

The digital transformation of small business support

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Strive Community is a global philanthropic initiative, developed by the Mastercard Center for Inclusive Growth and Caribou Digital, funded by the Mastercard Impact Fund. Strive Community aims to support the resilience and growth of five million small businesses around the world. The initiative enables these small businesses to reach their full potential as catalysts of inclusive growth by supporting them to digitalize their operations, unlock their access to financial services and more effectively participate in digital markets. By partnering with the private sector, civic, and government organizations from all over the world, Strive Community employs a digital and data first approach, helping small businesses increase their use of digital technology and boost their economic potential.

Caribou Digital is a research and delivery consultancy dedicated to building economically sustainable, ethical digital economies in emerging markets. Collectively we have decades of experience in delivering digital technology projects on the ground in emerging markets and researching the impact of digital platforms on primarily low-income users.

The Mastercard Center for Inclusive Growth advances equitable and sustainable economic growth and financial inclusion around the world. The Center leverages the company's core assets and competencies, including data insights, expertise and technology, while administering the philanthropic Mastercard Impact Fund to produce independent research, scale global programs and empower a community of thinkers, leaders and doers on the front lines of inclusive growth.

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Executive summary

As the digital revolution transformed micro- and small enterprises (MSEs) around the world, it also changed how small business support can and should be delivered. MSEs are essential agents of inclusive growth, and the digital revolution has fundamentally affected them. As digital technologies present MSEs with new opportunities and challenges that have been accelerated by the COVID pandemic, their support needs have also shifted. In the digital age, meaningful support not only provides MSEs with information and resources, but does so in new ways, using digital channels. For small business support to be effective and sustainable through the 21st century, understanding how digital technologies are changing the landscape will be paramount.

This paper identifies new digital-first players and channels supporting small business that have emerged and makes suggestions for how new and established actors can work together more effectively. To assess which changes digital transformation has brought about, we trace the lineage of MSE support from traditional to contemporary, digitally enabled methods. We highlight that traditional MSE support has not ceased to matter. Instead, these ways have often been transformed, and the range of support actors has broadened. For this expanded ecosystem to have impact, greater mutual awareness and new partnerships are required.

To capture new digitally enabled ways of MSE support as exhaustively as possible, we compiled and coded a corpus of 650 support organizations and initiatives. We first crowd-sourced a database of 80 organizations active in all regions of the world by asking a group of subject-matter experts to name MSE supporters that use digital technologies in innovative ways. Based on this list, we derived an initial set of categories of digital MSE support. We then used the stakeholder mapping of the Strive Community project (a global initiative to enhance MSE digitalization as a means for inclusive growth) to validate and refine the initial categories.

We propose five archetypal forms of digital MSE support:

- 1 Digital market access** – most commonly offered by e-commerce platforms, helping MSEs move their offering or stock management online and to reach new customers and suppliers, often enhanced by data analytics.
- 2 Digitalizing operations** – mostly provided by startups that offer enterprise software that improves efficiency and productivity, often through data-driven insights, while being workable within MSEs' capacity-constrained day-to-day realities.
- 3 Digital credit** – largely the remit of fintechs and banks, involves providing operational capital and liquidity to MSEs through digital channels, typically based on data-driven assessments of credit worthiness.
- 4 Digital skill building** – MSE owners and staff learning to use digital technologies more effectively or to run their business in the digital age; typically provided through digital channels by a wide range of support actors, from platforms to NGOs and governments.
- 5 Online engagement** – informing and inspiring MSEs through relatable and motivational content offered by peers, online communities, influencers, or social media.

Through case studies, we illustrate the five forms of digital MSE support, highlighting the deliberate and thoughtful effort that effective supporters invest. We highlight the cases of Shopify (digital market access), BukuWarung (digitalizing operations), Dinie (digital credit), Mercy Corps's MicroMentor (digital skill building), and Shujaaz (online engagement). These cases show the diversity of digital MSE supporters, which range from smaller to larger, older to younger, and more to less market-oriented organizations. The case studies also illustrate the programmatic nuances of digital MSE support; each of these initiatives proves to be carefully fine-tuned to the targeted MSEs' capability levels, trying to tackle bottlenecks that hinder their growth and resilience.

Our review of the global digital support landscape suggests that the most transformational supporters are those with an offering that fits into how MSEs use (or don't use) digital technologies in their day-to-day work. The average MSE engages with digital support only if it offers an immediate and easily accessed benefit. Support organizations that implement digital solutions without careful consideration of the MSE perspective often face minimal uptake (e.g., technologically cumbersome applications) or minimal impact per engagement (e.g., social media lacking relevant functionalities). Supporters that make the most of digital transformation's potential understand that MSEs use digital technologies in diverse ways and that they start from different capability levels.

Based on our analysis, we suggest five mutually reinforcing pathways towards more transformative digital MSE support as calls to action for small business builders, both individually and collectively. Pathways 1 & 2 identify first principles for organizations, actionable for any MSE supporter. Pathways 3 & 4 ask organizations to widen their view towards other supporters with similar or complementary offerings. Pathway 5 plays out at the ecosystem level, actionable for large support organizations or groups of supporters. We identify a practical exercise for each pathway.

- 1 Catering to MSEs' digital capabilities and contexts:** Impactful supporters meet MSEs where they are in their digital journey. They use digital tools but also understand the digital landscape of these MSEs. Especially in low-income countries, digital MSE support is often "tech and touch."
EXERCISE Segmenting MSE target audiences and in-depth personas.
- 2 Intentionality and purpose:** Transformative supporters cater to specific and diverse MSE needs even if it requires a more costly effort and does not deliver short-term profits. They invest deliberate and thoughtful efforts before and after launch. In low-income settings, they consider and work around structural limitations.
EXERCISE Deliberately identifying those MSEs that are currently unable to access the support, while needing only minimal onboarding support.
- 3 Pinpointing strengths and weaknesses:** Effective supporters assess their strengths and weaknesses, partnering with others instead of duplicating efforts. They map competitors and complementors. Complementors may be specialists in different forms of MSE support, analog-first and digital-first organizations, and new players and established organizations.
EXERCISE Basic location-specific mapping of competitors and complementors to increase awareness for best practice and potential partners.

4 Integrated local offerings that leverage partners' complementarities:

Transformative supporters become aware of competitors and complementors. They actively reach out to partners and create integrated offerings for a particular target audience of small businesses.

EXERCISE Opening partnership opportunities by identifying organizations with which small businesses already actively engage and exploring how to integrate with these supporters' offerings.

5 Forming regional and global communities: Larger and well-resourced supporters become MSE support community leaders. Integrative communities at a regional and national scale organize complementary supporters, paving the way for partnerships and opportunities to learn from one another. Specialist communities convene supporters with deep expertise in one form of digital MSE support at global scale.

EXERCISE Neutral and well-resourced ecosystem leaders inviting role models and pioneers to convenings to establish action-oriented communities.

As digital transformation continues to expand the global support ecosystem, the challenge will be for all its members to work together more effectively, combining purpose and depth with cost-effectiveness and scale. Digital technologies have made the range of MSE support organizations more diverse, while very different organizations are engaging in related and complementary digital support efforts. Both new digital firms and established organizations are needed to deliver effective digital MSE support. Strive Community aims to become an active facilitator and accelerant for the wider ecosystem's work. We are hopeful that new initiatives—both within and beyond our immediate network—along the pathways we identify in this paper will deepen and widen the transformative impacts of digital small business support.



The digital transformation of small business support

Micro- and small enterprises (MSEs) are essential agents of inclusive growth.¹ These businesses collectively employ more people than enterprises of any other size.² Especially in the developing world, small businesses sustain the livelihoods of hundreds of millions of people, offering much-needed job opportunities for low-skilled workers and rural communities. As such, small businesses require and deserve external support, but its effective and efficient delivery is no easy feat.

In this paper, we tackle the question of how the digital revolution has changed small business support. While MSEs have not reaped the same benefits from the digital revolution as larger companies, an ever-wider array of digital technologies has impacted how small businesses access markets, how they operate, and how they obtain and manage capital. In particular, digital payments, e-commerce platforms, enterprise resource planning (ERP) systems, and micro-lending services have become widely used. General purpose digital applications like social media and messaging services have become essential digital infrastructures for small businesses to trade, find employees and partners, and stay informed.

The global spread of digital technologies has affected how MSEs operate, which has in turn changed how MSE support can and should be delivered. While traditional formats have continued to be relevant, the global digital revolution has transformed both the means and ends of support interventions. Notably, small business support in the digital age must respond to the expanding range of support that MSEs need. Meaningful support not only provides MSEs with information and resources, but does so in new ways. It uses digital channels while meeting MSEs where they are and responding to their evolving and diverse needs. Most MSEs require internet access and foundational digital skills, but what helps them to embed digital technologies into their operations, to innovate, and to remain resilient will differ from business to business. Beyond basic resources, MSEs therefore require customized digital solutions and strategic assistance. Further, the digital revolution has not only changed MSEs' interactions with traditional partners, it has also added digital tech companies (like platforms and technology providers) as entirely new players with which MSEs engage. For small business support to be effective and sustainable through the 21st century, understanding these complex changes that digital technologies are bringing about will be paramount.

For small business support to be effective and sustainable through the 21st century, understanding the impact of digital technologies will be paramount.

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- 1 We use the terms micro- and small enterprises (MSEs) and small businesses interchangeably, in each case referring to independent small economic units with ten employees or less.
 - 2 International Labour Organization, *Small Matters: Global Evidence on the Contribution to Employment by the Self-Employed, Micro-enterprises and SMEs* (2019), https://www.ilo.org/global/publications/books/WCMS_723282/lang--en/index.htm.

This paper offers a conceptual mapping of small business support organizations that are already using, or are exploring to embed, digital technologies into their activities. We draw on our experience as members of the [Strive Community](#) team. Strive Community is a global initiative by Mastercard's [Center for Inclusive Growth](#) and [Caribou Digital](#) that seeks to empower five million small businesses to grow and become more resilient, drawing heavily on digital means. Strive Community works with grantees and scaling partners that are dedicated to helping MSEs through dynamic and digital-first solutions. In the program's setup, we have gained a thorough understanding of the global support ecosystem as a whole, and we have engaged directly with a set of actors that are breaking new ground by delivering innovative and transformative interventions.

In this report, we share how digital technologies have altered what effective and scalable MSE support looks like. We acknowledge that the digital revolution's impact on small business has been uneven; yet we see that similar models and principles of support apply around the world. We offer a conceptual mapping in that we outline which forms of digital MSE support have emerged consistently across the global ecosystem of support organizations. Through case studies, we further illustrate different forms of support, thereby highlighting the kinds of efforts that effective supporters invest in—and that others should emulate.

This agenda structures the report. The following section outlines the five forms of digitally enabled MSE support that we found to be common across all world regions. The third section provides a synthesis of the principles that we found guide the digitally transformed MSE support ecosystem. The fourth and final section highlights five calls to action for small business builders, suggesting ways to make digital MSE support more successful and transformative.



Five forms of digital MSE support

Efforts to support small businesses to survive and grow predate the digital revolution by several decades. Government agencies, business associations, development organizations, and chambers of commerce have developed a host of programs, ranging from business incubation and other forms of entrepreneurial support organizations (ESOs) to tailored business development services (BDS) and direct financial subsidies through grants and tax exemptions.³ Policies aimed at improving conditions for small businesses (such as tariffs and trade regimes, incorporation and formalization, and professional education) also play an essential role. While evidence of these programs' effectiveness remains patchy and contested,⁴ small business support is one of the longest-running pillars of economic development policies and interventions.

Clearly, traditional MSE support continues to matter. Rather than eliminating old forms of support, the digital revolution has altered and augmented them—and sometimes brought entirely new forms into being. Digital technology companies like e-commerce or agricultural platforms, software companies, tech startups, and fintechs are now essential counterparts for many small businesses around the world.

Therefore, our goal is to establish how the widespread use of digital technologies has changed small business support around the world. We seek to capture forms of small business support that are uniquely enabled by digital technologies, irrespective of whether they are implemented by technology companies or by traditional MSE supporters. A better understanding of the support landscape will allow organizations to emulate those MSE supporters that have made the most transformative use of digital technologies and allow the ecosystem as a whole to grow together and find more and better ways to partner.

Our goal is to capture forms of small business support that are uniquely enabled by digital technologies.

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- ³ Sean M. Hackett and David M. Dilts, "A Systematic Review of Business Incubation Research," *Journal of Technology Transfer* 29 (2004): 55–82, <http://doi.org/10.1023/B:JOTT.0000011181.11952.0f>; Brian J. Bergman and Jeffery S. McMullen, "Helping Entrepreneurs Help Themselves: A Review and Relational Research Agenda on Entrepreneurial Support Organizations," *Entrepreneurship Theory and Practice* (July 2021), <https://doi.org/10.1177/10422587211028736>; Jacob Levitsky, *Business Development Services: A Review of International Experience* (Rugby, UK: Practical Action Publishing, 2000) <https://doi.org/10.3362/9781780442808>.
- ⁴ See, for instance, David McKenzie "Small Business Training to Improve Management Practices in Developing Countries: Re-Assessing the Evidence for 'Training Doesn't Work,'" *Oxford Review of Economic Policy* 37, no. 2 (June 1, 2021): 276–301, <https://doi.org/10.1093/oxrep/grab002>.

Both the idea and the opportunity to systematically capture new, digitally enabled ways of MSE support arose from our involvement in the Strive Community program. During the program's launch phase in mid-2021, we crowdsourced a database of 80 organizations by asking the best networked subject-matter experts on the Strive team to name notable support organizations that use digital technologies, or that respond to MSEs' digitalization challenges, in innovative ways. Based on this list, we derived an initial set of six support categories, which we defined and honed through group discussion and feedback rounds. Next, we validated whether these categories are broadly applicable, distinguishable, and exhaustive.

To assess this, we used the stakeholder mapping of Strive Community—a corpus of 650 support organizations and initiatives. We coded these organizations for their primary and secondary support focus and iteratively refined the category definitions wherever the coding yielded inconsistencies. We refined three of the categories (digital market access, digital operations, and digital credit) and fundamentally reconceptualized one category (online engagement). We dropped one category (policy, knowledge, and convening) because we found very few instances where digital technologies were truly at the core of how this form of support was delivered. We also dropped large transnational platforms (Google, Alibaba, Microsoft, Facebook, etc.) from the coding; these players typically offer three or more forms of support, which speaks to their infrastructural character, but also shows that they are not representative of any other support organization. We stopped coding once we could clearly attribute almost all organizations in the mapping to a single primary support category, because this suggested that the categorization was a useful *typology of forms of digital MSE support* common across a wide range of contexts.

Established actors and established ways of support continue to matter, but the range has widened. Thanks to the digital revolution, MSE support has become a bigger tent.

This approach allowed us to identify five forms of digital MSE support (see table). We define digital MSE support as any effort to help MSEs become more successful, productive, and resilient that is foundationally enabled or brought about by digital technologies. We identify ways of MSE support that have emerged and spread in the digital age (that is, since around 2010). While most traditional MSE support is beyond our scope, we found that many longstanding MSE supporters (such as international NGOs and business associations) have augmented tried-and-tested formats (such as business development services and mentoring) with digital technologies. We show that established actors and established ways of support continue to matter, but also that the range of actors and channels has widened significantly, and that established actors are reaching MSEs in new ways. Thanks to the digital revolution, MSE support has become a bigger tent.

TYPE OF DIGITAL MSE SUPPORT	DESCRIPTION
Digital market access	Most commonly offered by e-commerce platforms, helps MSEs move their offerings or stock management online to reach new customers and suppliers, often enhanced by data analytics.
Digitalizing operations	Mostly provided by startups that offer enterprise software that improves efficiency and productivity, often through data-driven insights, while workable within MSEs' capacity-constrained day-to-day realities.
Digital credit	Largely provided by fintechs and banks, involves providing operational capital to MSEs through digital channels, typically based on data-driven assessments of creditworthiness.
Digital skill building	Typically provided through digital channels by a wide range of actors, from platforms, to NGOs, to governments. Provides education for MSE owners and staff to learn to use digital technologies more effectively or how to run their business in the digital age.
Online engagement	MSEs are informed and inspired by relatable and motivational content offered by peers, online communities, influencers, or social media.

Each form of digital small business support addresses a different MSE need and uses digital technologies in distinct ways. In the following, we present a concept sheet for each of the five forms of digital MSE support. Each sheet highlights:

A DEFINITION



WAYS THE SUPPORT TYPICALLY BECOMES MORE IMPACTFUL



WHAT MAKES THE SUPPORT DIGITAL



A LIST OF EXAMPLES OF ORGANIZATIONS THAT EXCEL AT THE SUPPORT



TYPICAL VERSIONS OF THE SUPPORT AND THE TRADEOFFS SUPPORTERS USUALLY FACE



AN IN-DEPTH CASE STUDY OF DIGITAL MSE SUPPORTERS WITH TRANSFORMATIVE IMPACTS ON MSEs



Digital market access



Digital market access involves making more customers or suppliers available to small businesses, or deepening access to existing clients and suppliers. Digital market access connects small businesses to other market participants by aggregating information and facilitating transactions.



Digital market access is typically provided by digital platforms or other online channels (like virtual storefronts). Small businesses typically interface with web-based applications without running any software locally on their own devices or servers. Digital technologies' potential lies in bridging physical distance, in aggregating markets, and in facilitating transactions.



In its most basic variant, digital market access provides MSEs with information about customers or suppliers, while leaving the actual transaction to the market participants (e.g., agricultural information apps). Additionally, most digital platforms provide services to secure transactions or create trust by integrating payments, ratings, logistics and delivery, and other security measures (validated accounts, insurance, supplier guarantees, etc.).

There is a wide spectrum of providers, from general purpose platforms with low entry barriers to platforms offering a deeper set of services and customization. More sophisticated platforms typically come with higher cost for MSEs (e.g., through commissions) and with higher skill requirements (e.g., through the need to manage accounts and profiles, understand and satisfy the platform's terms, engage with customer ratings and requests through the platform's channels, etc.). For example, social networks like Facebook and WhatsApp have become major enablers of informal markets for small traders and producers (often referred to as social commerce), while more specialized platforms tend to be adopted by specific sets of MSEs (e.g., delivery platforms for restaurants, agricultural commodities platforms for farmers).



Digital market access providers can have the greatest impact when they allow MSEs to grow and expand their business while imposing limited cost and risk. Crucially, platforms act as gatekeepers, setting the rules and prices of transactions. Profit-oriented platforms may therefore configure commissions and standards in ways that are cost-prohibitive and exclusive for small and informal enterprises.

In contrast, digital market access can become impactful by offering interfaces and functionalities that are easy to use for MSEs, reducing commissions or charging both market sides equally, offering upskilling services, offering free customer support, facilitating fair and transparent ratings, and offering MSEs information based on data-driven analysis. Free usage or extensive trial periods are important to give MSEs the opportunity to explore a platform at low cost.



Grab Southeast Asia

Through its GrabFood Merchant and GrabMerchant Commerce applications, Grab offers small businesses access to consumers and payment and operational management services through the Grab app.

Elo7 Brazil

Enables mostly female creators and traders to sell handmade products. Recently acquired by Etsy.

Magazine Luiza "Magalu" Brazil

An online sales platform that enables microentrepreneurs to facilitate last-mile delivery and become part of its nation-wide distribution network.

WeChat Mini Programs China, global

Mini Programs enable businesses to create a digital presence in the form of small applications that run inside the WeChat platform.

Lazada Southeast Asia

An e-commerce platform that offers entrepreneurs access to wider markets, commission-free posting, and end-to-end supply chain logistics. It also provides free resources to sellers through Lazada University.



Shopify

Shopify is an e-commerce platform that helps over 1.7 million merchants manage their online storefront. Shopify offers digital business services at relatively low cost, often enabling small businesses to offer their products within the global marketplace. Shopify's uptake remains skewed towards the United States, the United Kingdom, Australia, and Canada, but its presence is growing in Brazil and India. Shopify merchants are typically first-time entrepreneurs looking for a platform to sell their retail and apparel products. The number of consumers using the Shopify platform grew by 52% in 2020 from a year earlier.

Small businesses can choose from a selection of Shopify services, allowing them to add more functionalities as their business grows. The most basic plan includes free premade website templates that help small businesses launch quickly. Small businesses can maintain their own brand identity, for instance, by using their own domain and personalizing their digital storefront. Users can also adopt Shopify's shopping cart solution to sell, ship, and manage products. Additional plans are available to small businesses with higher digital capabilities, giving users more advanced features such as the ability to sell on social media platforms, reports and analytics, and marketing tools.

Shopify also offers free online courses, webinars, and tutorials covering a large range of business topics, from how to start a business to marketing and getting sales. These courses are taught by experts or successful entrepreneurs who have grown their own business using Shopify. Shopify's 'Learn' platform gives entrepreneurs access to the collective knowledge and experience of successful entrepreneurs around the world.

Shopify can have transformative effects on small businesses because it allows merchants to run or integrate with a range of digital solutions through a single application. It gives small businesses the ability to create a multi-channel experience: they reach customers on a global scale through an online platform but also digitally enhance in-person sales with a point-of-sales application for payments in physical locations. In sum, Shopify's platform is unique in that it offers a simple and cheap entry-level version while also allowing small businesses to integrate advanced functionalities as they upgrade their digital capabilities. Rather than using multiple software and digital tools, small businesses can use Shopify to set up their online stores, place advertisements, process payments, fulfill orders, and manage inventory.

Digitalizing operations



Digitalizing operations involves offering software and applications to MSEs that increase efficiency and effectiveness. Based on digital operations software, MSEs can make informed decisions more quickly and better coordinate their staff and resources.



Digital operations providers offer a digital product (software or application) that MSEs typically adopt internally for some of their business functions (marketing, communication, accounting, etc.). The MSE inputs information that the software stores and processes. The two key aspects of this are the translation of analog to digital information and the interface between software and staff. For example, data entry templates workable on simple smartphones and tablets or dashboards that present relevant information are important features. Digitalizing operations can also lay the foundation for efficient information sharing with other firms, like supply-chain partners, banks, and fintechs. At scale, digital operations solutions can allow for mutual and collective value creation across organizations, especially through sharing and analysis of data. For example, small stores can become last-mile physical outlets for lead firms and digital platforms (for example, digital money kiosks, corner stores that process deliveries, etc.).



The central tradeoff for digital operations solutions concerns the level of sophistication vs. ease of use and cost. Sophisticated operations software for large corporations is well-established (SAP, Microsoft), but MSEs require solutions that are intuitive and easy to use by non-experts. Many small businesses adopt general purpose software, such as Google Docs or Microsoft Office. Dedicated operations applications for MSEs often focus on essential functions like bookkeeping, tax filing, digital marketing, or enterprise resource planning (ERP, including stock and inventory management, appointment registers, etc.). Digital financial services (DFS) that allow small businesses to manage their finances and make transactions (such as digital wallets and financial planners) also fall in this category.

As each application requires a learning curve for owners and staff, few MSEs adopt a wide range of digital operations solutions in parallel. Instead, small businesses adopt those applications that provide particular value for them (e.g., stock management for traders) or that they are required to use (e.g., tax filing or supply chain partners' solutions). MSEs' access to digital infrastructure can set usability barriers; many digital operations services are cloud-based and require significant bandwidth, stable connections, and devices with processing power. In turn, once a small business's operations are comprehensively digitalized, it can more easily and effectively integrate with other digital services, for example, linking its stock management to e-commerce platforms or its cash flow data with digital financial services.



Digitalizing operations is effective when it makes MSEs more productive at low cost and effort. Digital operations solutions must consider the time and effort it takes to adopt the application itself; any productivity benefits have to (far) outweigh the total adoption cost. Gains also have to be predictable and swift for MSEs, as they rarely have the patience or resources to deeply explore an application's functionalities. Ease of use is key.

Ideally, a single application offers a wide range of functions without overwhelming MSE users. Simple dashboards that condense information are desirable. Especially in developing countries, service integration has become an important trend. Service providers that started with a focus on a particular business function have expanded across others.



Telio Vietnam

A business-to-business startup that connects micro-retailers with brands and distributors on a centralized platform.

Sapo POS Vietnam

Sales management software for small businesses to manage sales, inventory, customer communication, and staff.

QuickBooks Global

Accounting software that digitizes small business operations, including expense tracking, invoice creation, payments, and payroll management.

Osome United Kingdom

Superapp that digitizes administrative, accounting, payroll, and tax-related work for MSEs in the UK.

Page365 Thailand

An all-in-one social commerce management system for online selling.

ShopUp Bangladesh

A full-stack business-to-business commerce platform that combines inventory, logistics and working capital for small businesses.

Ula India

An inventory-ordering platform that also provides working capital to mom-and-pop shops.

Chari Morocco

An app that helps small retailers procure inventory for their stores with free delivery.

OZÉ Ghana

A mobile app for MSEs that helps businesses track sales, expenses and customer information. Data is analyzed to provide tailored recommendations, reports, and business education. If the entrepreneur needs extra support, an OZÉ coach is just a click away. As young MSE owners use OZÉ to manage their businesses and learn how to run them better, OZÉ learns about them and uses this information to assess their credit risk and connect them to capital.

Alerzo Nigeria

A last-mile distribution platform that helps retailers stock inventory directly from manufacturers. Its business is centered on helping street-side vendors and shops in Nigeria's southwestern cities access household supplies quickly and efficiently.

MarketForce Africa

A business-to-business commerce and fintech marketplace where informal retailers source, order, and pay for inventory via interactive mobile channels.





BukuWarung

BukuWarung is an Indonesian startup offering digital bookkeeping and other applications to small businesses. The company seeks to tap into Indonesia's vast and fast-growing digital economy; according to one estimate, its gross merchandise value grew by 45% from 2020 to 2021. Launched in 2019, BukuWarung has since become one of the market leaders in MSE technology. As of January 2022, around 7 million users across 750 cities and small towns, mostly in tier 2 and tier 3 locations, had registered in the BukuWarung app.

BukuWarung has gradually expanded its core functionality and features. Beginning with transaction recording, accounts management, and financial reporting, it integrated point of sales, digital payment, bill payment, and stock management functionalities. All are free for business owners to use, except the account management features which incur administration fees of IDR 1,500 (USD 0.105) per transaction. Beyond digitalizing business operations, BukuWarung also developed an e-commerce application, Tokoko. The app allows MSEs to create a digital catalog of their offering and a digital storefront to connect directly with their customers. Most recently, the company began a collaboration with Modalku to offer short-term micro-credit for business owners, with interest rates adjusted to the borrower's portfolio and transaction history.

These products are designed with specific concern for MSEs' challenges. The expansion of features was itself a response to small business needs, as most MSEs are unwilling to adopt multiple apps in parallel. User interfaces feature clear navigation with simple language. BukuWarung also hosts a Business Owner Community (Komunitas Juragan Bisnis) program to provide training and assistance to small businesses, and it regularly publishes educational articles and videos with advice on price setting, digital marketing, sales tips for WhatsApp, and management guides. Its wider impact is vast. Recent estimates by the Institute for Development of Economics and Finance (INDEF) suggest that MSEs increase their productivity when using the app, leading to potential income gains of over 25%. The same study estimates that BukuWarung's direct and indirect effects combined may have increased Indonesia's National GDP by a staggering 0.27 percent.

Digital credit



Digital credit gives MSEs access to financial capital based on data-driven assessments of creditworthiness. Sometimes, small businesses use digitally provided capital for growth-oriented investments, but most digital credit solutions help MSEs maintain liquidity, bridging shortfalls in their account balance due to, for instance, delayed customer payments, long invoicing cycles, personal emergencies, and external shocks. Digital credit is part of the broader category of digital financial services (DFS), but only includes services where capital is directly provided to the MSE with an expectation that the capital plus interest will be repaid in the future. This category excludes investments where returns are tied to the enterprise's success (revenue sharing) or where ownership shares are traded (angel investments, venture capital, stock trading) because digitally enabled investment finance remains extremely rare in the small business segment.



Digital credit makes use of digital technologies' ability to facilitate quick and frequent interactions between MSEs and credit providers to automate and speed up the provider's decision-making, and to trace MSEs' behavior and to make this information visible and shareable continuously over time and for various parties. Especially where MSEs have already adopted digital wallets and payment services, it is easy for MSEs to access and use digital credit services. These can be enabled to analyze an MSE's cash flow and payment history, sometimes augmenting this information with traditional signifiers like credit scores. Digital credit is particularly relevant for MSEs as they typically lack access to conventional forms of finance (especially bank loans), due to absent or incomplete credit histories and collateral. Digital credit uses digital technologies to establish an alternative information base.



While all digital credit services process MSEs' trace data in some form, requirements differ as to who can sign on and which data is collected and shared and for how long (e.g., tracing communication data in addition to financial transactions). Digital credit applications can further adjust their default risk models and conditions to account for particular MSE owners' sectoral contexts (e.g., seasonal volatility in agriculture), customer behavior (e.g., extended invoicing cycles), or the local financial system (e.g., conditions offered by banks). Given the ease and speed with which loans can be obtained, MSEs risk falling into debt traps or receiving poor credit scores. Most digital credit services therefore set limits on frequency and amount of credit.



Effective digital credit providers focus on ensuring that creditworthy MSEs maintain their liquidity or have easy access to a loan when an investment opportunity presents itself. They thereby allow small businesses to continue their operations and earn money during temporary cash shortages, and sometimes to grow their operations. They offer simple and unbureaucratic sign-up processes and enable swift credit approvals. Impactful digital credit services have reliable and realistic default risk models, collecting data over a sufficient period of time before issuing the first loan. They are transparent about interest and warn MSEs when they risk slipping into debt traps, and they present MSEs with the financial data that they collect.



Firgun Brazil

A collective crowdsourcing platform for microcredit investing in small businesses

Nubank Brazil

Brazil's biggest digital bank, has a free account for MSEs with free billing and credit delivery.

Jaza Duka Kenya

A partnership between Mastercard, KCB Bank, and a number of fast-moving consumer goods suppliers, including Unilever. Jaza Duka, Swahili for "fill up your store", enables micro-merchants to access short-term working capital based on historical sales data from FMCG suppliers. Merchants use their Jaza Duka credit to purchase products from distributors, enabling them to keep their stores better stocked and increasing their capacity to grow their businesses.

iwoca United Kingdom

UK-based digital lender offering loans and bridge financing for small businesses.

Pezsha East Africa

A collective crowdsourcing platform for microcredit investing in small businesses

Finpass Brazil

Automates credit scoring, matches MSEs to a variety of fintechs and credit providers, and helps them compare terms and conditions.

Konfío Mexico

Uses digital invoices and other small business data to augment traditional credit scores, adapting its algorithm and loan policy to shocks like the COVID pandemic.

Jumia Lending Nigeria, Kenya, Ghana, Egypt, and Ivory Coast

Offers loans to sellers in Nigeria, Kenya, Ivory Coast, and Egypt in partnership with fintechs. Jumia acts as a facilitator that originates the loan application on behalf of the seller and provides data related to the seller's creditworthiness based on their transaction history on the platform. With up-to-date information on sellers' sales performance and loan repayment schedules, Jumia recommends adjustments or additional loan offers where needed. Many sellers are repeat borrowers who have successfully repaid their loans.

Tienda Pago Mexico, Peru

Offers short-term financing to small store owners. Works through various product distributors so shopkeepers can take deliveries—even when they don't have cash on hand—and pay for the merchandise later in the week once they have had a chance to sell some of their products.

Lulalend South Africa

An online uncollateralized MSE lending platform, allows MSEs to apply for and receive funding without visiting a bank branch. Its lending decisions are automated, and funding is provided within 24 hours. Leveraging data from alternative and online sources, Lulalend utilizes a proprietary scoring algorithm that allows it to evaluate applicants and provide funding to MSEs quickly.

Lydia Nigeria and Europe

Uses smart algorithms to analyze transaction data from small businesses to assess their creditworthiness.

Kopo-Kopo Grow Loan Kenya

Provides cash advance to merchants who use its transaction payments platform. Kopo Kopo's payment platform is designed to encourage business growth, without costly monitoring and unfair punishments. Businesses repay loans by automatically allocating a predetermined percentage of their daily business revenue towards loan repayment. Thus, firms are not punished for being unable to repay in times of poor business. Kopo Kopo incentivizes borrowers to repay early by offering lower fees for higher daily deduction percentages.



Dinie

Dinie is an embedded-finance fintech that aims to streamline credit delivery to MSEs. Founded in 2019, the company's technology enables it to directly offer credit to small businesses within some of the e-commerce platforms those businesses already trade on. This does not only simplify delivery, but also allows the company to use data from MSEs' transaction histories to deliver tailored credit assessments. The technology is based on artificial intelligence, allowing for quick and automated assessments and improving assessments over time.

In this way, MSEs can easily access a rolling credit line at much lower rates than traditional loans. Dinie further aims to educate small businesses on responsible credit usage. It does this in part by only allowing MSEs to take up credit gradually to ensure that they do not compromise core resources and overstretch themselves.

Dinie's ethos centers around building long-term engagement with MSEs while ensuring that they are able to sustain their businesses during the many shocks they face operating in an emerging market—particularly during COVID. Dinie's approach is decidedly user-centric. It is designed to sidestep many of the bureaucratic barriers that MSEs face when trying to access credit, for instance, by steering them towards more intuitive interfaces and by providing credit conditions that are more suitable to their needs.

Digital skill building



Through digital skill building, MSE owners and staff learn how to use digital technologies more effectively or how to run their business in the digital age. Supporters provide direct assistance that conveys information and knowledge on how MSEs can survive and grow in the face of digital transformation.



Digital skill building is “digital” in a dual sense. First, digital technologies have changed how knowledge can be shared. They allow for content, once it has been digitally recorded and stored, to be disseminated to unlimited numbers of recipients, anywhere, at near-zero additional cost. Digital technologies also allow one-to-one communication at distance. Second, digital technologies have changed what kind of knowledge is useful. MSEs require digital skills (i.e., knowing how to use digital technologies), but they also need strategic advice and awareness. Digital skill building is about both the use of digital technologies and conveying to MSEs what they need to know to handle the challenges and make use of the opportunities of the digital age.



The most important trade-off for digital skill building is between standardization for scale and customization for depth. Broadly, more standardized content can convey general digital skills, while individualized formats allow for strategic advice and dialogue. The most common forms of skill building use digital technologies’ dissemination potential; standardized content is recorded and made available online. Standardized content can be assembled in structured and in-depth formats like massive open online courses (MOOCs), or can come in the form of bite-size, short videos spread over social media. At the customization-for-depth end of the spectrum, micro-mentoring represents an important format. In between, myriad small group formats are being used.



Effective skill building increases MSEs' digital capabilities, that is, their intangible assets, such as staff's skills, knowledge, and mindsets. While content quality is important, impactful skill building ensures that MSEs actively engage with it (for instance, through gamified user journeys) and that they show behavior change. Before conveying content, effective skill builders often use diagnostics and needs assessments to determine MSEs' existing capability levels. Deep engagement can often be in tension with scalability. Given their diversity, MSEs may benefit most from highly customized information. Formats that allow one-to-one at scale often work best: for example, flexible content that individual coaches can adapt within sessions. An important best practice to convey knowledge more effectively is to match MSEs with successful peers, as who conveys content is just as important as what that content is.



Arifu Africa

Personal learning assistant and content marketplace that offers advice and financial skills training to MSEs through mobile phones.

Fundación Capital Latin America

Fundación Capital is an NGO based in Latin America that has reimaged what development looks like in a digital age, from iterative rather than linear project cycles to its ecosystem approach to delivery.

HerVenture Global

Mobile learning app for women entrepreneurs available in Vietnam, Indonesia, Nigeria, Kenya, South Africa, and Guyana.

African Management Institute (AMI) Africa

Provides SMEs with practical business and management tools that can be downloaded on a phone or laptop.

Mosabi Africa

Platform that blends fintech and gamified edtech for informal sector entrepreneurs. Mosabi also connects users with relevant partner financial providers and platforms.



Mercy Corps's MicroMentor

MicroMentor, a digital program offered by Mercy Corps, is the world's largest online business mentoring platform. Founded in 2008, MicroMentor has facilitated more than 70,000 mentoring connections between volunteer business mentors and small business owners and entrepreneurs around the world, who gain knowledge and skills to help their businesses thrive.

MicroMentor's online platform provides a cost-effective and scalable model for individualized support and guidance. According to MicroMentor's annual report, 65% of small businesses that use the platform are operational, while 35% remain at the idea stage. Of all operational small enterprises, most (75%) have fewer than three employees. Just over two-thirds of users are from low- and middle-income countries, and about four out of ten are women.⁵

The MicroMentor platform sets low barriers to participation and enables users to be mentors, mentees, or both. Users create a profile on the platform and identify areas where they need support or the expertise they can offer. Both sides can seek connections from across the globe and across a range of sectors by searching profiles on the platform, while MicroMentor's algorithm recommends matches. Mentors on the platform have an average of 12 years of management experience and seven years of business ownership experience. In 2020, 68% of connections made between entrepreneurs and mentors were across countries. When entrepreneurs and mentors find a potential fit, they connect over MicroMentor's messaging platform. Then, the mentor-mentee relationship proceeds as per the mutually preferred communication channel and frequency. On average, mentors and mentees meet for an hour per week over a three-month period.

For MicroMentor, online mentoring is more than providing business advice to small businesses. Its pathway to impact is based on the notion that, with an experienced mentor, small businesses make better decisions due to increased skills and confidence, experience greater access to business development resources, build more resilient businesses, and experience better long-term outcomes. MicroMentor has observed positive impacts for entrepreneurs, especially as a result of skill building: 92% of mentored entrepreneurs reported an increase in confidence in one or more business-related skills over time, such as improved financial literacy, improved sales pitches, and improved ability to design marketing campaigns. Further, 22% of mentored entrepreneurs reported increased access to business development resources (compared to 10% of non-mentored entrepreneurs), and mentored entrepreneurs reported on average a 16% increase in revenue. The platform is offered to other development organizations as a white-labeled solution; partners such as the European Bank for Reconstruction and Development (EBRD) and the Accion Opportunity Fund have integrated it into their offerings.

5 *MicroMentor, Responding with Resilience: Coming Together to Face a Global Economic Crisis through Small Business Mentoring* (MercyCorps, 2020), https://d2win24dv6pngl.cloudfront.net/media/documents/MicroMentor_Annual_Report_2020_final.pdf.

Online engagement



Online engagement involves MSEs getting informed and inspired through relatable content on digital channels, mostly social media. Influencers, experts, and online community leaders are most active, although online engagement also happens incidentally when peers share their experiences.



Social media is the core means of MSE online engagement.⁶ It enables the creation and distribution of content, both more widely and more directly than would be possible through traditional media. Social media uniquely allows individuals and small organizations to create and shape their own audiences. But social media is not just a mass distribution mechanism, it also affords and rewards particular styles of communication, which influencers and active users learn to perfect over time.



Online engagement is shaped by whether it happens through large global social networks (Facebook, Instagram, Telegram, Twitter, Reddit, Clubhouse), through semi-open groups and communities within them, or through standalone fora (like blogs, newsletters, and dedicated online communities). Each setting comes with different implications for audience size and focus, and for how MSE audiences can be engaged. In more closely knit groups, recognized community facilitators and leaders moderate communication and integrate newcomers. Engaging content is typically authentic and relatable; peers and others that MSEs identify with will be best-positioned to achieve this. Humor and entertainment can transport content well, though they can also detract from the core message.



Effective online engagement inspires MSEs, increasing their aspiration and motivation. For this to happen, the conveyed information needs to leave an impression and make an emotional connection with the MSE owner or staff member. Most of the time, personal and business interests blend. Authenticity and credibility play an important role, and content, sender, and forum should all resonate with MSEs. While experts can sometimes gain MSEs' trust, peers are typically more immediately credible and relatable. In community settings, the community's overall identity needs to be credible and relatable for MSEs.

⁶ We use the term social media in a broad sense, including any digital media that allow direct human interaction and communication, like social networks, messengers, SMS, chats, fora, applications running on MESH networks, and online communities.



Dotsy Brazil

Dotsy is an online Facebook community that has become a unique hub for engagement, peer-to-peer learning, upskilling, and trading for MSEs, with a dedicated consumer base that recognizes its umbrella brand as a mark of curated products and high level customer service.

Enterprise Nation United Kingdom

Offers digital networking events, community groups, e-learning, and online advisory services for UK-based small businesses

Entrepenista US, global

A community of founders and decision-makers, and aspiring entrepreneurs learning from successful female peers. through podcasts and virtual networking events.





Shujaaz

Shujaaz Inc has spent the last ten years working to break down barriers facing young entrepreneurs in East Africa. The organization leverages behavior change-focused media, online peer engagement, role-model mentoring, and peer-led training to support young people to build and transition their informal micro-enterprises into thriving small businesses.

In Kenya, over three million young people run micro-businesses across a range of sectors with a particular focus on agriculture, food, second-hand clothing and transport. Shujaaz segments these micro-businesses into three groups: 'Early Stage Entrepreneurs' who do multiple 'odd jobs' and work alone; 'Start-Up Hustlas' who run one or more part-time businesses and work alone; and 'Full-time Entrepreneurs' who run one business and hire one or more employees. Each group represents approximately one third of Kenya's roughly three million microentrepreneurs.

Shujaaz supports 'Early-stage Entrepreneurs' and 'Start-Up Hustlas' to become 'Full-Time Entrepreneurs' and build resilient, successful businesses that support their families and provide income opportunities for their communities.

Support is offered through Shujaaz's network of three social ventures that provide peer-led information, skills, and resources, all embedded within a digital community. The multimedia, Emmy award-winning youth platform, Shujaaz, brings together over nine million people across Kenya and Tanzania to talk about their experience and challenges through comic books, SMS, and social media. The HustlaMBA learning community offers over 750 online peer-led training videos where entrepreneurs can learn directly from those who have set up and run successful microbusinesses. MESH, a new digital network for young entrepreneurs and small businesses, combines peer-to-peer engagement with role-model mentoring and the peer-to-peer HustlaMBA training program. Driven by data, MESH members are guided to the right peers for mentorship, training, and mutual support. Shujaaz is exploring leveraging MESH members' supportive actions and online conversational data to unlock new support channels, such as access to finance.

Shujaaz's products are guided by a central value called 'Player First' that puts their entrepreneurs first in every decision. This principle is founded in the belief that entrepreneurs themselves hold the solutions to overcoming the barriers they face. The organization has seen that, when young entrepreneurs make meaningful connections with peers they can trust, their businesses prosper, their incomes increase, and their families and communities benefit.

Five pathways to more transformative digital MSE support

MSE supporters can apply this typology of digital MSE support and the insights from case studies to their own contexts, allowing them to take more effective action and increase their impact. Overall, the five case studies of transformative support organizations highlighted that intervention using digital tools do not necessarily impact MSEs in a meaningful way. In fact, the opposite seems to be true; support organizations often implement digital solutions for the sake of it, falling for the “if you build it, they will come” fallacy or for the broader innovative appeal of digital technologies. For example, online courses are a typical approach to digital skill building, but many courses use standardized and uninspiring content and therefore remain unused. Digital platforms can in theory offer access to thousands of new customers, but, in practice, MSEs may not be able to reach those customers if they cannot effectively use the platform’s interface and functionalities.

Supporters that make the most of digital transformation’s potential understand that MSEs use digital technologies in diverse ways and that they start from different capability levels. While technology can bring efficiency, small businesses often find it challenging to use it in the most effective way. The average MSE is unlikely to employ cutting-edge digital technologies, such as artificial intelligence, data science, drones, or self-driving cars. Instead, most small business owners make practical decisions in light of available resources, time, and existing day-to-day processes, often using only those digital technologies that offer immediate benefit and are cheap and easy to use.⁷

Below, we identify five pathways to impact as calls to action for small business supporters around the world. We start with first principles at the level of individual organizations (actionable for any MSE supporter) and end with suggestions for the global support ecosystem (actionable for large support organizations or groups of organizations).

7 International Labour Organization, Small Goes Digital: How Digitalization Can Bring About Productive Growth for Micro and Small Enterprises (2021), www.ilo.org/empent/units/boosting-employment-through-small-enterprise-development/WCMS_808632/lang--en/index.htm.

1

Catering to MSEs' digital capabilities and contexts

The most impactful supporters deeply engage with small businesses' digitalization challenges to understand how digital technologies are actually embedded in MSEs' realities. For example, training programs can no longer just focus on sectorally specific skills; for any sector, they have to also consider how digital technologies have disrupted supply chains and altered viable long-term business models. As another example, a supporter offering a software product that allows MSEs to manage their stock has to consider those small businesses' typical online behavior and experience, but also their ability to incorporate the software into their existing digital and analog supply chain and communication channels. This is because digital solutions and content can be easily distributed, but an MSE's concrete ability to employ them is highly varied and context-specific.

Digital MSE supporters have to simultaneously use digital tools practically and understand the wider digital landscape of which MSEs are part, including gaps and limitations. Effective digital small business support rarely centers on cutting-edge technologies and instead offers MSEs something concrete, understandable, workable, and immediately useful. In many ways, digital MSE support means moving away from "digital's" overt promises. It does not assume that technology can be a quick fix, it avoids standardized roll-outs that do not allow for local customization, and it looks for integrated rather than isolated interventions. Especially in low-income countries, digital small business support is "tech and touch," including a significant analog component, both in the process of understanding MSE needs and in the channels through which support is delivered.



PRACTICAL EXERCISE

Contextually sensitive user centricity and personas

User centricity is an established idea in digital product design; its core principle is to orient a digital solution's functionality at the user's concrete, lived experience. In the context of MSE support, user centricity needs to be understood more holistically (see related notions of [human-centered systems-minded](#) and [society-centered design](#)). Supporters should not focus just on an intervention's specific functionality and affordances, but also on how it interacts with other technologies that MSEs access, with its existing processes and capabilities, and even with its social environment. Given the diversity of small businesses, even within a given geographical context, organizations may need to understand clusters within the target audience, for instance, by developing user personas.

2

Intentionality and purpose

A more subtle, but no less essential, principle for transformational digital MSE support is intentionality and purpose. In many contexts, catering to the specific and diverse needs of MSEs is not the easiest, most profitable, or most cost-effective approach to achieving support organizations' targets. This is true both for private sector organizations (e.g., an e-commerce platform requiring prohibitive levels of digital skills of market participants) and for not-for-profits (e.g., an online learning provider maximizing user numbers rather than depth of engagement).

The case studies illustrated the deliberate and thoughtful effort that effective supporters invest before and after the launch of an initiative, going beneath the numbers and determining whether real impact on small businesses is achieved. They demonstrated the programmatic nuances of transformative digital MSE support: each of the analyzed initiatives proved to be carefully fine-tuning to the targeted MSEs' capability levels, trying to tackle bottlenecks that hinder their growth, and considering the wider digital ecosystem in which they are embedded. The presented organizations were also aware of other support channels MSEs have access to and of the barriers that may simply be insurmountable. These organizations took on as many of the interconnected hurdles for MSEs as they could, given their resources and strengths.

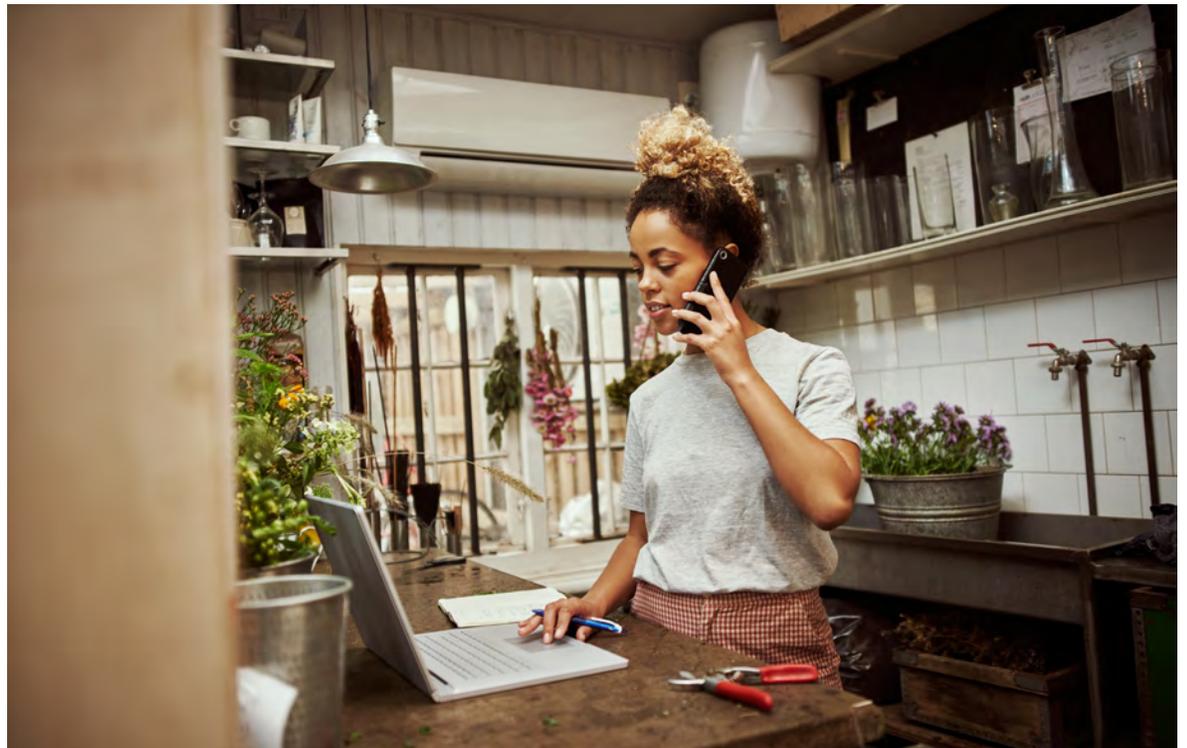
In these cases, intentional and purposeful organizations go beyond the analytical exercise of considering MSE capabilities and contexts. They go out of their way, often in tension with their own short-term interests, to develop an offering that works for MSEs. Especially in low-income countries, this often involves acknowledging and working around structural limitations. For not-for-profits, intentionality can mean that they first address more fundamental hurdles that MSEs face (such as gender stereotypes, general business skills, or lack of access to devices), lifting them to a level where they can begin to benefit from a more sophisticated digital support program. For private sector organizations, intentionality often involves offering a product that is not immediately profitable, but which helps MSEs grow in the hope of indirect and long-term benefits for the economies they operate in. Intentionality is about dedication to small business growth and resilience, even where this involves effort and investments over a long period of time with uncertain results.



PRACTICAL EXERCISE

Including the unintentionally excluded

Whether explicitly or implicitly, support organizations typically have minimum requirements for small businesses to be able to benefit from their offering. For example, MSE owners may need a smartphone, they may need to set up an account and upload information, or they may need to have social skills. While carefully configured standards are necessary to make support offerings effective, requirements can also be exclusive. Organizations are also typically most aware of—and concerned with—existing customers or program participants. To counter these tendencies, support organizations can run through a deliberative exercise of identifying those MSEs that are just outside the reach of support as currently offered. In many cases, support organizations may be able to identify groups of MSEs that are left out, despite needing only minimal assistance to access or qualify for support. Organizations can then evaluate whether they or a partner can provide the necessary onboarding assistance.



3

Pinpointing strengths and weaknesses

A third pathway to transformative digital MSE support remains at the level of individual support organizations, but requires them to compare themselves to others in the ecosystem. The typology of digital small business support presented in this report can help support organizations hone in on the value addition they can make for small businesses in the digital age, thereby pinpointing their own strengths and weaknesses versus those of other organizations.

The table below outlines the typical mode of delivery and the main impact on MSEs for each of the five types of digital small business support. While exact configurations differ across contexts, small businesses will in most cases be best served if they can access all five types of support. This is because the different types cater to distinct fundamental needs of MSEs, and because they are often mutually reinforcing. For example, small businesses that have begun to use a digital platform (digital market access) usually have a more refined understanding of their capability shortages, thus they benefit more from peer-to-peer mentoring (digital skill building). Where a community of small businesses has been inspired to look for more innovative applications of digital tools (online engagement), they are more likely to try out a lightweight productivity tool (digitalizing operations).

FORM	MODE OF DELIVERY	IMPACT ON MSE
Digital market access	Digital product (app or web-based)	Growth
Digitalizing operations	Digital product (software or cloud-based)	Productivity
Digital credit	Digitally delivered product	Liquidity
Skill building	Digitally enabled direct assistance	Capabilities
Online engagement	Digitally enabled motivation	Aspiration

Supporters should pinpoint their own versus others' strengths and weaknesses, in order to partner rather than duplicate efforts. Common complementarities exist for specialists in a given form of digital MSE support, analog-first and digital-first organizations, and new players (like platforms and fintechs) and established and well-resourced ones (like governments and banks).



PRACTICAL EXERCISE

Mapping competitors and complementors, from the MSE perspective

Small business supporters can use the above typology to systematically assess how they can deepen their services and which partners to look for. They can investigate whether the MSEs they target are currently able to access effective support across the five types and reach out to partners with complementary services before duplicating efforts. Before rolling out a stand-alone solution, supporters can run through the exercise of identifying other actors the targeted MSEs already engage with and of clarifying which other actors offer a value proposition that would augment the supporter's own.





Integrated local offerings that leverage partners' complementarities

The fourth pathway involves the formation of local partnerships between support organizations with complementary strengths. It follows directly from the third pathway; by identifying their own strengths and weaknesses, as well as those of competitors and complementors, organizations can change what they offer (avoiding duplication), but also become aware of the most promising partnership potentials. This pathway involves a limited number of organizations working together to create a concrete integrated offering, typically at the local level.

The potential for local integrations is essential due to the broadening of the support ecosystem that digital technologies have caused. Many new players that have emerged within the field of small business support (e.g., platforms and fintechs) are market-oriented firms that offer a technology product without self-identifying as part of a support ecosystem. These actors are not typically aware of the efforts and resources of not-for-profits. In contrast, traditional small business supporters often do not consider the new players as peers that they could learn from or partner with. The result is vast untapped potential. Digital platforms offer products that tangentially reach MSEs but are not adjusted to meet capability levels. Training organizations provide standardized digital skills courses that neglect MSE's individual needs. Governments continue to require collateral for loans, even though fintechs already hold detailed credit profiles of MSEs.

In all such cases, small business builders could greatly improve their offering if they partnered with MSE supporters with complementary assets, developing an integrated offering that makes sense from the MSE perspective. While catering to digital capability levels and intentionality are core principles for improving any organization's individual efforts, even the most effective organization cannot tackle small businesses' diverse challenges by itself. In addition, some needs can be best addressed through a market-based approach, while others require efforts that do not expect a return.

Once complementary supporters have been identified, possibilities for integration can be determined. Crucially, small businesses are rarely able to invest time and effort to evaluate and engage with several similar offers; they will be better served if complementary services are accessible through the same organization or service. In low-income countries in particular, a user-centric offering is often one where some partners operate in the background while select organizations with established trust and brand recognition effectively engage MSEs directly.⁸ Integration can play out within a given category. For instance, providers of operational software for particular business functions have merged with or been acquired by integrated providers. Globally increasing attention to embedded finance for small business also reflects the need for integration.

8 See the cases of Juntos and the Common Cents Lab in *Empowering Small Businesses for a Digital Future*, Mastercard Center for Inclusive Growth, 2021, <https://www.mastercardcenter.org/content/dam/mc-cig/uploads/Empowering-Small-Businesses.pdf>.



PRACTICAL EXERCISE

Integrating with established access points to MSEs

While MSEs require varied forms of support, the time and effort it takes them to engage can become a cost in and of itself. Therefore, an important exercise for support organizations is to assess whether their service can be integrated within a channel or relationship that MSEs already trust in and draw on. Neutral not-for-profit support organizations with direct access to MSEs can play an important role, as they may be able to orchestrate others' services. For example, Fundación Capital functions as a guide for MSEs, directing them towards digital market access, operations software, and digital finance solutions, while directly offering digital skill building and social engagement support.



5

Forming regional and global communities

The fifth and final pathway towards more transformative digital MSE support plays out at the ecosystem level: the creation of integrative communities at regional and national scales and specialist communities at the global scale. This pathway is more indirect than the others, yet no less important. In our estimation, the curation of purposeful communities of organizations that explicitly identify as part of the same ecosystem represents essential groundwork for better coordination of resources and impactful partnerships in the long run. In fact, we observe that, with the fast-paced emergence of technology firms as essential small business supporters, the ecosystem has not just expanded, but also become more fragmented. The landscape bears exciting partnership potentials. But, in our view, these are unlikely to be pursued without strong community facilitation and leadership.

Communities are important because they can turn abstract collaborative principles into concrete collective action. While we believe that the introduced typology of digital small business support is a useful conceptual tool, it can only be put into practice through active organizing driven by community leaders. The typology is stylized and simplifies much more complex realities. Many large MSE supporters, such as Accion, CARE, or Mercy Corps, are directly or indirectly involved in several different forms of support. Within a given category, organizations may compete with each other, and therefore will not work with one another. The typology should therefore not be understood as a rigid framework, but rather as a conceptual template that helps communities to identify their members, allowing support organizations to become aware of potential partners that they may not have previously considered. It is the work of community leaders to onboard others, detect and work around conflicts, and initiate concrete partnerships.

The typology introduced in this report suggests two directions for small business builder communities. *Integrative communities* at regional and national scales organize complementary supporters, making them aware of each other and paving the way for them to form complementary partnerships for the benefit of MSEs. These communities enable awareness and ongoing exchange between organizations that address the same MSE target audiences. Specialist communities convene supporters focusing on one particular type of digital MSE support, at global scale. Thereby, they allow organizations that implement a similar type of MSE support but operate in different contexts to learn from each other, understanding nuances and best practices that are globally applicable.

Ultimately, small businesses could be much better served, often with the same resources, if their supporters formed intentional communities that maximize the potentials of digital technologies while simplifying MSEs' support journey. In addition, communities can strengthen accountability and measurement within the ecosystem. By forming and joining such communities, the small business builder ecosystem's impact on MSEs, and the livelihoods of their owners and employees, could be immensely greater than it is today. Strive Community is a step in this direction, and we invite others to join and extend our efforts.



PRACTICAL EXERCISE

Mapping and initiating small business builder communities

Communities convene organizations with a similar purpose, enabling partnerships and exchange. Communities typically require leaders who are neutral (that is, not in direct competition with community members), command the resources necessary for community facilitation, and have initial networks with other prospective community members. Such organizations are well-positioned to map and initiate small business builder communities, which can in turn lay the groundwork for effective partnerships and learning. For integrative local communities, well-resourced organizations with ambitions to expand their activity in a given region and those with an established strong footprint can be natural facilitators. Regionally specific mapping exercises (who is serving which MSEs, how, where) can serve to establish potential partners and their apparent strengths. For specialist communities, not-for-profits (international organizations, foundations, think tanks) are often best positioned to identify and convene organizations from around the globe that have excelled at a particular form of digital MSE support. Through virtual and physical gatherings, supporters become aware of each other and can explore which concrete partnerships are workable.



CONCLUSION

The new digital small business builder ecosystem

As the digital age has unfolded, small business supporters have explored and exploited opportunities offered by digital technologies, such as the possibility of digitizing information to make processes and transactions more efficient, or the ability to send information across distances and to share it among a larger number of actors. In the new, digitally transformed support landscape, “digital” has become a central channel for delivering support, as well as a new domain for assistance.

Yet, this digital transformation has been neither abrupt nor uniform. Instead, digital MSE support has evolved in response to small businesses’ varied digital needs and abilities, often at regional and national scales. Operating as a small business in the digital age is not necessarily any harder than previously; however, to compete in digitally transformed market environments, MSEs need to widen their capabilities. They may need to manage social media and develop the skills of technologists, in addition to whichever sector and context expertise they already had. Small business supporters have continued to iterate their offerings while responding to locally or sector-specific needs. They have adapted to MSEs’ digital capabilities and improved how they fit into their existing (analog) ways of doing things.

Due to the digital transformation, an ever-wider array of organizations, in every country on Earth, is engaged in supporting small businesses. The digital has broadened the number and types of actors who are part of the ecosystem, and it has changed what effective support looks like. Organizations that did not exist before the turn of the century, like platforms and fintechs, now matter greatly for small businesses, while only few established ones have become superfluous. Today’s small business builder ecosystem includes smaller and larger, older and younger, and more or less market-oriented organizations. Digital technologies have made small business support a bigger tent.

This paper showed that both new digital firms and established organizations are needed to deliver effective digital MSE support—and they should leverage their unique strengths. The five new forms of digital support result in an expanded and reinvigorated small business builder ecosystem, with new actors joining existing institutions in the global effort to help MSEs grow and become more resilient. While digital platforms and startups are now important partners for small businesses, many traditional MSE supporters have successfully upgraded their offerings for the digital age. Business associations, training providers, think tanks, and development organizations often have long-standing experience and established relationships with MSEs. These are assets which not only continue to matter but which have in fact increased in importance. Digital technologies have made the range of MSE support organizations more diverse, while very different kinds of organizations are engaging in related and complementary digital support interventions.

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While the old and new members of the expanding global small business builder ecosystem may not be aware of it, their contributions are related and highly complementary. All over the world, the dynamism and intentionality in small business support are intensifying. As MSEs are using richer sets of technologies, supporters are experimenting with new ways of reaching them. There is no shortage of opportunities to develop new and better partnerships that use digital technologies to improve conditions for small businesses.

Our paper pointed to concrete steps that organizations can take, but also to what needs to happen at the ecosystem level. Going forward, the challenge will be for all members of the ecosystem to work together more effectively, combining purpose and depth with cost-effectiveness and scale. As the COVID pandemic has only multiplied the challenges for small businesses, small business builders need to do better individually and collectively. For this quest, purposeful communities through which supporters see their shared goals and complementary assets will be vital.

Strive Community is geared to become an active facilitator and accelerant for the wider ecosystem's work. While our own work will focus on the creation of communities (Pathway 5), we will direct our resources and enabling efforts to grantees and partners who cater to small business digital capabilities, who are intentional about MSEs' needs, who are honest about their own and others' strengths, and who are willing to integrate their own offerings with others' (Pathways 1–4). We are hopeful that new initiatives—both within and beyond our immediate network—will deepen and widen the transformative impacts of digital small business support. Small businesses will remain essential agents of inclusive growth. It is up to us as their supporters to help them harness sustained and meaningful gains from the global digital revolution that continues unabated.



