B-BRIDDHI

CASE STUDY

SHEBA:
ADVANCING DIGITAL INCLUSION FOR VULNERABLE MSMES

Cover picture by SHEBA

A programme by

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Roots of Impact

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ABOUT B-BRIDDHI

A key goal of growth in Bangladesh is to develop an inclusive ecosystem, which allows the entire population to participate. Impact enterprises can play a vital role in this vision. By developing and scaling innovative solutions to social and environmental challenges, people still living in disadvantaged conditions can receive an equal chance to benefit from economic prosperity in their roles as customers, suppliers and employees.

B-Briddhi is a multi-year public-private development partnership (PPDP) supported by the Embassy of Switzerland in Bangladesh, implemented by Roots of Impact, LightCastle Partners and other stakeholders, including investors, private sector organizations, incubators, and support organizations for impact enterprises.

Biniyog Briddhi ("B-Briddhi") was launched in 2020 to enhance the **financial, social, and environmental** performance of impact enterprises by enabling them to master **Investment Readiness (IR)** as well as **Impact Measurement and Management (IMM)**. In addition, it gives them much-needed access to **innovative and catalytic funding**, which puts them in a much better position to scale their impact.

B-Briddhi's primary actions are organised around three pillars of activity, which include **capacity building, catalytic finance, and advocacy.** The overall objective is to help build an ecosystem in which impact entrepreneurs have increased access to suitable growth capital and where investors receive exposure to a pipeline of investment-ready impact enterprises.

B-BRIDDHI
Scaling Impact Enterprises of Bangladesh

Supported by Switzerland

Roots of Impact

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INTRODUCTION

This case study focuses on the **Voucher Scheme:** it is a B-Briddhi programme under the capacity-building pillar, which was designed for impact enterprises that are interested in accessing tailored support on **IR** and/or **IMM**. Impact enterprises that meet the criteria to apply will select an eligible service provider (a local incubator that has completed our **Train-The-Trainer programme**), with whom they will then jointly develop a support plan. This plan lasts for a minimum of 6 months and up to 12 months for IMM and spans 18 months for IR. Redeemable vouchers are available to help impact enterprises pay for the tailored services delivered by the eligible service provider of their choice.

Sheba is unlike the usual candidates of the Voucher Scheme: typically, these are early-stage impact start-ups. Yet as a relatively mature commercial enterprise that launched in 2016, Sheba already has nearly 200 employees and a total of USD 8m in funds raised from local and international investors. The Sheba team has launched three platforms (Sheba.xyz, sManager, sBusiness) and established itself as a market leader for servicing MSMEs (micro, small, and medium-sized enterprises) in Bangladesh. Given its reach to MSMEs in rural areas, B-Briddhi saw the potential that Sheba, and specifically **sManager** (Smart Manager), could deliver substantial impact through digitization and financial inclusion. As the case study illuminates later, sManager has a strong interest in deepening its ability to create impact beyond mere employment opportunities and therefore decided to apply for the Voucher Scheme programme.

In April 2022, B-Briddhi teamed up with Sheba to provide the sManager arm of the company with capacity-building support through the Voucher Scheme programme. The sManager team received localized support from **BetterStories**, an incubator that successfully completed B-Briddhi's Train-the-Trainer IMM programme earlier. The support helped sManager to address several IMM challenges: (1) the lack of clarity surrounding the type of impact created through sManager (as demonstrated in the identification of key impact metrics), (2) its relevance to creating evidence that supports impact claims, as well as (3) the identification of data collection gaps so to allow for a clearer definition of whom sManager is generating impact for. With impact data collection systems in place, sManager is now capable of utilizing both impact and financial performance data to gain deeper and more nuanced insights and align impact performance with business growth strategy.

Established in 2019 by Adnan Imtiaz Halim, Ilmul Haque Sajib, and Abu Naser Md. Shoaib, sManager provides full stack digital solutions to empower MSMEs by helping them grow their business and achieve financial inclusion.

SMANAGER: ADVANCING DIGITAL INCLUSION FOR VULNERABLE MSMES

SETTING THE CONTEXT

The Bangladesh economy is comprised of over eight million small businesses, which make up 99% of all non-farm enterprises and nearly 85% of the country's total employment.[1] Despite comprising a quarter of the country's total GDP, MSMEs face a suite of challenges that cause them to operate at sub-optimal levels. Following the launch of Sheba in 2016, sManager was established three years later to make a difference for the

1 *Unless specified otherwise, background data used in this case study came from a World Bank report on MSME financing in Bangladesh. https://documents1.worldbank.org/curated/en/995331545025954781/Financing-Solutions-for-Micro-Small-and-Medium-Enterprises-in-Bangladesh.pdf*

estimated 20.3 million Bangladeshis working in the MSME space by providing a full range of digital financial services to merchants.

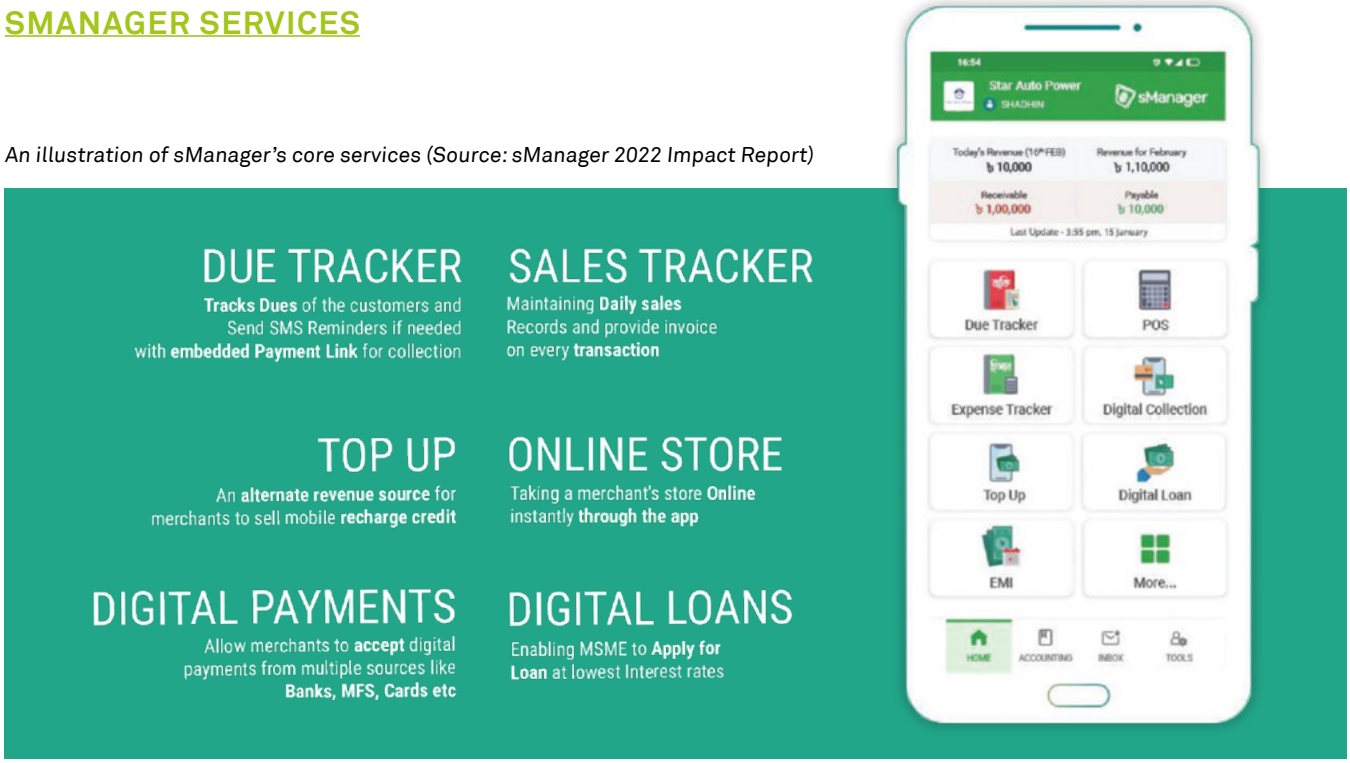
MSMEs in Bangladesh face four key challenges, which inhibit them from growing their businesses. All these challenges stem from either structural market inefficiencies and/or the undigitized nature of business operations:

- **Access to bank accounts and bank loans is constrained.** MSMEs are relatively underbanked compared to large SMEs, as commercial banks struggle to reach them due to high costs. Moreover, microfinance institutions and NGOs, who support MSMEs more often as a result, typically charge usurious interest rates between 25% to 120% p.a., which constrains access to working capital.
- **Due collection and management are inefficient and can cause conflicts.** MSMEs lack the resources to track and follow-up on customer dues, especially when customers use buy-now-pay-later (BNPL) options.
- **Sales and inventory tracking is time-consuming.** Because 85% of MSMEs rely on traditional bookkeeping practices, small business owners can easily lose track of sales, struggle to manage inventory, and spend added hours calculating daily accounts.
- **Sales are limited to walk-in customers.** Over 91% of MSMEs have no online presence and lack knowledge in digital marketing to grow their customer base, supplier lists, and distribution capabilities.

Recognizing these challenges and the lack of existing solutions, Sheba launched the sManager app to provide a holistic suite of services intended to address MSME challenges and improve their livelihoods. Free for any small business owner to register for, the sManager app remains accessible for even the most disadvantaged MSMEs: It provides 24/7 customer service, an intuitive user interface entirely in Bangla, as well as availability on basic smartphones. The app itself features a simple home page with multiple digital services for business owners, including sales tracking, e-commerce, payments, and microloans.

SMANAGER SERVICES

An illustration of sManager's core services (Source: sManager 2022 Impact Report)



FROM DIGITAL INCLUSION TO FINANCIAL INCLUSION

Early on, the sManager team realized that it wasn't enough to provide digital services to MSMEs without solving their biggest challenge: access to finance. In Bangladesh, MSMEs are considered high-risk borrowers by commercial banks due to their low capitalization and insufficient assets. Some 87% report having little to no access to credit. While total MSME lending from the formal banking sector nearly tripled from 2010 to 2016 (growing from 20 to 25% as a share of total private sector credit), most merchants still struggle to access working capital to grow their businesses. This fact is particularly acute for those who come from marginalized groups, such as women and those living in rural areas. Indeed, the IFC estimated the total MSME financing gap to be USD 2.8 billion, amounting to USD 2,288 per enterprise on average.

These market dynamics unlocked both a commercial and impact opportunity for sManager to provide digital microloans to MSMEs built on alternative credit scores. The trove of app usage data collected by sManager enabled the team to assess credit worthiness and build a proprietary digital loan solution, hence bridging the MSMEs to financing opportunities that would not have been possible. Meanwhile, the credit scoring provided enables banks, MFIs and other lending partners to identify potential loan candidates and accelerate the disbursement process for banks, MFIs, and other lending partners.

> *sManager revolutionizes the way MSMEs conduct business by serving as a tool to drive revenue growth through digitizing core business operations. In doing so, sManager empowers merchants to dream to achieve greater heights by increasing income and living standards for them, their families, and their employees.*

TARGET POPULATION, MARKET AND NEEDS

Initially, sManager focused on serving MSMEs in Dhaka, the largest city in Bangladesh. Since most MSMEs are small (average size of four employees in urban areas) and informal (90+% are unregistered with the government), reaching the most disadvantaged MSMEs is challenging given limited value chain integration. Nevertheless, sManager quickly established a presence in all 64 districts across the country.

In fact, sManager saw great potential in expanding its customer base by onboarding more vulnerable MSMEs to its platform.[2] Armed with the mission to financially and digitally include the bottom 60% of Bangladesh's population, sManager was compelled to leverage its digital solution in under-resourced parts of the country. To date, 59% of the MSMEs served by sManager are considered vulnerable because of their locations in the most remote, low-income zones of the country. The IMM support provided to sManager during the Voucher Scheme added further weight to servicing this specific set of underserved customers. By 2027, the sManager team aims to increase the percentage of vulnerable MSMEs using their platform by 21%.

TRACTION

While the sManager component of Sheba is a relatively new addition to the company's slew of B2B and B2C offerings, it has already demonstrated strong traction. Since inception, sManager has onboarded 1.7m MSMEs

2 *Vulnerable MSMEs include those operating outside of Dhaka with limited access to resources in comparison to the capital city. Poverty Maps of Bangladesh (2016), a report written by the Bangladesh Bureau of Statistics, was used to identify low-income zones within the country. This definition was formulated during the Voucher Scheme programme.*

to its platform with over 183,000 monthly active users on average. On the financial side, gross transaction volume reached USD 9.18m in 2021 and has grown by 164% so far in 2022, while revenues have grown by 80%. While 89% of revenue came from subscription fees charged to MSMEs through their freemium model, Sheba projects that figure to dip to 22% over the next few years as enterprise revenue ramps up to 60% of the overall total. This financial shift reflects their business model emphasis to focus on MSME financial inclusion, as enterprise sales are expected to be driven from becoming the preferred alternative credit scoring provider for financial institution partners.

sManager has improved the lives of small business owners since entering the market. The platform's solutions have enabled MSMEs to grow their sales by 43%, collect customer dues 3x faster on average, saved shopkeepers an average of three hours per day via automated sales and inventory tracking, and contributed to a 95% reduction in loan processing time (from 1 month to 1.5 days on average). As sManager scales, it plans to double down on its impact statement by targeting vulnerable MSMEs. Over 140,000 of the MSMEs actively using sManager today are classified as vulnerable. The company aims to grow this figure to 2.3m by 2027 through its business activities.

EMPOWERED BY IMPACT MEASUREMENT AND MANAGEMENT (IMM) SUPPORT

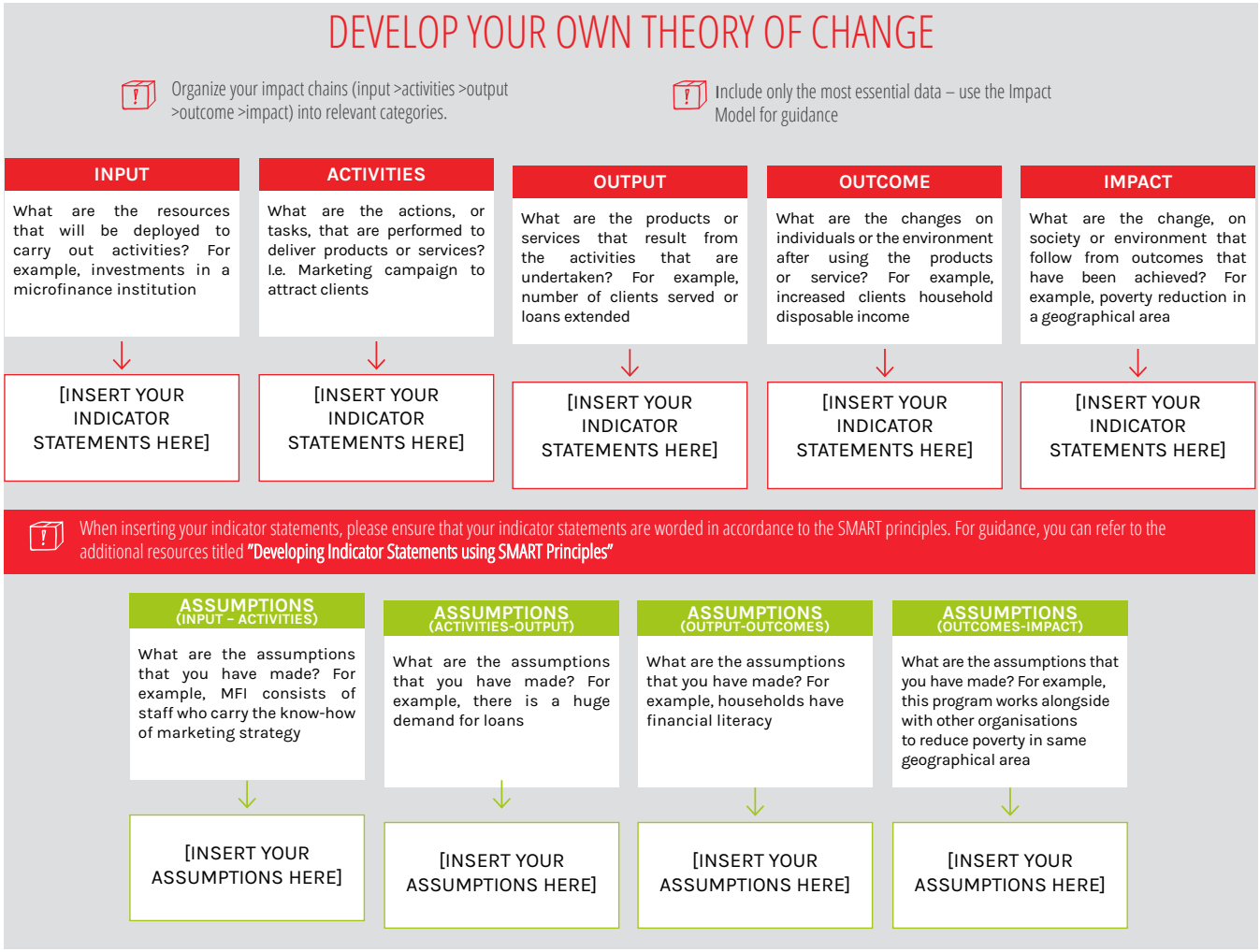
SCOPE OF THE IMM SUPPORT

The IMM support from the B-Briddhi Voucher Scheme programme helped sManager to identify vulnerable MSMEs as their target customers. In addition, it was instrumental in capturing the enterprise's key impact outcomes for these customers and monitoring their performance over time. Over the course of six months, sManager went through a Theory of Change and impact planning exercise. The goal was to gain clarity on how the enterprise's business and impact model could align through the services it provides to the most vulnerable MSMEs. During a set of online and offline exercises, the sManager team received hands-on support from BetterStories to leverage the programme's tools, including the customer promise sheet, customer journey map and data collection plan, to derive action points associated with improving impact data collection, analysis, and reporting.

Mrs. Sharmin, Dhamrai, Pottery Worker. Photo by Sheba

Entering the programme as an established commercial entity, Sheba had strong financial plans but a limited in-depth understanding of its impact. Prior to participating in the Voucher Scheme, the sManager team reiterated their intentionality to generate impact but were not able to articulate either the specific type or the extent of impact they strove to generate. For instance, the enterprise's initial impact statement centred around empowering small businesses and delivering financial inclusion. This failed to distinguish sManager from most e-commerce platforms unless the "who", which includes vulnerable MSMEs, is well-defined. Moreover, the team hadn't identified clear outcomes emanating from platform usage, making it challenging to pinpoint a linkage between the company's activities and their intentionality to generate impact. There was also limited baseline data available on the level of financial inclusion among vulnerable MSMEs, which was needed to demonstrate the effectiveness of sManager in terms of generating their intended impact.

This template helps enterprises develop their Theory of Change during Voucher Scheme. As illustrated, an enterprise's inputs and activities must be clearly connected to the intended outcome they want to achieve for each stakeholder.



Through IMM support, the sManager team developed an impact statement aligned with their vision to support their target audience: vulnerable MSMEs that are traditionally excluded from the formal economy. This impact statement helped sManager create a Theory of Change that allowed the team to identify key value drivers by asking difficult questions about their business model. These key value drivers include providing access to, as well as reducing costs and time spend associated with, microloan processing, bookkeeping practices, and starting e-commerce websites. Equipped with an understanding of how their solution creates financial inclusion for vulnerable MSMEs, the sManager team was then able to go beyond mere definitions and quantify the impact targets they aim to achieve beyond baseline measures.

To give an example: sManager is now able to pinpoint three quantifiable outcome metrics to measure financial inclusion among vulnerable MSMEs: (1) the amount of additional time saved by enabling faster microloan processing, (2) the amount of additional productive time saved from adopting digital bookkeeping practices, and (3) the associated additional cost savings with starting e-commerce sites on sManager (as opposed to external hosting platforms).

SMANAGER'S IMM DATA COLLECTION

The sManager team needed support putting the data it had already collected from thousands of customers into perspective to better support its impact story and improve decision-making internally. The customer promise sheet, touchpoint journey map, and data collection plan proved fundamental to altering the way sManager structures, collects, analyses, and communicates impact data. As a result, every decision that the business now makes either comes directly or indirectly from the IMM system devised through the B-Briddhi programme. The team is now able to disaggregate customer data by a range of filters, including gender and income level, which allows sManager to target clusters of vulnerable MSMEs more effectively. Additionally, in-app customer feedback data is now being used to inform its quarterly plans and track achievement of impact goals.

RESULTS FROM THE IMM SUPPORT

Leveraging the 5 dimensions of impact created by the Impact Management Project (IMP), a global standard for impact measurement, the B-Briddhi Voucher Scheme programme enabled sManager to gain a more refined understanding of (1) what kind of impact they're generating, (2) for whom they're generating it, and (3) the extent to which the impact occurred. Rather than vaguely understanding sManager's impact as allowing MSMEs to generate more income, the Voucher Scheme programme helped sManager create a more concise impact statement centered around their ability to offer accessible finance to vulnerable MSMEs that, before sManager supported them, were either commercially unbanked or under-banked. With their value propositions for vulnerable MSMEs more clearly outlined, sManager's business operations have shifted towards achieving their impact targets.

sManager has the potential to improve the lives of hundreds of thousands of vulnerable merchants, enabling them to be integrated into the formal economy by providing access to customers and finance, and eventually contribute to a stronger, more resilient set of livelihoods across Bangladesh. Adnan Halim, Sheba Co-Founder and CEO, shares his perspective on the programme and its benefits:

> ***Sheba has always worked to empower SMEs where we knew we were making an impact but didn't identify the magnitude of our work. This is where the Impact Measurement Program gave us the opportunity to identify the level of impact we were really making and now, we're more excited than ever about the future & making the change we so desire."***
>
> Adnan Halim, Co-Founder and CEO of Sheba

WAY FORWARD

The IMM support provided to sManager transformed the way they understand and measure impact in correlation to their core business activities. As a result of the exercises they completed, sManager is now better positioned to leverage both impact and financial performance data in an integrated manner to adjust their business strategy as they scale. Bolstered by a revamped IMM framework, the sManager team can more effectively navigate around the possibility of impact washing claims being thrown at them from external stakeholders and posing a risk to potential partnerships being forged or investment being raised.

As sManager reflects on its accomplishments and lessons learned through the Voucher Scheme programme, the enterprise is now on a growth path underpinned by clear quantifiable targets to serve vulnerable MSMEs. For instance, the "What," "Who," and "How Much" aspects of the IMP are now integrated into their Theory of Change and form part of their KPIs and business strategy. This framework will help sManager to orient themselves and stay on course as they scale their impact and commercial performance. As it recognizes the challenges it will face with customer adoption, particularly among rural MSMEs with less trust and familiarity using digital tools, the sManager team plans to scale its network of field agents, provide greater education around app usage, and bolster its commitment to providing customer support.

The future focus of sManager will be on customer penetration to achieve its goal of digitizing 5m MSMEs while maintaining its ratio of over half being classified as vulnerable. To paint the bigger picture, the sManager team believes that educating and empowering 5m MSMEs has the potential to 4x that and create 20m jobs through either direct or indirect employment. Achieving this feat will ensure sManager plays an active role in bolstering the livelihoods of merchants, their employees, and families through greater economic security, financial freedom, and digital empowerment.

Do you want to access a similar Impact Measurement and Management support? Please contact us via info@sie-b.org

Mr. Gulzar, Dhaka, Clothing Shop. Photo by Sheba

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