in the outcomes of programme evaluations. While agencies have been supporting independent assessments, sometimes through specialised and politically insulated, agencies or divisions, the objective presentations of these results are difficult to find. The study by the Independent Evaluation Group (2016↓) of the World Bank Group is a case in point. This study was assessed low because it failed to provide the full details on how projects were scored and relied on post-programme scores produced, presumably, by programme officials.

6.2 POTENTIAL FOR FUTURE RESEARCH

While evaluations have been used to guide a wide range of donor-supported reform efforts in areas such as microfinance, microenterprises, insurance, and regulatory reform, there are only a handful of rigorous studies. Not all of these measure employment effects. More evaluations are needed on a wider range of policies in a number of different institutional settings, to learn what works, where and why. Indeed, more evidence is required to better understand how policy and programme interventions affect different types of enterprises, based on their size, ownership structure, gender, sector, and location.

When reviewing the evidence found and its ability to answer the research question, there are a number of future opportunities for research that can be identified:

- Value for money: very few evaluations reviewed presented data on the value for money or cost effectiveness of the programme and policy interventions assessed. More information is needed, not only on the effectiveness of these interventions on enterprise growth and transition, but on the value for money of these interventions, particularly in terms of the anticipated economy-wide benefits.
- Sector dynamics and small enterprise transition: the small enterprise sector is not homogenous. The potential for growth and transition can vary dramatically across sectors and markets. For example, one study reviewed highlights the limited growth of small enterprises in the retail sector in most LMICs. Thus, there is a demand for more detailed evidence on the factors affecting growth in different sectors.

- The impact of foreign firms and foreign direct investment on small enterprise growth and transition: while there is increasing support given to enhancing commercial linkages in value chain development and industrial parks, in which multinational lead firms can support the development of new growth opportunities for small enterprises, the effect of foreign and multinational enterprises on small enterprise growth is under-researched.
- Greater evidence on the structure and function of the banking sector in Ghana and West Africa and its effect on small enterprise growth and transition: while the high cost and risky nature associated with SME finance is shared among many LMICs, this situation should not be over-generalised. There is a need for more evidence from Ghana on how SME growth and transition can be enhanced through meaningful reforms in the banking sector.
- There is a need for better information on how BDS needs are defined and on the mechanisms through which BDS is delivered, including whether these services should be provided with or without financial services.

Overall, there is a general need for better evidence on the impact of policy and programme interventions on small enterprise growth and transition. DFID and other donor and development agencies should invest more in robust evaluations and assessment methods, which isolate and test intervention variables.[27] This includes the use of experimental methods and enterprise panels. Stronger links between policy and programme interventions and the SME research community would be particularly helpful.

[27] The recent development in the use of the Donor Committee for Enterprise Development Standard for Results Measurement is encouraging in this regard. See (DCED 2017).

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Reference	Countries	Type	Intervention	Enterprise	QA	QA Comments
Category: Ghana and Other West Africa (clustered by study quality)						
Alimi, Y. Olorunfemi and Yinusa, O. G. (2016) 'SME Credit Financing, Financial Development and Economic Growth in Nigeria', *African Journal of Economic Review* IV(2)	Nigeria	DS	Banking sector reform	SMEs	↑	Conceptual framing: The Research framework is clearly positioned among the literature on these issues, and presents the uniqueness of the studies. Appropriateness: The study design and method is clearly defined, the rationale behind the design choice is clear. Validity: Field experiments looking to establish causality. Reliability: the models and analysis take into account different parameters that could have affected the results, which are thus considered stable and reliable.
Fafchamps, M., D. McKenzie, S. Quinn, and C. Woodruff (2013) 'Microenterprise Growth and the Flypaper Effect: Evidence from a Randomized Experiment in Ghana', *World Bank Working Paper*, July	Ghana	EXP	Grants	Microenterprises	↑	
Fafchamps, M., D. McKenzie, S. R. Quinn, and C. Woodruf (2011) 'When is Capital Enough to Get Female Microenterprises Growing? Evidence from a Randomized Experiment in Ghana', *Working Paper* 17207, National Bureau of Economic Research	Ghana	EXP	Grants	Microenterprises	↑	
McKenzie, D. (2016) Identifying and Spurring High-Growth Entrepreneurship: Experimental Evidence from a Business Plan Competition, Policy Research Paper No. 7391, World Bank Washington DC	Nigeria	EXP	Grants	Microenterprises	↑	
Karlan, D., R. Knight and C. Udry (2014) Consulting and Capital Experiments with Micro and Small Tailoring Enterprises in Ghana, February, IPA, New Haven	Ghana	EXP	Grants	Microenterprises	↑	
Grimm, M., R. Hartwig and J. Lay (2016) 'Does forced solidarity hamper investment in small and microenterprises?' *Journal of Comparative Economics*	Burkina Faso	DS	Access to finance (Insurance)	Informal microenterprises	→	Conceptual framing: The literature review presents some gaps

Reference	Countries	Type	Intervention	Enterprise	QA	QA Comments
Grimm, M., P. Knorringa and J. Lay (2012) 'Constrained Gazelles: High Potentials in West Africa's Informal Economy', World Development 40(7), 1352–1368	West Africa	DS	Microfinance	Informal SMEs (Informal 'Gazelles')	→	and key references are missing. The chosen research framework is less clearly justified but is detailed in the study. <u>Appropriateness</u>: The study design and method is defined, the rationale behind the design choice is not always mentioned and rarely justified <u>Validity</u>: Causality cannot be claimed and only correlations are established. <u>Reliability</u>: The models and analysis take into account some parameters that could have affected the results, the reliability of the results can be discussed.
Alhassan E.A. (2016) 'The Effects of Microcredit on Profitability and the Challenges of Women Owned SMEs: Evidence from Northern Ghana', *Journal of Entrepreneurship and Business Innovation* 3(1)	Ghana	DS	Microfinance	Female SMEs	→	
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Peprah, J.A. and Ayayi, A.G. (2016) 'Return to Micro-Credit on Small-Scale Businesses: A Case Study Ofghanaian MFI', *Journal of International Development* 28, 606–622 (2016)	Ghana	DS	Microfinance	Microenterprises	→	
Steel, W.F. and B.B. Tornyie (2010) 'Going downmarket: Ghana's rural banks adapt informal savings methodology', *Enterprise Development and Microfinance* 21(2)	Ghana	DS	Microfinance (traditional, 'susu')	Microenterprises	→	
Independent Evaluation Group (2016) Ghana: Economic Governance and Poverty Credit, and Seventh and Eighth Poverty Reduction Support Credits Report No. 106279, IEG, World Bank Group, Washington DC	Ghana	MM (SA, DS)	Microfinance	Microenterprises	↓	<u>Conceptual framing</u>: The Research framework is not clearly justified and is often not mentioned at all. The literature review is weak and presents some major gaps among the key
Awuah, S.B. and M. Addaney (2016) 'The Interactions Between Microfinance Institutions and Small and Medium Scale Enterprises in the Sunyani Municipality of Ghana', *Asian Development Policy Review* 4(2), 51-64	Ghana	MM (CS, DS)	Microfinance	SMEs	↓	

Reference	Countries	Type	Intervention	Enterprise	QA	QA Comments
Boateng A.A. and Boateng G.O. (2014) 'Assessment of the Effectiveness of Ghanaian Micro-Finance Institutions in Promoting Entrepreneurs in Accra Metropolis', *Research Journal of Finance and Accounting* 5(6)	Ghana	MM (DS, INT)	Microfinance	MSEs	↓	literature. <u>Appropriateness</u>: The study design and method is weakly defined and the rationale behind the design choice is either very succinct or missing. <u>Validity</u>: Only weak correlations can be established. <u>Reliability</u>: The models and analysis do not take into account parameters that could have affected the results, simplistic regressions with results details often missing. The results cannot be considered stable.
Quaye, I., E. Abrokwah, A. Sarbah, J. Y. Osei (2014) 'Bridging the SME Financing Gap in Ghana: The Role of Microfinance Institutions', *Open Journal of Business and Management* 2, 339-353	Ghana	DS	Microfinance	SMEs	↓	
Anane, G.K., P.B. Cobbinah, and J. K. Manu (2013) 'Sustainability of Small And Medium Scale Enterprises in Rural Ghana: The Role of Microfinance Institutions', *Asian Economic and Financial Review*, 3(8): 1003-1017	Ghana	MM (CS, DS)	Microfinance	SMEs	↓	
Alabi, J., G. Alabi and A. Ahiawodzi (2007) 'Effects of 'susu' - a traditional micro-finance mechanism on organized and unorganized micro and small enterprises (MSEs) in Ghana', *African Journal of Business Management* 1(8), 201-208	Ghana	DS	Microfinance (traditional, 'susu')	MSEs	↓	
Fauster, A. (2014) 'The Impact of Micro-Finance on the Performance of Small-Scale Enterprises: A Comparison of Sinapi Aba Trust and Maata-N-Tudu Associations in Wa Municipality, Ghana', *Ghana Journal of Development Studies* 11(2), 1-13	Ghana	MM (CS, DS)	Microfinance	SMEs	↓	
Kessey, K.D. (2014) 'Micro Credit and Promotion of Small and Medium Enterprises In Informal Sector of Ghana: Lessons From Experience', *Asian Economic and Financial Review*, 4(6), 768-780	Ghana	DS	Microfinance	SMEs	↓	
Edafiaje, A. L (2011) 'Impact Assessment of the Role Of Microfinance Banks in Financing Small Scale Enterprises in Delta State, Nigeria', *International Journal of Economic Development Research and Investment* 2(3)	Nigeria	DS	Microfinance	MFIs	↓	
International Fund for Agricultural Development (IFAD 2012)	Ghana	DS	Grants	SMEs	↓	

Reference	Countries	Type	Intervention	Enterprise	QA	QA Comments
Matching Grants; Technical Note, IFAD, Rome, Box 2						
Category: Other Africa (clustered by study quality)						
Beck, T. and R. Cull (2016) 'SME Finance in Africa' World Bank Group Policy Research Working Paper 7018, World Bank, Washington DC	Africa	DS	Banking sector reform	SMEs	↑	Conceptual framing: The research framework is broadly clear and the literature review includes all key references. Appropriateness: The study design and method is clearly defined, the rationale behind the design choice is not always fully justified. Validity: Causality is the goal of the study but an experiment could not be used. Reliability: Models and analysis take into account different parameters that could have affected the results, which are thus considered stable and reliable.
Campos, F., A. Coville, A. Fernandes, M. Goldstein and D. McKenzie (2012) 'Learning from the experiments that never happened: Lessons from trying to conduct randomized evaluations of matching grant programs in Africa', *Policy Research Working Paper* WPS 6296; Impact Evaluation Series No. IE 79. Washington, DC: World Bank.	Africa	SR	Grants	MSMEs	↑	
Fiala, N. (2015) Rethinking the microfinance model: Returns to subsidized microcredit for male and female entrepreneurs in Uganda, December, IPA, New Haven	Uganda	EXP	Grants and Loans (compared)	Microenterprises	↑	
Loewe, M., I. Al-Ayouty, A. Altpeter, L. Borbein, M. Chantelauze, M. Kern, E. Niendorf, and M. Reda (2013) Which Factors Determine the Upgrading of Small and Medium-Sized Enterprises (SMEs)? The case of Egypt, German Development Institute (DIE), Bonn	Egypt	DS	Access to finance	SMEs	→	Conceptual framing: The literature review presents some gaps and key references are

Reference	Countries	Type	Intervention	Enterprise	QA	QA Comments
Mthimkhulu A.M. and M.J. Aziakpono (2015) ‘What impedes micro, small and medium firms’ growth the most in South Africa? Evidence from World Bank Enterprise Surveys’, South African Journal of Business Management, June	South Africa	DS	Access to finance	MSMEs	→	missing. The chosen research framework is less clearly justified but is detailed in the study. Appropriateness: The study design and method is defined, the rationale behind the design choice is not always mentioned and rarely justified Validity: Causality cannot be claimed and only correlations are established Reliability: The models and analysis take into account some parameters that could have affected the results, the reliability of the results can be discussed.
Kinda, T. and J. L. Loening (2008) ‘Small Enterprise Growth and the Rural Investment Climate: Evidence from Tanzania’, Policy Research Working Paper 4675, World Bank, Africa Region, Agriculture and Rural Development Unit	Tanzania	DS	Access to finance	SMEs	→	
Gubert, F. and F. Roubaud (2011) ‘The Impact of Microfinance Loans on Small Informal Enterprises in Madagascar; A Panel Data Analysis’	Madagascar	QE	Microfinance	Small firms (informal)	→	
Atieno, R. (2009) ‘Linkages, Access to Finance and the Performance of Small-Scale Enterprises in Kenya’, World Institute for Development Economics *Research Paper* No. 2009/06	Kenya	DS	Access to finance	SMEs	→	
Tumwine, S., R. Akisimire, N. Kamukama and G. Mutaremwa (2015) ‘A borrowing cost model for effective performance of SMEs in Uganda’, *World Journal of Entrepreneurship, Management and Sustainable Development*, 11(2)	Uganda	DS	Banking sector reform	SMEs	↓	Conceptual framing: The research framework is not clearly justified and is often not mentioned at all. The literature review is weak and presents some major gaps among the key literature. Appropriateness: The
Fanta, A.B. (2012) ‘Banking reform and SME financing in Ethiopia: Evidence from the manufacturing sector’, *African Journal of Business Management* 6(19), 6057-6069	Ethiopia	DS	Banking sector reform	SMEs	↓	
Gibson, A. (2016) *FSD Kenya: Ten Years of a Market Systems Approach in the Kenyan Finance Market*, Springfield Centre for	Kenya	MM (INT,	Banking sector reform	SMEs	↓	

Reference	Countries	Type	Intervention	Enterprise	QA	QA Comments
Business in Development, Durham		DS)				study design and method is weakly defined and the rationale behind the design choice is either very succinct or missing. Validity: Only weak correlations can be established. Reliability: the models and analysis do not take into account parameters that could have affected the results, simplistic regressions with results details often missing. The results cannot be considered stable.
Rotich, I., C. Lagat, and J. Kogei (2015) 'Effects of microfinance services on the performance of small and medium enterprises in Kenya', *African Journal of Business Management* 9(5), 206-211	Kenya	DS	Microfinance	MSMEs	↓	
Wekesa Bunyasi, G.N, H. Bwisa, and G. Namusonge (2014) 'Effect of Entrepreneurial Finance on the Growth of Small and Medium Enterprises in Kenya', *European Journal of Business and Management* 6(31)	Kenya	DS	Access to finance	SMEs	↓	
Category: Other LMIC (clustered by study quality)						
Augsburg, B., R. De Haas, H. Harmgart, and C. Meghir (2015) 'The Impacts of Microcredit: Evidence from Bosnia and Herzegovina', *American Economic Journal* 7(1), 183-203.	Bosnia and Herzegovina	EXP	Microfinance	Microenterprises Self-employed Households	↑	Conceptual framing: The research framework is clearly positioned among the literature on these issues, and presents the uniqueness of the study. Appropriateness: The
Ayyagari, M., P. Juarros, M.S. Martinez Peria, and S. Singh (2016) 'Access to Finance and Job Growth: Firm-Level Evidence across Developing Countries', *Policy Research Working Paper* No. 6704, Working Paper Series No. 7604, World Bank Group, Washington DC	70 developing countries	DS	Access to finance (Credit Bureaus)	MSMEs	↑	

Reference	Countries	Type	Intervention	Enterprise	QA	QA Comments
Banerjee, A..V., Duflo, E., R. Glennerster and C. Kinnan (2015) 'The Miracle of Microfinance?Evidence from a Randomized Evaluation', *American Economic Journal: Applied Economics* 7(1), 22–53	India	EXP	Microfinance	Microenterprises	↑	study design and method is clearly defined, the rationale behind the design choice is clear. Validity: Field experiments looking to establish causality. Reliability: the models and analysis take into account different parameters that could have affected the results, which are thus considered stable and reliable.
Banerjee, A.V. and Duflo, E. (2014) 'Do Firms Want to Borrow More? Testing Credit Constraints Using a Directed Lending Program', *Review of Economic Studies* 81, 572–60	India	EXP	Banking sector reform	MSMEs	↑	
Bauchet, J. and J. Morduch (2013) 'Is Micro too Small? Microcredit vs. SME Finance' *World Development* 43, 288–297	Bangladesh	EXP	Banking sector reform	Microenterprises SMEs	↑	
Bruhn, M. and D. McKenzie (2017) 'Can Grants to Consortia Spur Innovation and Science-Industry Collaboration? Public Disclosure Authorized Regression-Discontinuity Evidence from Poland', *Policy Research Working Paper* 7934, World Bank, Washington DC	Poland	QE	Grants	SMEs	↑	
de Mel, S., D.J. McKenzie, and C. Woodruff (2009) 'Are Women More Credit Constrained? Experimental Evidence on Gender and Microenterprise Returns.' *American Economic Journal* 1(3), 1–32	Sri Lanka	EXP	Grants	Microenterprises	↑	
de Mel, S., D. McKenzie and C. Woodruff (2008) 'Returns to Capital in Microenterprises: Evidence from a Field Experiment', The Quarterly Journal of Economics 123 (4): 1329–73.	Sri Lanka	EXP	Grants	Microenterprises	↑	
Karlan, D. and Zinman, J. (2009) Expanding Microenterprise Credit Access: Using Randomized Supply Decisions to Estimate the Impacts in Manila, July, IPA, New Haven	Philippines	EXP	Microfinance	Microenterprises	↑	
Martinez Peria, M.S. and S.Singh (2014) 'The Impact of Credit Information Sharing Reforms on Firm Financing', *Policy Research Working Paper* 7013, World Bank, Washington DC	Worldwide	DS	Access to finance (Credit Bureaus)	SMEs	↑	
McKenzie, D., N. Assaf and A. P. Cusolito (2016) 'The Additionality Impact of a Matching Grant Programme for Small Firms: Experimental Evidence from Yemen', *World Bank Report* No.	Yemen	EXP	Grants	Small firms	↑	

Reference	Countries	Type	Intervention	Enterprise	QA	QA Comments
AUS8941, World Bank, Washington DC						
McKenzie, D. and C. Woodruff (2008) 'Experimental Evidence on Returns to Capital and Access to Finance in Mexico', *World Bank Economic Review* 22(3), 457-482	Mexico	EXP	Grants	SMEs	↑	
Oh, I., J.D Lee, G.G. Choi and A. Heshmati (2009) 'Evaluation of Credit Guarantee Policy using Propensity Score Matching', *Small Business Economics* 33(3), pp. 335-351	Korea	DS	Banking sector reform	SMEs	↑	
Skoufias, E., P. Leite and R. Narita (2013) Expanding Microfinance in Brazil: Credit Utilization and Performance of Small Firms, *Journal of Development Studies* 49(9)	Brazil	EXP	Microfinance	Microenterprises	↑	
Aterido, R., M. Hallward-Driemeier, and C. Pages (2007) 'Investment Climate and Employment Growth: The Impact of Access to Finance, Corruption and Regulations Across Firms', *IZA Discussion Paper* No. 3138, November	Worldwide	DS	Access to finance (Business environment reform)	SMEs	→	Conceptual framing: The literature review presents some gaps and key references are missing. The chosen research framework is less clearly justified but is detailed in the study. Appropriateness: The study design and method is defined, the rationale behind the design choice is not always mentioned and rarely justified Validity: Causality cannot be claimed and only correlations are established Reliability: The models and analysis take into
McKenzie, D. (2009) Impact Assessments in Finance and Private Sector Development; What Have We Learned and What Should We Learn? *Policy Research Working Paper* 4944, World Bank, Washington DC	Worldwide	SR	Access to finance	SMEs	→	
Kondo, T. A. Orbeta, C. Dingcong, and C. Infantado (2008) Impact of Microfinance on Rural Households in the Philippines, NONIE Working Paper N. 4, NONIE (Network of Networks on Impact Evaluation)	Philippines	DS	Microfinance	Microenterprises	→	
Paniagua, G. and A. Denisova (2012) Meta-Evaluation on Job Creation Effects of Private Sector Interventions	Worldwide	SR	Access to finance	SMEs	→	

Reference	Countries	Type	Intervention	Enterprise	QA	QA Comments
						account some parameters that could have affected the results, the reliability of the results can be discussed.
Andersson, J., J. Norén, and I. Christoplos (2014) *The Evaluation of the Challenge Fund Innovations Against Poverty, IAP,* Sida Decentralised Evaluation, 2014:14, Swedish International Development Cooperation Agency, Stockholm	Worldwide	MM (OBS, DS, INT)	Grants (Challenge Funds)	SMEs	↓	Conceptual framing: The research framework is not clearly justified and is often not mentioned at all. The literature review is weak and presents some major gaps among the key literature. Appropriateness: The study design and method is weakly defined and the rationale behind the design choice is either very succinct or missing. Validity: Only weak correlations can be established. Reliability: the models and analysis do not take into account parameters that could have affected the results, simplistic regressions with
Coffey International Development (2013) *Enterprise Challenge Fund for the Pacific and South-East Asia; Project Completion Report*, Australian Agency for International Development, Canberra	Pacific and South-East Asia	MM (SR, DS, INT)	Grants (Challenge Funds)	SMEs	↓	
International Finance Corporation (2014a) Role of a Private Sector Financial Institution in Creating Jobs in Sri Lanka, Case Study, Washington DC	Sri Lanka	DS	Banking sector reform	SMEs	↓	
International Finance Corporation (2014b) IFC and Fransabank Supporting Job Creation in Lebanon: Case Study, Washington DC	Lebanon	DS	Banking sector reform	SMEs	↓	
Kopyta, M. and L. Domenech (2013) 'Assessing Private Sector Contributions to Job Creation: A Bank Case Study in a Latin American Country; Theme: Access to Finance', World Bank Case Study, Washington DC	Latin America	DS	Banking sector reform	SMEs	↓	
O'Riordan, A-M, J. Copestake, J. Seibold, and D. Smith (2013) *Challenge Funds in International Development; Research Paper*, Triple Line Consulting Ltd. and University of Bath	Worldwide	SR	Grants (Challenge Funds)	SMEs	↓	
Small Enterprise Assistance Funds (SEAF 2007) *From Poverty to Prosperity: Understanding the Impact of Investing in Small and Medium Enterprises; Data Survey and Case Study Analysis of SEAF*	Worldwide	CS	Banking sector reform	SMEs	↓	

Reference	Countries	Type	Intervention	Enterprise	QA	QA Comments
Investment, SEAF, Washington DC						results details often missing. The results cannot be considered stable.
Small Enterprise Assistance Funds (SEAF 2011) *Impact Beyond Investment*, SEAF, Washington DC	Worldwide	CS	Banking sector reform	SMEs	↓	
Stickney, C. (2016) *Emerging SMEs; Secrets to growth from micro to small enterprise*, ACCION Centre for Financial Inclusion	Latin America	MM (SR, INT)	Access to finance	MSMEs	↓	
World Bank Group (2014) Global Financial Development Report; Financial Inclusion, World Bank, Washington DC	Worldwide	SR	Access to finance	Microenterprises	↓	

ANNEX A: SEARCH RESULT TABLES

SEARCH CATEGORY	SEARCH ENGINES
Search Database:	**Scopus**
Date of Search:	27 January 2017
Inclusive Date Range:	2007-present
Language:	English
Search Phrase:	SME AND “financial services”
Results (Number):	22
Search Phrase:	“enterprise” AND “credit”
Results (Number):	1,247; filtering “SME”: 385
Search Phrase:	“SME” AND “credit”
Results (Number):	278
Search Phrase:	“enterprise” AND “growth”
Results (Number):	10,553; filtered by “SME”: 1,378’ by “developing country”: 335; by “finance”: 9
Search Phrase:	“value chains” AND “finance”
Results (Number):	163; filtered by “effect”: 43
Search Phrase:	“SME” AND “microfinance”
Results (Number):	18
Search Phrase:	“enterprise” AND “microfinance”
Results (Number):	258
Search Phrase:	“SME” AND “microfinance”
Results (Number):	18
Search Phrase:	“missing middle” AND “finance”
Results (Number):	2
Search Phrase:	“SME” AND “capital”
Results (Number):	463
Search Phrase:	“missing middle” AND “financial services”
Results (Number):	1
Search Phrase:	“gazelle” AND “finance”
Results (Number):	4
Search Database:	**JSTOR**
Date of Search:	27 January 2017
Inclusive Date Range:	2007-2017
Language:	All
Search Phrase:	“SME” AND “financial services”
Results (Number):	0
Search Phrase:	“enterprise” AND “credit”
Results (Number):	41

Search Phrase:	“SME” AND “credit”
Results (Number):	2
Search Phrase:	“SME” AND “finance”
Results (Number):	3
Search Phrase:	“enterprise” AND “growth”
Results (Number):	103
Search Phrase:	“value chains” AND “finance”
Results (Number):	13
Search Phrase:	“SME” AND “microfinance”
Results (Number):	0
Search Phrase:	“enterprise” AND “microfinance”
Results (Number):	2
Search Phrase:	“SME” AND “growth”
Results (Number):	31
Search Phrase:	“enterprise” AND “finance”
Results (Number):	42
Search Phrase:	“missing middle” AND “finance”
Results (Number):	49
Search Phrase:	“SME” AND “capital”
Results (Number):	27
Search Phrase:	“enterprise” AND “capital”
Results (Number):	114
Search Phrase:	“missing middle” AND “financial services”
Results (Number):	5
Search Phrase:	“gazelle” AND “finance”
Results (Number):	32
Search Database:	**Google Scholar**
Date of Search:	25 January 2017
Language:	All
Inclusive Date Range:	2007-2017
Search Phrase:	“SME” AND “financial services”
Inclusive Date Range:	2007-2017
Search Phrase:	“enterprise” AND “credit”
Results (Number):	230
Search Phrase:	“SME” AND “credit”
Results (Number):	191
Search Phrase:	“SME” AND “finance”
Results (Number):	113
Search Phrase:	Enterprise and Growth
Results (Number):	594
Search Phrase:	Value chains and Finance

Results (Number):	31
Search Phrase:	"SME" AND "microfinance"
Results (Number):	8
Search Phrase:	"enterprise" AND "microfinance"
Results (Number):	45
Search Phrase:	"SME" AND "growth"
Results (Number):	230
Search Phrase:	"enterprise" AND "finance"
Results (Number):	251
Search Phrase:	Missing middle AND finance
Results (Number):	6
Search Phrase:	"SME" AND "capital"
Results (Number):	136
Search Phrase:	"enterprise" AND "capital"
Results (Number):	778
Search Phrase:	"missing middle" AND "financial services"
Results (Number):	0
Search Phrase:	"gazelle" AND "finance"
Results (Number):	0
Search Database:	**Science Direct**
Date of Search:	16 and17 January 2017
Inclusive Date Range:	2007-2017
Language:	N/A
Search Phrase:	"SME" AND "finance"
Results (Number):	Using filters in "sciences": "Business, Management and Accounting", "Economics, econometrics and Finance", "Social sciences": 3,520 Then sub-filters – "firm", "business", "innovation", "bank", "behavioural science", "company", "finance,", "supply chain", "organisation", "research", "India", "market", "account": 1,506 Then taking out, under "Journals": "Technovation", "Technological forecasting and social change", "Industrial Marketing management", "International Journal of Production economics", "European Management journal", and "Energy policy": 697 Redone the search, with Fields of research from "All fields" to "Title, Abstract, Keywords": 138 Double check: "All fields" adding "Ghana" as research key: 126
Search Phrase:	Value chains and Finance
Results (Number):	Using filters in "sciences": "Business, Management and Accounting", "Economics, econometrics and Finance", "Social sciences": 14,706 With Fields of research from "All fields" to "Title, Abstract, Keywords": 34 Double check: "All fields" adding "Ghana" as research key: 495
Search Phrase:	"SME" AND "microfinance"
Results (Number):	Using filters in "sciences": "Business, Management and Accounting", "Economics, econometrics and Finance", "Social sciences": 162

Search Phrase:	“SME” AND “growth”
Results (Number):	Using filters in “sciences”: “Business, Management and Accounting”, “Economics, econometrics and Finance”, “Social sciences”: 4,568 Using Fields of research from “All fields” to “Title, Abstract, Keywords”: 182
Search Phrase:	“SME” AND “credit”
Results (Number):	Using filters in “sciences”: “Business, Management and Accounting”, “Economics, econometrics and Finance”, “Social sciences”: 1,859 Using Fields of research from “All fields” to “Title, Abstract, Keywords”: 78
Search Phrase:	“SME” AND “capital”
Inclusive Date Range:	2007-2017
Language:	N/A
Results (Number):	Using filters in “sciences”: “Business, Management and Accounting”, “Economics, econometrics and Finance”, “Social sciences”: 4,083 Using Fields of research from “All fields” to “Title, Abstract, Keywords”: 119
Search Phrase:	“enterprise” AND “microfinance”
Results (Number):	Using filters in “sciences”: “Business, Management and Accounting”, “Economics, econometrics and Finance”, “Social sciences”: 644 Using Fields of research from “All fields” to “Title, Abstract, Keywords”: 16
Search Phrase:	Enterprise AND Growth
Results (Number):	Using filters in “sciences”: “Business, Management and Accounting”, “Economics, econometrics and Finance”, “Social sciences”: 27,943 Using Fields of research from “All fields” to “Title, Abstract, Keywords”: 518 Extra filter: Publication Title, removing: “Energy policy”, “technological forecasting and social change”, “China economic review”, “Technovision” “International Journal of production economics”, “cities” “expert systems with application” “geoforum” “forest policy and economics”, “telecommunications policy”: 198
Search Phrase:	Enterprise and Financial services
Results (Number):	Using filters in “sciences”: “Business, Management and Accounting”, “Economics, econometrics and Finance”, “Social sciences”: 24,048 Using Fields of research from “All fields” to “Title, Abstract, Keywords”: 104
Search Phrase:	“enterprise” AND “finance”
Results (Number):	Using filters in “sciences”: “Business, Management and Accounting”, “Economics, econometrics and Finance”, “Social sciences”: 20,240 Using Fields of research from “All fields” to “Title, Abstract, Keywords”: 283 Extra filter: Publication Title, removing: “Energy policy”, “energy for sustainable development” “technological forecasting and social change”,” “expert systems with application”: 127
Search Phrase:	“enterprise” AND “credit”
Results (Number):	Using filters in “sciences”: “Business, Management and Accounting”, “Economics, econometrics and Finance”, “Social sciences”: 11,665

	Using Fields of research from “All fields” to “Title, Abstract, Keywords”: 127
Search Phrase:	“enterprise” AND “capital”
Results (Number):	Using filters in “sciences”: “Business, Management and Accounting”, “Economics, econometrics and Finance”, “Social sciences”: 25,127 Using Fields of research from “All fields” to “Title, Abstract, Keywords”: 414 Extra filter: Publication Title, removing: “Energy policy”, “technological forecasting and social change”, “China economic review”, “Decision support system” “revista de administracao” “geoforum”: 166
Search Phrase:	“missing middle” AND “financial services”
Results (Number):	Using filters in “sciences”: “Business, Management and Accounting”, “Economics, econometrics and Finance”, “Social sciences”: 8
Search Phrase:	Missing middle and Finance
Results (Number):	Using filters in “sciences”: “Business, Management and Accounting”, “Economics, econometrics and Finance”, “Social sciences”: 40
Search Phrase:	“gazelle” AND “finance”
Results (Number):	Using filters in “sciences”: “Business, Management and Accounting”, “Economics, econometrics and Finance”, “Social sciences”: 69
Search Database:	**IDEAS/RePEc**
Date of Search:	29 January 2017
Inclusive Date Range:	NA
Language:	NA
Search Phrase:	“SME” AND “financial services”
Results (Number):	20
Search Phrase:	“enterprise” AND “credit”
Results (Number):	2,130
Search Phrase:	“SME” AND “credit”
Results (Number):	417
Search Phrase:	“SME” AND “finance”
Results (Number):	675
Search Phrase:	Enterprise and Growth
Results (Number):	7,192
Search Phrase:	Value chains and Finance
Results (Number):	50
Search Phrase:	“SME” AND “microfinance”
Results (Number):	45
Search Phrase:	“enterprise” AND “microfinance”
Results (Number):	514
Search Phrase:	“SME” AND “growth”
Results (Number):	821
Search Phrase:	“enterprise” AND “finance”
Results (Number):	4,036

Search Phrase:	Missing middle AND finance
Results (Number):	9
Search Phrase:	“SME” AND “capital”
Results (Number):	465
Search Phrase:	“enterprise” AND “capital”
Results (Number):	4,757
Search Phrase:	“missing middle” AND “financial services”
Results (Number):	0
Search Phrase:	“gazelle” AND “finance”
Results (Number):	12
Search Database:	**Social Science Research Network (SSRN)**
Date of Search:	28 January 2017
Inclusive Date Range:	2007-2017
Language:	N/A
Search Phrase:	“SME” AND “financial services”
Results (Number):	248
Search Phrase:	“enterprise” AND “credit”
Results (Number):	4,922; Filters: “subjects”: “access to credit” or “developing countries”: 319 Document type: “journal article”: 243
Search Phrase:	“SME” AND “credit”
Results (Number):	691; Filters: “subjects”: “access to credit” or “developing countries” Ldcs. Or “financing methods”: 37
Search Phrase:	“SME” AND “finance”
Results (Number):	Results: 16,412 (Full text search); Abstract only: 996 Filters: “subjects”: selected Small and Medium sized enterprises” or “developing countries”: 133
Search Phrase:	Enterprise and Growth
Results (Number):	11,538; Filters: “subjects”: “developing countries”: 243
Search Phrase:	Value chains and Finance
Results (Number):	2,983; Filters: “subjects”: “Developing countries”: 83
Search Phrase:	“SME” AND “microfinance”
Results (Number):	72
Search Phrase:	“enterprise” AND “microfinance”
Results (Number):	629; Filters: subjects “developing countries” or “access to credit “ “development economics”: 112
Search Phrase:	“SME” AND “growth”
Results (Number):	1,567; Filters: “subjects”: “developing countries”: 49
Search Phrase:	“enterprise” AND “finance”
Results (Number):	8,067; Filters “subjects” “developing countries”: 160
Search Phrase:	Missing middle AND finance
Results (Number):	37

Search Phrase:	"SME" AND "capital"
Results (Number):	1,626; Subject filter "developing countries": 36
SEARCH CATEGORY	**ACADEMIC JOURNALS**
Search Database:	**Economic Journal: Wiley Online Library**
Date of Search:	16 January 2017
Inclusive Date Range:	2007-2017
Language:	All
Search Phrase:	"SME" AND "finance"
Results (Number):	12
Search Phrase:	"enterprise" AND "credit"
Results (Number):	122
Search Phrase:	"SME" AND "credit"
Results (Number):	11
Search Phrase:	"SME" AND "finance"
Results (Number):	12
Search Phrase:	Enterprise and Growth
Results (Number):	382
Search Phrase:	Value chains and Finance
Results (Number):	25
Search Phrase:	"SME" AND "microfinance"
Results (Number):	1
Search Phrase:	"enterprise" AND "microfinance"
Results (Number):	15
Search Phrase:	"SME" AND "growth"
Results (Number):	30
Search Phrase:	"enterprise" AND "finance"
Results (Number):	20
Search Phrase:	Missing middle AND finance
Results (Number):	3
Search Phrase:	"SME" AND "capital"
Results (Number):	17
Search Phrase:	"enterprise" AND "capital"
Results (Number):	404
Search Phrase:	"missing middle" AND "financial services"
Results (Number):	6
Search Phrase:	"gazelle" AND "finance"
Results (Number):	0
Search Phrase:	Enterprise AND Financial services
Results (Number):	93
Search Database:	Journal of Small Business and Enterprise Development (Proquest)
Date of Search:	30 January 2017

Inclusive Date Range:	2007-2017
Language:	All
Search Phrase:	“SME” AND “finance”
Results (Number):	171
Search Phrase:	“enterprise” AND “credit”
Inclusive Date Range:	2007-2017
Search Phrase:	“SME” AND “credit”
Results (Number):	78
Search Phrase:	Enterprise and Growth
Results (Number):	420
Search Phrase:	Value chains and Finance
Results (Number):	3
Search Phrase:	“SME” AND “microfinance”
Results (Number):	4
Search Phrase:	“enterprise” AND “microfinance”
Results (Number):	9
Search Phrase:	“SME” AND “growth”
Results (Number):	292
Search Phrase:	“enterprise” AND “finance”
Results (Number):	253
Search Phrase:	Missing middle AND finance
Results (Number):	2
Search Phrase:	“SME” AND “capital”
Results (Number):	214
Search Phrase:	“enterprise” AND “capital”
Results (Number):	325
Search Phrase:	“missing middle” AND “financial services”
Results (Number):	1
Search Phrase:	“gazelle” AND “finance”
Results (Number):	7
Search Phrase:	Enterprise AND Financial services
Results (Number):	43
Search Database:	Enterprise Development and Microfinance (Practical Action Publishing)
Date of Search:	31 January 2017
Inclusive Date Range:	2007-2017
Language:	All
Search Phrase:	“SME” AND “finance”
Results (Number):	78
Search Phrase:	“enterprise” AND “credit”
Results (Number):	608
Search Phrase:	“enterprise” AND “credit” and Ghana

Results (Number):	112
Search Phrase:	“SME” AND “credit”
Results (Number):;	64
Search Phrase:	Enterprise and Growth
Results (Number):	824 (Keywords: 1)
Search Phrase:	Enterprise and Growth and Ghana
Results (Number):;	157
Search Phrase:	Value chains and Finance
Results (Number):	199
Search Phrase:	“SME” AND “microfinance”
Results (Number):	66
Search Phrase:	“enterprise” AND “microfinance”
Results (Number):	468
Search Phrase:	“SME” AND “growth”
Results (Number):	74
Search Phrase:	“enterprise” AND “finance”
Results (Number):	3,427 (Keywords only: 3)
Search Phrase:	Missing middle AND finance
Results (Number):	8
Search Phrase:	“SME” AND “capital”
Results (Number):	69
Search Phrase:	“enterprise” AND “capital”
Results (Number):	662 (Keywords: 0)
Date of Search:	31 January 2017
Search Database:	Practical Action Publishing
Search Phrase:	“missing middle” AND “financial services”
Results (Number):	7
Search Phrase:	“gazelle” AND “finance”
Results (Number):	Results 1
Search Phrase:	Enterprise AND Financial services
Results (Number):	318 (Keywords: 12)
Search Database:	**Journal of African Economies**
Date of Search:	30 January 2017
Inclusive Date Range:	2007-2017
Language:	All
Search Phrase:	“SME” AND “finance”
Results (Number):	11
Search Phrase:	“enterprise” AND “credit”
Results (Number):	61
Search Phrase:	“SME” AND “credit”
Results (Number):	12

Search Phrase:	Enterprise and Growth
Results (Number):	100
Search Phrase:	Value chains and Finance
Inclusive Date Range:	2007-2017
Language:	All
Results (Number):	33
Search Phrase:	"SME" AND "microfinance"
Results (Number):	7
Search Phrase:	"enterprise" AND "microfinance"
Results (Number):	12
Search Phrase:	"SME" AND "growth"
Results (Number):	12
Search Phrase:	"enterprise" AND "finance"
Results (Number):	81
Search Phrase:	Missing middle AND finance
Results (Number):	49
Search Phrase:	"SME" AND "capital"
Results (Number):	11
Search Phrase:	"enterprise" AND "capital"
Results (Number):	92
Search Phrase:	"missing middle" AND "financial services"
Results (Number):	53
Search Phrase:	"gazelle" AND "finance"
Results (Number):	2
Search Phrase:	Enterprise AND Financial services
Results (Number):	81
Institutional Databases	
Search Database:	**DFID R4D**
Date of Search:	29 January 2017
Search Phrase:	"SME" AND "finance"
Inclusive Date Range:	N/A
Language:	English
Results (Number):	3
Search Phrase:	"enterprise" AND "finance"
Inclusive Date Range:	N/A
Language:	English
Results (Number):	29
Search Phrase:	"SME" AND "financial services"
Inclusive Date Range:	N/A
Language:	English
Results (Number):	323

Search Phrase:	Enterprise and financial services
Inclusive Date Range:	N/A
Language:	English
Results (Number):	421
Search Phrase:	“SME” AND “microfinance”
Inclusive Date Range:	N/A
Language:	English
Results (Number):	0
Search Phrase:	“SME” AND “microfinance”
Inclusive Date Range:	N/A
Language:	English
Results (Number):	14
Search Phrase:	“SME” AND “credit”
Inclusive Date Range:	N/A
Language:	English
Results (Number):	1
Search Phrase:	“enterprise” AND “credit”
Inclusive Date Range:	N/A
Language:	English
Results (Number):	30
Search Phrase:	“SME” AND “capital”
Inclusive Date Range:	N/A
Language:	English
Results (Number):	0
Search Phrase:	“enterprise” AND “capital”
Inclusive Date Range:	N/A
Language:	English
Results (Number):	50
Search Phrase:	“SME” AND “growth”
Inclusive Date Range:	N/A
Language:	English
Results (Number):	7
Search Phrase:	Enterprise and Growth
Inclusive Date Range:	N/A
Language:	English
Results (Number):	79
Search Phrase:	Value chain and Finance
Inclusive Date Range:	N/A
Language:	English
Results (Number):	284
Search Phrase:	Gazelles and Finance

Inclusive Date Range:	N/A
Language:	English
Results (Number):	0
Search Phrase:	Missing middle and Finance
Inclusive Date Range:	N/A
Language:	English
Results (Number):	74
Search Phrase:	“missing middle” AND “financial services”
Inclusive Date Range:	N/A
Language:	English
Results (Number):	74
Search Database:	**DFID Development Tracker**
Date of Search:	**30 January 2017**
Inclusive Date Range:	N/A
Language:	English
Search Phrase:	“SME” AND “finance”
Results (Number):	23
Search Phrase:	“enterprise” AND “finance”
Results (Number):	7
Search Phrase:	“SME” AND “financial services”
Results (Number):	36
Search Phrase:	Enterprise and financial services
Results (Number):	9
Search Phrase:	“SME” AND “microfinance”
Results (Number):	3
Search Phrase:	“enterprise” AND “microfinance”
Results (Number):	3
Search Phrase:	“SME” AND “credit”
Results (Number):	13
Search Phrase:	“enterprise” AND “credit”
Results (Number):	7
Search Phrase:	“SME” AND “capital”
Results (Number):	8
Search Phrase:	“enterprise” AND “capital”
Results (Number):	2
Search Phrase:	“SME” AND “growth”
Results (Number):	48
Search Phrase:	Enterprise and Growth
Results (Number):	15
Search Phrase:	Value chain and Finance
Results (Number):	7

Search Phrase:	Gazelles and Finance
Results (Number):	0
Search Phrase:	Missing middle and Finance
Results (Number):	0
Search Phrase:	“missing middle” AND “financial services”
Results (Number):	0
Search Database:	**Consultative Group to Assist the Poor (CGAP)**
Date of Search:	28 January 2017
Inclusive Date Range:	N/A
Language:	English
Search Phrase:	“SME” AND “finance”
Results (Number):	39
Search Phrase:	“enterprise” AND “finance”
Results (Number):	139
Search Phrase:	“SME” AND “financial services”
Results (Number):	33
Search Phrase:	“enterprise” AND “financial services”
Results (Number):	154
Search Phrase:	“SME” AND “microfinance”
Results (Number):	28
Search Phrase:	“enterprise” AND “microfinance”
Results (Number):	129
Search Phrase:	“SME” AND “credit”
Results (Number):	27
Search Phrase:	“enterprise” AND “credit”
Results (Number):	127
Search Phrase:	“SME” AND “capital”
Results (Number):	12
Search Phrase:	“enterprise” AND “capital”
Results (Number):	27
Search Phrase:	“SME” AND “growth”
Results (Number):	0
Search Phrase:	“enterprise” AND “growth”
Results (Number):	78
Search Phrase:	“value chain” AND “finance”
Results (Number):	59
Search Phrase:	Value chain and Finance
Results (Number):	59
Search Phrase:	“gazelles” AND “finance”
Results (Number):	0
Search Phrase:	Missing middle and finance

Results (Number):	2
Search Phrase:	“missing middle” AND “financial services”
Results (Number):	9
Search Database:	**Donor Committee for Enterprise Development (DCED)**
Date of Search:	19 January 2017
Inclusive Date Range:	N/A
Language:	N/A
Search Phrase:	All search phrases bought similar results – general results below.
Results (Number):	Research on current practice and lessons learnt in challenge funds: 9 Impact investment and innovative finance: 10 Result reports and evaluations: 8 Results measurement: 5
Search Database:	**World Bank Group – Research Reports**
Date of Search:	19 January 2017
Inclusive Date Range:	N/A
Language:	All
Search Phrase:	SME finance
Results (Number):	90
Search Phrase:	Enterprise finance
Results (Number):	90
Search Phrase:	SME financial services
Results (Number):	3,025
Search Phrase:	Enterprise microfinance
Results (Number):	7,416
Search Phrase:	“SME credit
Results (Number):	25
Search Phrase:	Enterprise credit
Results (Number):	2,336
Search Phrase:	SME growth
Results (Number):	2,441
Search Phrase:	value chain finance results
Results (Number):	1,781
Search Phrase:	missing middle financial services
Results (Number):	85
Search Phrase:	gazelles finance
Results (Number):	45
Search Database:	**Independent Evaluation Group (World Bank Group)**
Date of Search:	19 January 2017
Inclusive Date Range:	N/A
Language:	All
Search Phrase:	“SME” AND “finance”

Results (Number):	167
Search Phrase:	“enterprise” AND “finance”
Results (Number):	167
Search Phrase:	“SME” AND “financial services”
Results (Number):	87
Search Phrase:	“enterprise” AND “financial services”
Results (Number):	91
Search Phrase:	“enterprise” AND “microfinance”
Results (Number):	16
Search Phrase:	“SME” AND “credit”
Results (Number):	25
Search Phrase:	“enterprise” AND “credit”
Results (Number):	32
Search Phrase:	“SME” AND “capital”
Results (Number):	14
Search Phrase:	“enterprise” AND “capital”
Results (Number):	22
Search Phrase:	“SME” AND “growth”
Results (Number):	36
Search Phrase:	“value chain” AND “finance”
Results (Number):	167
Search Phrase:	“missing middle” AND “financial services”
Results (Number):	88
Search Phrase:	“gazelles” AND “finance”
Results (Number):	167
Search Database:	**International Initiative for Impact Evaluation**
Date of Search:	29 January 2017
Inclusive Date Range:	2007 -2017
Language:	N.A
Search Phrase:	Enterprise
Results (Number):	140
Date of Search:	29 January 2017
Search Database:	3IE
Search Phrase:	SME
Results (Number):	8
Search Database:	**Overseas Development Institute (ODI)**
Date of Search:	29 January 2017
Inclusive Date Range:	N/A
Language:	N/A
Search Phrase:	“enterprise” AND “finance”
Results (Number):	1,727 Publications; Filter sector “business and Market”: 199; Filter

	“geographic area”: “SSA”: 80
Search Database:	**Inter-American Development Bank (IADB)**
Date of Search:	29 January 2017
Inclusive Date Range:	N/A
Language:	N/A
Search Phrase:	“SME” AND “finance”
Results (Number):	195 publications, 61 focused on SSA
Search Database:	**African Development Bank (ADB)**
Date of Search:	27 January 2017
Inclusive Date Range:	N/A
Language:	N/A
Search Phrase:	“SME” AND “financial services”
Results (Number):	15
Search Phrase:	“enterprise” AND “credit”
Results (Number):	44
Search Phrase:	“SME” AND “credit”
Results (Number):	22
Search Phrase:	“SME” AND “finance”
Results (Number):	55
Search Phrase:	Enterprise and Growth
Results (Number):	150
Search Phrase:	Value chains and Finance
Results (Number):	37
Search Phrase:	“SME” AND “microfinance”
Results (Number):	12
Search Phrase:	“enterprise” AND “microfinance”
Results (Number):	22
Search Phrase:	“SME” AND “growth”
Results (Number):	40
Search Phrase:	“enterprise” AND “finance”
Results (Number):	208
Search Phrase:	Missing middle AND finance
Results (Number):	3
Search Phrase:	“SME” AND “capital”
Results (Number):	26
Search Phrase:	“enterprise” AND “capital”
Results (Number):	72
Search Phrase:	“missing middle” AND “financial services”
Results (Number):	1
Search Phrase:	“gazelle” AND “finance”
Results (Number):	0

Search Database:	**Agence Française de Développement – knowledge portal**
Date of Search:	22 January 2017
Comments:	No keyword search permitted, selection of proposed subject only. Under "Access to finance for SME through FI", there is no publication listed.
Search Database:	**AFD**
Date of Search:	22 January 2017
Comments:	AFD does not have any project/activity related to SME. They have a separate entity focusing on private sector: Proparco They have their journal "Revue Secteur Privé and Développement » - only one document relevant.
Search Database:	**Accion/Centre for Financial Inclusion (CFI)**
Date of Search:	26 January 2017
Comments:	CFI portal does not allow for keywords search. Selecting subjects proposed: "Clients and market" and "investing in microfinance" the closest to the research question – no result is found.
Search Database:	**Microsave**
Date of Search:	29 January 2017
Inclusive Date Range:	N/A
Language:	N/A
Search Phrase:	Enterprise
Results (Number):	22
Search Phrase:	SME
Results (Number):	8
Search Database:	**Institute for Development Studies (IDS), University of Sussex**
Date of Search:	29 January 2017
Inclusive Date Range:	N/A
Language:	N/A
Search Phrase:	Enterprise
Results (Number):	12
Search Phrase:	SME
Results (Number):	50
Search Database:	**SEEP Network – Small Enterprise Education and Promotion Network, Inc.**
Date of Search:	29 January 2017
Inclusive Date Range:	N/A
Search Phrase:	Enterprise
Language:	English
Results (Number):	48
Search Phrase:	SME
Inclusive Date Range:	NA
Language:	English
Results (Number):	33
Search Phrase:	SME

Language:	French
Results (Number):	1
Search Database:	**UNU WIDER (United Nations University's World Institute for Development Economics Research)**
Date of Search:	29 January 2017
Inclusive Date Range:	2007-2017
Language:	All
Search Phrase:	SME
Results (Number):	23
Search Phrase:	Enterprise
Results (Number):	Results: 187 - Filters: “topic”: Aid and Development finance, Finance Development, Growth, Household welfare and enterprises, Jobs and employment, LDCs and fragile states: 134 Filter “Type of document”: working paper, journal article, book chapter, position paper, report: 95
Search Database:	**Institute for Poverty Alleviation (IPA), New Haven CT**
Date of Search:	20 January 2017
Status:	Results
Countries:	All
Search Phrase:	“Access to Finance” (pre-set search function)
Results (Number):	12 (4 relevant)