

A close-up photograph of a woman with dark hair, wearing a pink and purple patterned sari, smiling at the camera. She is standing in what appears to be a shop with shelves of goods in the background.

LANDSCAPE ASSESSMENT OF RETAIL MICRO-MERCHANTS IN BANGLADESH





ALMOST 2 MILLION RETAIL MICRO-MERCHANTS OPERATE IN BANGLADESH.

While individually their businesses are small, together they transact more than \$18.42 billion annually and interact with millions of customers every day. Yet they are an underserved cash-based group largely left out of modern digital payments and other financial services. This study aims to support retail micro-merchants to earn a better living and raise awareness of a commercial opportunity in financial services and Fast Moving Consumer Goods. A key conclusion is the importance of digitization, credit and banking to suit their needs.



ABOUT THIS STUDY

This is the first comprehensive review of micro-merchants in Bangladesh engaged in the retail sector. Some 2,100 micro-merchants participated in the research, which has a particular focus on micro-merchants operating in fast moving consumer goods (FMCG) in rural areas. It addresses gaps in data and contributes to broader understanding of the market size, the nature of micro-merchant operations and opportunities for employment and entrepreneurship. By providing clear and transparent data on the micro-merchant segment engaged in the retail sector in Bangladesh, the United Nations Capital Development Fund (UNCDF) hopes to encourage policy makers, business partners and development partners to take greater interest the bottlenecks that limit their growth and to take action on their behalf.

Through this report UNCDF contributes to the body of knowledge about micro-merchants in Bangladesh consistent with the UNCDF's objective of stimulating investment, business innovations and regulatory reform to expand economic participation and opportunities for women, and small and growing businesses.

This research was made possible through UNCDF's "Merchants Development Driving Rural Markets" project funded by the European Union under the Poverty Reduction through Inclusive and Sustainable Markets (PRISM) action. UNCDF commissioned Org-Quest Research Limited to design the study and undertake data collection, which included developing a sampling framework, collecting data with 2,100 micro-merchants across the country, and compiling the data set derived from this primary research. The company provided most analysis of the data, and interpretation was undertaken by UNCDF. The focus is on the retail sector, and not on micro-merchant groups engaged in services or agriculture, for example.

ABOUT THE UNITED NATIONS CAPITAL DEVELOPMENT FUND

UNCDF makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through two channels: financial inclusion that expands the opportunities for individuals, households and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how localized investments — through fiscal decentralization, innovative municipal finance and structured project finance — can drive public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise and local infrastructure levels, UNCDF contributes to the Sustainable Development Goals (SDGs), particularly Goal 1 on eradicating poverty and Goal 17 on the means of implementation. UNCDF also contributes to other SDGs by identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access.

ABOUT SHIFT SAARC IN BANGLADESH

The Shaping Inclusive Finance Transformations (SHIFT) programme framework for the South Asian Association for Regional Cooperation (SAARC) countries is a regional market-facilitation initiative aiming to improve livelihoods and reduce poverty in SAARC countries by 2021. SHIFT SAARC seeks to stimulate investment, business innovations and regulatory reform to expand economic participation and opportunities for women and help small and growing businesses to be active agents in the formal economy.

SHIFT SAARC is currently implemented in Bangladesh where it has two major streams of work: 1) accelerating the uptake and usage of digital financial services (DFS) to respond to the needs for greater digital financial inclusion; and 2) enhancing the growth and competitiveness of retail micro-merchants through the "Merchants Development Driving Rural Markets" project. SHIFT SAARC does this through growing the awareness and demand for DFS through communication, advocacy and industry research. SHIFT SAARC also stimulates expansion of digital technologies for micro-merchant segments by encouraging innovation and linkages between retail and financial services industries.

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ABBREVIATIONS AND ACRONYMS

BDT	Bangladesh Taka
DFS	Digital Financial Services
EU	European Union
FMCG	Fast moving consumer goods
FSP	Financial service providers
GDP	Gross domestic product
HH	Household
MFS	Mobile financial services
MFI	Microfinance institutions
MMDRM	Micro Merchants Driving Rural Markets
PPI	Poverty Probability Index
PRISM	Poverty Reduction through Inclusive and Sustainable Markets
RMG	Ready-made garments
SHIFT	Shaping Inclusive Finance Transformations
SAARC	South Asian Association for Regional Cooperation
SRS	Stratified random sampling
UNCDF	United Nations Capital Development Fund

Two currencies are shown: US dollar (\$) and Bangladesh Taka (BDT)
Exchange rate used in the report: US\$ 1= BDT 82

AUTHORSHIP

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EXECUTIVE SUMMARY

The retail landscape in Bangladesh is changing. Though it is a sector long perceived as having little scope for expansion, retail has contributed an average of 13 percent each year to the Bangladesh gross domestic product (GDP) since 2012/13. This is comparable to the ready-made garments industry, a fast-growing sector that grew an average of 12.84 percent annually from 2007 to 2016. Micro-merchants in the retail sector have the potential to become key players in the next growth area in Bangladesh.

The retail businesses of micro-merchants may be small at the individual level – only one of countless neighbourhood roadside shops (Mudi Dokans) – but collectively this group represents an enormous market force, with estimated total market size in annual sales turnover of \$18.42 billion in 2018. Micro-merchants conduct millions of transactions with customers on a daily basis. Present almost everywhere in Bangladesh, micro-merchants are being recognized for their potential role in accessing millions of new customers for goods and services, and as vendors who could be instrumental in developing brand and customer loyalty. Increasingly, industries are looking to micro-merchants to access a vast and untapped consumer base. For example, the financial services sector could offer savings and credit products and expand digital financial services to the clients of micro-merchants.

Companies selling fast-moving consumer goods (FMCG) could reach more consumers with products sold by micro-merchants such as oil, rice, tobacco goods, packet biscuits, soup, fruit juice, tea, coffee, sugar, hand cream, detergent and candy – and at the same time help micro-merchants expand their businesses.

Lack of data, however, presents an obstacle to expansion. Due to extremely limited data about the retail sector in general, and micro-merchants in particular, financial sector and FMCG businesses struggle to see the value proposition offered by the micro-merchant segment of the retail sector. Moreover, policymakers struggle to see ways in which this segment could spur economic growth and development. To fill this data gap, the United Nations Capital Development Fund (UNCDF) embarked on a nine-month investigation into the micro-merchant segment, the results of which include the present report on the Landscape Assessment of Micro-Merchants in Bangladesh. The assessment applied a mixed-method approach involving 2,100 micro-merchants across the country.

KEY FINDINGS

1. MARKET SIZE AND POTENTIAL

The micro-merchant segment of the retail sector delivered an annual turnover of \$18.42 billion in 2018. Almost 2 million people are directly involved in micro-merchant businesses and almost 50,000 people enter the area each year. The micro-merchant segment of the retail sector offers entrepreneurship and employment opportunities, creates demand for finance and accounts for millions of transactions with customers daily.



2. MICRO-MERCHANT PROFILE

A typical micro-merchant is male, aged 38 and has been in business for nine years or less. Most are educated and can read Bangla, the Bengali Language.



3. WOMEN MICRO-MERCHANTS

An estimated 94,800 women are involved in micro-merchants businesses. Retail micro-businesses may be a way for women to transition away from subsistence farming, as men have done. Though the sample size was too small to draw conclusions, interviews with 31 women suggest that most women micro-merchants share a common profile. :



4. BUSINESS OPPORTUNITIES FOR THE FMCG SECTOR

Micro-merchants wish to grow their businesses and earnings, but they face significant barriers. Access to finance is among their biggest concerns, followed by a need to improve their business operations in areas such as cash, inventory and finance management. The top five kinds of fast-moving consumer goods sold by the micro-merchants surveyed are tobacco goods, oil, rice, packet biscuits and flour. Several actions can be taken by the FMCG industry that will benefit the FMCG as well as micro-merchant businesses:

Build brand loyalty and reach last-mile customers in partnership with micro-merchants.

Micro-merchants keep few written records, and often base sales decisions on observation and intrinsic knowledge. They rarely introduce new products or brands to their customers, yet their knowledge about their customers offers industries (notably the financial sector and FMCG) new opportunities to reach untapped or hard-to-reach market segments.

Introduce digitization of the stock ordering process for micro-merchants by partnering with technology developers and FinTechs².

Ordering from suppliers is most often done manually and in cash, yet almost all micro-merchants have mobile phones. Use of their mobile phones would improve their capacity to evaluate stock-outs, forecast future demand and introduce new items, among other benefits, leading to e-commerce; such digitization would be of interest to the FMCG companies. For micro-merchants, digitization would improve integration within the FMCG supply chain and support their business growth.

Enable micro-merchants to digitize credit sales records.

Micro-merchants struggle with keeping track of credit sales, which are 73.1 percent of sales. There may be room to consider digitization of credit sales records in partnership with the financial sector, technology providers and FinTechs. This would enable innovation of the payment instruments on offer. It would also facilitate the introduction of more convenient ways of payment both for customers and micro-merchants, e.g.:

person to business (P2B) payments through a mobile platform, and development of a credit scoring system using credit sales records. Digitization of credit sales records would benefit all involved in the supply chain: micro-merchants would expand payment options to customers, the financial sector would introduce new payment instruments and expand market access, and FMCG companies would ultimately be able to sell more products because micro-merchants would be able to access new lines of credit to grow their businesses.

Introduce digital platforms to enable micro-merchants to grow their businesses.

Micro-merchants could improve cash management and bookkeeping and reduce costs by using digital resources, especially through smart phones. This would improve the functioning of the FMCG supply chain and provide deeper market penetration and easier market expansion for FMCG companies. It would also enable micro-merchants to transition from a very small type of enterprise to a larger one, thereby promoting business growth.



5. BUSINESS OPPORTUNITIES FOR THE FINANCIAL SERVICES SECTOR

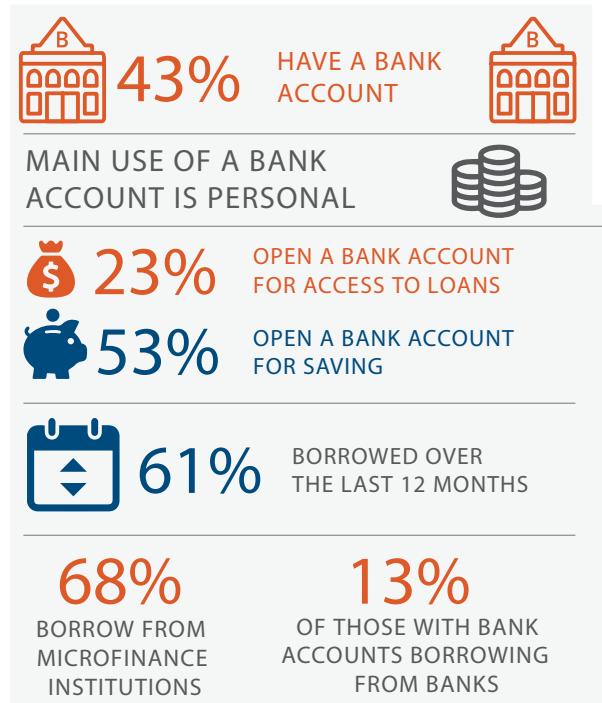
The majority of micro-merchants are financially excluded, with 57 percent of micro-merchants having no bank account. This is even more so for women micro-merchants. There are many actions that the financial services sector can take:

Expand credit to micro-merchants: Micro-merchants need more finance to grow their businesses than is currently available from the microfinance institutions they most often use.

Partner with FMCG companies for greater penetration and use of MFS accounts. Some 30 percent of micro-merchants have a mobile financial services (MFS) account yet only 5.6 percent use it to pay suppliers. FMCG companies and the financial services sector could come together to increase MFS use, to the benefit of all.

Improve understanding of the benefits of MFS merchant accounts.

None of the micro-merchants surveyed had an MFS merchant account, yet many of them are de facto formal businesses. Demonstrating the benefits of having such an account may increase the use of merchant accounts, especially via mobile financial services.



6. REGULATORS' ROLE IN MICRO-MERCHANT ADVANCEMENT

Suggested actions to be taken by regulators are based on the study results as well as from other research studies. Regulators should consider the following measures:

Learn more about common risks facing micro-merchants. Micro-enterprises are commonly very vulnerable to shocks (e.g. health, death, or loss of business). A better understanding of their vulnerability would help shape policy to address common risks and enable the financial sector to design appropriate financial instruments.

Promote digitization of businesses. A national push from policy makers for an expansion of merchant MFS accounts would support uptake, leading to digitization of business-to-business (B2B) payments with benefits to many sectors.

Recognize the potential of micro-merchants in the retail sector. Regulators should ensure that the retail sector can continuously innovate (such as e-commerce) and that policies enable growth and innovation within the retail sector.

Generate regular data about micro-merchants. Regular data about the retail sector would support a more accurate understanding of the market size and growth. More in-depth analysis of micro-merchants is needed, differentiated by income level (categories) and gender.



A NOTE ON RESEARCH METHODOLOGY

OBJECTIVES

Research for this landscape assessment of micro-merchants in Bangladesh had three objectives:

1. Describe the characteristics of the micro-merchant market segment and estimate its size;
2. Identify needs and opportunities hidden in this market segment; and
3. Provide data about micro-merchants, which will enable the financial sector, FMCG industries, and the Government to identify business opportunities as well as the needs of micro-merchants.

To achieve these goals, UNCDF commissioned a national research firm in Bangladesh, Org-Quest Research Limited, to undertake a review of the micro-merchant segment. The research combined both qualitative and quantitative studies, delivering primary insights on the retail trade sector, specifically focusing on micro-merchants engaged in the FMCG trade. The research examined several factors: demographics (age, gender, marital status, education, household size and sources of income); business operations (sales, inventory, trade licences, employees and business practices); capacity development needs; financial accounting practices; financial services access and use (credit, savings and insurance); behaviour with suppliers; use of mobile financial services and merchant accounts; and membership in associations.

For the purposes of this research, micro-merchants were identified as those “employing no more than 15 employees and/or holding assets worth less than BDT 1 million, excluding land and buildings”, as per the National Industrial Policy 2016.³ In addition to this definition, micro-merchants sampled for this study needed to be exclusively engaged in the retail trade.

The review applied a mixed-method approach involving 2,100 retail micro-merchants across the country specifically focusing on micro-merchants engaged in FMCG trade.

QUALITATIVE AND QUANTITATIVE RESEARCH

The study consisted of two phases: qualitative and quantitative. The overall study lasted nine months starting in July 2017 and ending in March 2018. The objective of the qualitative phase (Phase 1) was to obtain a deeper understanding of the FMCG trade sector in Bangladesh and to identify potential drawbacks faced by the market agents, through Market Mapping and Value Chain Analysis. This phase took place from July 2017 to November 2017 and involved more than 64 respondents. It combined in-depth interviews, focus group discussions, observations, photovoice, meta-analysis and evidence synthesis.

The quantitative survey (Phase II) was executed between November 2017 and March 2018 and consisted of two parts: a nationwide survey and a deep-dive focus survey. This part of the study covered both urban and rural areas, excluding metropolitan and divisional towns. The sample was drawn at the neighbourhood (Mohallah or community) level in urban areas and at the village level in rural areas. The urban to rural ratio of the sample distribution was 25:75. The researchers used both Stratified Random Sampling (SRS) and snowball sampling to identify and interview 2,100 respondents.

THE FIVE MICRO-MERCHANT CATEGORIES

Micro-merchants were categorized into five sub-groups to facilitate deeper analysis. This allowed researchers to highlight the specific characteristics of each sub-segment and point out any major differences between them. Average monthly turnover was used as a proxy for business size allowing for division of micro-merchants into five categories. This approach was inspired by the World Bank's Development indicator "income share held by highest 20 percent". Micro-merchants are not a uniform group and differences exist among them. The study looks at five distinct micro-merchant categories.

MICRO-MERCHANT BUSINESS SIZE BY AVERAGE MONTHLY TURNOVER (N=2,100)		
GROUP 1	Lowest 20 percent	Monthly sales up to BDT 50,000
GROUP 2	Fourth 20 percent	Monthly sales BDT 50,001 to 75,000
GROUP 3	Third 20 percent	Monthly sales BDT 75,001 to 100,000
GROUP 4	Second 20 percent	Monthly sales BDT 100,001 to 160,000
GROUP 5	Highest 20 percent	Monthly sales BDT 160,001 (+)

Table 1: The five micro-merchant categories

LEVEL	GROUP 1 LOWEST 20%	GROUP 2 SECOND 20%	GROUP 3 THIRD 20%	GROUP 4 FOURTH 20%	GROUP 5 HIGHEST 20%
Business size (monthly sales)	up to BDT 50,000	BDT 50,001 to 75,000	BDT 75,001 to 100,000	BDT 100,001 to 160,000	BDT 160,001 +
Age	39	39	37	37	36
Years in business	8.4	8.5	8.9	8.5	10.3
# of customers per day	76	87	104	116	128
Average monthly sales	\$436	\$785	\$1,092	\$1,627	\$3,195
Average monthly inventory	\$412	\$706	\$1,006	\$1,465	\$2,887
% who own trade licence	43%	62%	70%	71%	86%
% who own bank account	33%	40%	42%	47%	56%
% who borrow from banks	7.4%	10.3%	13%	19%	17.7%
% who borrow from MFIs	74.3%	67%	70%	62%	67%
Average business loan size	\$599	\$881	\$984	\$1,439	\$1,868
% who need more credit	96%	94%	93%	93%	90%
% who own MFS account	24.6%	30.2%	28.1%	30.0%	35.6%

STUDY LIMITATIONS

Keeping in mind the research design, three potential limitations of the study are noted. First, the stratified random sampling (SRS) technique ensures that each sub-group within the population receives proper representation within the sample. SRS provides better coverage of the population because the researchers have control over the sub-groups and can ensure that all of them are represented in the sampling. However, the SRS method does not allow for overcompensation of underrepresented groups in the population. For example, the number of female micro-merchants in the retail FMCG sector is extremely small, which means that the sample generated might not incorporate enough observations to claim representativeness. In the Org-Quest Research Limited dataset, out of the 2,100 respondents only 31 were identified as female merchants. This is not enough to construct a statistically significant profile of a female micro-merchant, nor to identify gender differences. In future research studies, an alternative sampling method should be used to focus on female micro-merchants and fill this research gap.

Second, the snowball sampling method delivers one of the best ways to identify respondents, keeping in mind the informal or semi-formal nature of micro-merchant operations, as well as the lack of a proper micro-merchant registry. However, snowball sampling is subject to possible bias, as any referral made by a respondent is most probably non-random. This fact raises additional concerns, such as further underrepresentation of female micro-merchants, given that a male micro-merchant may be predisposed to refer another male. Moreover, snowball sampling may

affect the proportion of micro-merchants that live below a poverty threshold, if merchants tend to refer other merchants of the same standard of living.

Third, the Poverty Probability Index® (PPI) method identifies the likelihood of living below a certain poverty threshold based on a set of 10 poverty-related questions and lookup tables produced by the method developer. These tables were computed using a version of logistic regression, estimated on data from the 2010 Household Income and Expenditure Survey. By using these PPI tables, the research team acknowledges that the relationship between poverty likelihood and merchant responses to these 10 questions describes Bangladesh in 2010, which may not be the same in 2018. However, the PPI method provides a way to produce an indication of the poverty levels among merchants without the need to hold a full-scale poverty-related survey. This report approximates the issue and a more focused study will be needed in order to deliver more precise results.

Fourth, this study examined only those micro-merchants involved in the retail sector, particularly in FMCG. Some 25 percent of the micro-merchants worked in urban areas and 75 percent in rural areas. Consequently, the findings and recommendations reflect this specific market segment only. It is possible that micro-merchants in other sectors, such as services or agriculture, have alternative profiles and experiences; therefore, the findings here should not be applied to other micro-merchant groups.

INTRODUCTION: HOW LARGE IS THE MICRO-MERCHANT MARKET IN BANGLADESH?

The retail landscape in Bangladesh is changing. For many years, the retail sector was perceived as having little scope for expansion. Yet retail has contributed an average of 13 percent each year to the Bangladesh gross domestic product (GDP) since 2012/13. This is comparable to the ready-made garments (RMG) industry, a fast-growing industry that grew an average of 12.84 percent annually from 2007 to 2016. The retail sector is poised to become the next booming sector in Bangladesh.

The micro-merchant segment of the retail sector is burgeoning, with an annual turnover of \$18.42 billion in 2018. Almost 2 million people are directly involved in micro-merchant businesses and almost 50,000 people enter this area each year, suggesting increasing entrepreneurship and employment opportunities for Bangladeshis.

Retail is a traditional trade in Bangladesh and is male-dominated. Most retail shops are operated and owned by men. These shops range from very small open-air temporary structures to large, well-equipped Western-style supermarkets. Most shops (approximately 70 percent) are still so-called Mudi Dokans, small neighbourhood roadside shops disbursed all over Bangladesh. Traditionally, these small shops sold fruits and vegetables, but today they offer a variety of local and imported FMCGs, reflecting demographic changes in Bangladesh: more and more Bangladeshis are escaping poverty and achieving lower middle-income status. Present everywhere in Bangladesh, micro-merchants are being recognized for their potential role in accessing millions of new customers for goods and services, and as vendors who could be instrumental in developing brand and customer loyalty. Increasingly, companies in the financial sector and fast-moving

1,310,000

NUMBER OF MICRO-MERCHANTS



\$16.71 BILLION

ANNUAL VALUE OF INVENTORY



\$18.42 BILLION

ANNUAL TURNOVER

44%

MICRO-MERCHANT BUSINESSES
WITH ANNUAL SALES OVER \$1,900

56%

HAVE A TURNOVER
LOWER THAN \$1,900

1,918,200

PEOPLE INVOLVED IN MICRO-MERCHANT BUSINESSES
(MICRO-MERCHANTS, EMPLOYEES, UNPAID FAMILY LABOUR)

74,905

PAID FULL-TIME
EMPLOYEES

743,300

UNPAID
FAMILY LABOUR



94,800

WOMEN IN MICRO-
MERCHANT BUSINESSES



50,000

PEOPLE ENTERING
THIS AREA EACH YEAR

675,715

MICRO-MERCHANTS
WHO TOOK LOANS IN 2018



CREDIT MARKET: \$778 MILLION

MICRO-MERCHANT ENTERPRISES ARE FUELLED
WITH CREDIT, SUGGESTING HIGH DEMAND
AMONG MICRO-MERCHANTS FOR FINANCE.

consumer goods are looking to micro-merchants to access this untapped consumer base.

Lack of data, however, presents an obstacle to expansion. Due to extremely limited data about the retail segment in general, and micro-merchants in particular, financial sector and FMCG businesses struggle to see the value proposition offered by the micro-merchant segment of the retail sector. Moreover, policymakers struggle to see ways this segment can spur economic growth and development. To fill this data gap, the United Nations Capital Development Fund (UNCDF) embarked on a nine-month investigation into the micro-merchant segment.

One of the three objectives of the study was to describe the characteristics of this market segment and estimate its size (along with providing data to enable the financial sector, FMCG industries and the Government to identify opportunities and needs). There is little or no market information about the size of the micro-merchant market segment.

NUMBER OF MICRO-MERCHANTS

The latest available Economic Census suggests that there are approximately 1.1 million micro-merchants in Bangladesh involved in the retail sector selling FMCGs. The Census suggests that the number of micro-merchant retailers has grown from 680,000 in 2003 to 1,100,000 in 2013. This shows that the number of micro-merchants in retail has been growing at a compound rate of

more than 2.5 percent per annum. On average 42,000 new micro-merchants per year would have entered the sector between 2003 and 2013. Taking the average number of new entrants from 2003 to 2013, the research team estimates that from 2014 to 2018 an additional 210,000 individuals became micro-merchants. Therefore, the overall estimated number of micro-merchants in 2018 would be 1,310,000. But, given that this figure is an estimation, we use 1,100,000 as the nearest round figure for the number of micro-merchants as of 2013 to calculate all other indices presented in this section.

As noted above, the study divides micro-merchants into sub-groups, so the next task was to estimate the market size for each of the five micro-merchant categories. Micro-merchants with an annual turnover of more than BDT 160,000 (\$1,900) make up almost 44 percent of the micro-merchant market, while 56 percent of businesses with an annual turnover lower than \$1,900 make up the rest. We used the following formula where $(1,100,000/2,100)$ is the number of people in the population represented by 1 in the data set.

Equation 1: Size of the micro-merchant group

$$\text{number of obs. for group } X \times \frac{1,100,000}{2,100}$$

MARKET SIZE IN ANNUAL SALES TURNOVER

Data on the average monthly sales per micro-merchant (BDT 114,400 or \$1,395) from the UNCDF review was multiplied by the number of micro-

Table 2: Retail establishments by outlet type in Bangladesh

OUTLET TYPE	# OF ESTABLISHMENTS	% SHARE
Retail sale of grocery and general sales	1,044,897	94.74%
Retail sale of confectionary products	50,017	4.54%
Retail sale via stalls and markets of food, beverages and tobacco products	4,245	0.38%
Retail sale of beverages in specialized stores	3,169	0.29%
Other retail sale in non-specialized stores	531	0.05%
Total	1,102,859	100%

Source: Economic Census 2013¹¹

Table 3: Market size per micro-merchant category

LEVEL	PERCENTAGE OF MARKET SIZE
Lowest 20%	6.6%
Fourth 20%	12.2%
Third 20%	14.3%
Second 20%	23%
Highest 20%	43.9%
Total	100%

merchant enterprises (as of 2013). We estimate that the total market size in annual sales turnover is \$18.42 billion in 2018.

NUMBER OF PEOPLE INVOLVED

The full-time employed: We estimate that 74,905 people are employed full-time by the micro-merchants engaged in the retail sector in Bangladesh. We take the number of people employed by a given micro-merchant in the data set and multiply by 523.81 then sum it up using the following formula (where $EMPi$ is the number of people employed by the i th micro-merchants in our data set).

Equation 2: Number of people involved in micro-merchant businesses (paid labour)

$$523.81 \times \sum_{i=1}^{2100} EMP_i$$

Unpaid family labour: We estimate that 743,300 people are engaged in the sector. To estimate the number, we took the number of people engaged by a given micro-merchant in the data set and multiply by 523.81 then sum it up using the following formula (where UFL_i is the number of unpaid family members employed by the i th micro-merchants in our data set).

Equation 3: Number of people involved in micro-merchant businesses (unpaid family labour)

$$523.81 \times \sum_{i=1}^{2100} UFL_i$$

Number of people involved: We estimate that 1,918,200 people are involved in the micro-merchant segment of the retail sector. We use the following formula where EMP_i is the number of people employed, UFL_i is the number of unpaid family members employed by the i th micro-merchant and 1 stands for the micro-merchant him/herself.

Equation 4: Number of people involved in micro-merchant businesses (paid and unpaid labour)

$$523.81 \times \sum_{i=1}^{2100} (EMP_i + UFL_i + 1)$$

WOMEN MICRO-MERCHANTS

Number of women involved: We estimate that 94,800 women are involved in the micro-merchant segment of the retail sector. We calculate this using the formula where $FUFL_i$ is the number of unpaid family members that are females working for the i th merchant and I_i is a binary variable that equals 1 if the i th merchant is a woman and equals 0 otherwise.¹⁵

Equation 5: Number of women involved in micro-merchant businesses

$$523.81 \times \sum_{i=1}^{2100} (FUFL_i + I_i)$$

ANNUAL VALUE OF INVENTORY

We estimate that the annual value of inventory is \$16.71 billion. We calculated this using the following formula:

Equation 6: Value of inventory

$$\frac{\text{Average monthly inventory} \times 12 \times 2,100}{\text{Exchange rate}}$$

SIZE OF CREDIT MARKET

We estimate that 675,715 micro-merchants took loans in 2018. We calculated this by taking the number of micro-merchants that hold either personal or business loans (or both) and multiplying by 523.81. We further estimate that the overall size of the credit market is \$778 million. We calculated this by applying the formula (where PC_i represents the amount of personal loans and BC_i the amount of business loans taken by the i th micro-merchant).

Equation 7: Size of credit market

$$\frac{523.81 \times \sum_{i=1}^{2100} (PC_i + BC_i)}{\text{Exchange rate}}$$

PART I: DEMOGRAPHIC CHARACTERISTICS

Based on our review, a set of demographic characteristics can be described. A typical micro-merchant is male, 38 years old and living on less than \$2.5 a day. He is married and has been in business for nine years. He has most likely completed a primary-level education and is less likely to have secondary or higher education. He works every day of the week irrespective of the business size and sells to 102 customers daily. Most of his customers are regular customers and his monthly sales are \$1,395.

SAMPLE COMPOSITION

The research team talked to 2,100 micro-merchants with an existing retail business. These micro-merchants were scattered around the country. Of them, 98.5 percent (n=2,069) are male and 1.5 percent (n=31) are female. Consequently, the findings represent the lives of male micro-merchants in Bangladesh. Some 25 percent (n=525) of respondents were in urban areas and 75 percent (n=1,575) were in rural areas.

KEY OBSERVATIONS

DEMOGRAPHIC CHARACTERISTICS OF MICRO-MERCHANTS

MICRO-MERCHANTS ARE YOUNG

35% FALL INTO THE YOUTH CATEGORY (AGED 16 TO 30)

MOST MICRO-MERCHANT ARE MALE
GENDER PARITY HAS A LONG WAY TO GO.
RETAIL BUSINESSES SEEM TO PREDOMINATELY ATTRACT MEN.

The retail sector seems to offer opportunities for entrepreneurship and investment as well as opportunities to transition from one occupation to another. Previous occupations of micro-merchants may include full-time employee, overseas migrant, non-agriculture labourer and farm labourer. In interviews, micro-merchants with agricultural backgrounds say that becoming a micro-merchant is a way for them to leave subsistence farming and earn a higher income. People are more likely to shift to retail from one of these backgrounds than from a student background.

MICRO-MERCHANTS ARE EDUCATED AND CAN READ IN BANGLA.

FOR RETURNING OVERSEAS MIGRANT WORKERS, BECOMING A MICRO-MERCHANT IS A WAY TO AVOID AGRICULTURE AND AN OPPORTUNITY TO INVEST INTO A POTENTIALLY MORE PROFITABLE ENDEAVOUR. FOR FULL-TIME EMPLOYEES, IT IS AN OPPORTUNITY TO START AN ENTERPRISE OF THEIR OWN.

DATA ON MICRO-MERCHANT CHARACTERISTICS

38 YEARS
AVERAGE AGE

35,2%
YOUTH MICRO-MERCHANTS (AGED 16 TO 30)



65%
COMPLETED AT LEAST PRIMARY EDUCATION

84%
MARRIED

9 YEARS
AVERAGE PERIOD IN BUSINESS

65.6%
HAD A TRADE LICENCE AT SOME POINT

RUNNING A SMALL SHOP IS ONE SOURCE OF INCOME
73.1% MICRO-MERCHANTS HAVE ADDITIONAL INCOME SOURCES
MOST SHIFT TO RETAIL FROM OTHER AREAS OF WORK



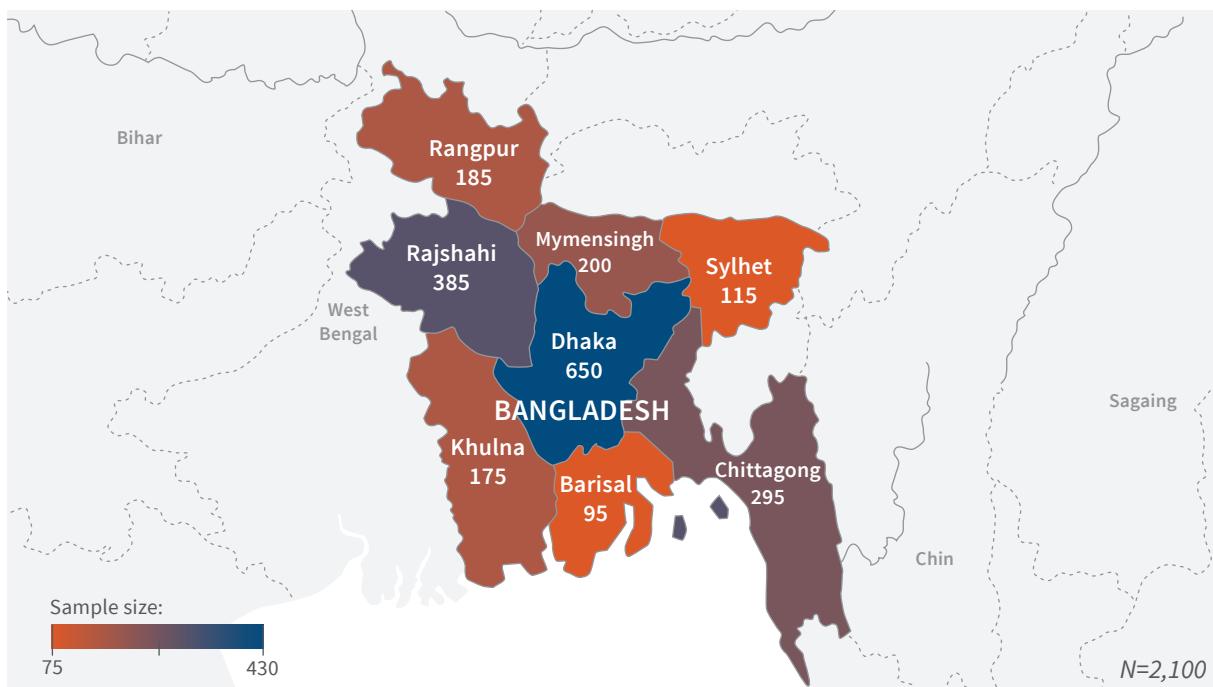


Figure 1: Sample composition by geographic divisions (in numbers of respondents)

AGE COMPOSITION

On average micro-merchants in the sample are 38 years old with the lowest 20 percent of micro-merchants slightly older (39 years) than the highest 20 percent (36 years). One in three micro-merchants or 35.2 percent ($n=740$) are between 16 to 30 years of age and are considered “youth”.

KEY CHARACTERISTICS

Education: Among micro-merchants, 65 percent have completed at least primary education; 4 percent of merchants hold an undergraduate or postgraduate degree at a university; 15

percent dropped out of school after completing secondary education and 12 percent dropped out after completing primary education; 11 percent of micro-merchants have no formal education and 86 percent can read in Bangla.

Marital status/Household size: Most micro-merchants are married (84 percent), with an average household size of six (6) members including micro-merchants themselves.

Years in business: On average micro-merchants have been in business for at least nine (9) years,

Table 4: Average age per micro-merchant category

LEVEL/AGE	OVERALL	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
Average age per MM category	38	39	39	37	37	36
Number of Respondents	N=2,100	n=443	n=457	n=384	n=414	n=402

Table 5: Average household size per micro-merchant category

HOUSEHOLD SIZE	TOTAL	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
Average HH size (including merchant)	5.58	5.16	5.45	5.59	5.56	6.18
Number of respondents (N/n)	N=2,100	n=443	n=457	n=384	n=414	n=402

Table 6: Years in business operation per micro-merchant category

YEARS IN OPERATION	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
% of micro-merchants whose business are 5 years old and younger	52%	51%	47%	50%	36%
Average age of micro- merchant businesses (years)	8.4	8.5	8.9	8.5	10.3

Table 7: Percentage of micro-merchants living below US\$ 2.5 per day

LIKELIHOOD OF POVERTY AT MICRO-MERCHANT HH LEVEL	TOTAL	LOWEST 20%	SECOND 20%	THIRD 20%	FOURTH 20%	HIGHEST 20%
% of micro-merchants who are likely to live below US\$ 1.25/day	13.6%	15.8%	14.9%	13.2%	12.6%	11.2%
% of micro-merchants who are likely live below US\$ 2.5/day	67.6%	71.3%	69.2%	66.8%	66.4%	63.7%

though 47 percent of all micro-merchant businesses are five (5) years old or less. Micro-merchants in the highest 20 percent have been in business longer compared with the lowest 20 percent.

Sources of income: All micro-merchants surveyed say that their businesses are among one of their sources of income. Further, 73.1 percent say that in addition to retail business they have other sources of income: 35.9 percent have income from agriculture, 11.7 percent work for someone else; 8.8 percent keep livestock, 5.9 percent keep poultry, 4.8 percent receive remittances and 6 percent have other sources of income. Micro-merchants self-report that incomes from their micro-merchant businesses are insufficient to meet all their household needs, suggesting that they need to earn income from other sources as well.

Poverty: The Poverty Probability Index ¹⁵ was used to estimate poverty levels among the micro-merchants.¹⁶ PPI scores a household's characteristics and asset ownership to compute the likelihood that the household is living below the poverty line. After surveying, we found that in our sample 67.6 percent of micro-merchants are likely to live below \$2.5 a day. However, this figure must be interpreted with caution, as noted in the section above on "study limitations".

Profiles of micro-merchants: To investigate who becomes a micro-merchant, we compared businesses that are less than 2 years old with those that are more than 2 years old. Owners of older businesses were more likely to have a student background, having started right out of school. More recently, it appears that former full-time employees, overseas migrants, non-agriculture labourers and farm labourers are making the shift to the retail sector. However, our observations of this shift come with a caveat of survival bias. That is, our analysis has only concentrated on micro-merchants who have "survived" the transition from one occupation to another and we cannot fully understand the dynamic of this transition unless we interview those did not survive. Nonetheless, the UNCDF findings indicate that profiles may be changing. When asked why they became micro-merchants, micro-merchants with agricultural backgrounds explain that becoming a micro-merchant was a way for them to depart from subsistence farming and earn more income. For overseas returning migrant workers, it was a way to avoid working in agriculture and an opportunity to invest into a potentially more profitable endeavour. For full-time employees, it was an opportunity to start an enterprise of their own.

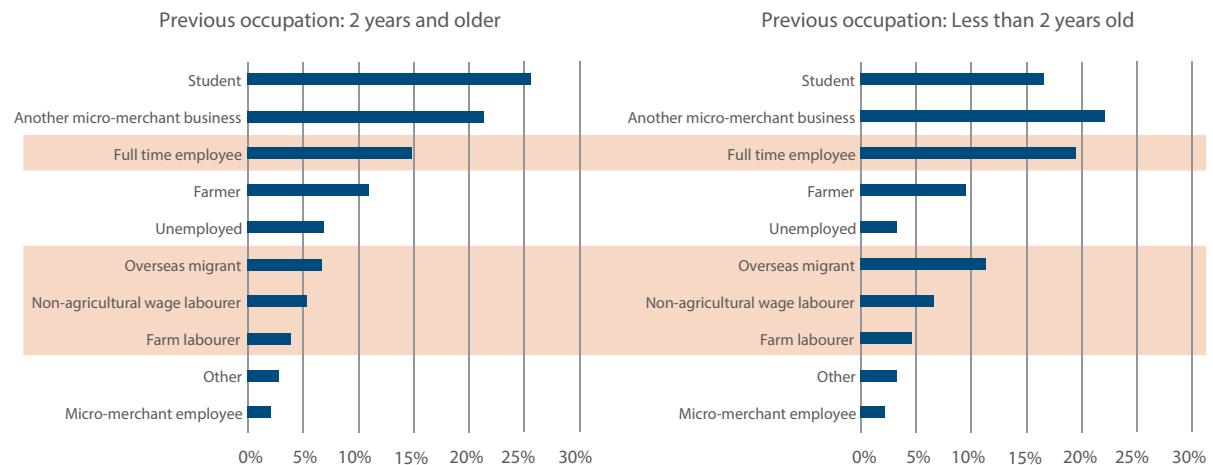


Figure 2: Former occupations of micro-merchants in the retail sector

CHARACTERISTICS OF WOMEN MICRO-MERCHANTS

Only 31 women are among the total 2,100 micro-merchants interviewed for this UNCDF study. The sample size is too small to draw conclusions about women micro-merchants or to generalize findings. Considering the estimated number of women involved in the retail sector (94,800), the

research team wishes to highlight the limited data as a way of starting a conversation about women and the need for more data on women micro-merchants. This is particularly timely given that many low-income women work in agriculture, and owning a retail micro-businesses may be a way for women to transition away from subsistence farming as men have done.

INTERVIEWS WITH 31 WOMEN SUGGEST THAT WOMEN MICRO-MERCHANTS SHARE A COMMON PROFILE. WOMEN MICRO-MERCHANTS:



RUN INFORMAL BUSINESSES,
AND FEW HAVE A TRADE
LICENCE



OBTAIN LOANS FROM MICROFINANCE
INSTITUTIONS THAT TRADITIONALLY
FOCUS ON SERVING FEMALE CLIENTS



HAVE SOME
FORMAL
EDUCATION



HAVE
MOBILE
PHONES



HAVE LOW OWNERSHIP OF FORMAL BANK
ACCOUNTS AND HAVE LIMITED ACCESS TO
INTERNET-BASED BANKING OR MOBILE
FINANCIAL SERVICES (MFS) ACCOUNTS

PART II: WAYS MICRO-MERCHANTS OPERATE THEIR BUSINESSES

KEY OBSERVATIONS

BUSINESS OPERATIONS



Micro-merchants mostly sell FMCG products to a loyal customer base. They do not keep written records, apart from credit sales to their customers, which they meticulously record. To ascertain demand, they observe previous customer behaviour, purchasing power and needs, and use intrinsic knowledge to predict future stock needs, sales and product turnaround time. Consequently, they rarely seek to introduce new untested products or brands to their customer base. Therefore, there is room to work with micro-merchants and improve brand/product recognition by those industries (e.g. financial sector and FMCG) looking to expand their products and services to untapped or hard-to-reach market segments.



Micro-merchant businesses- at the individual level may be small, but collectively this group represents an enormous market force with an estimated total market size in annual sales turnover of \$18.42 billion in 2018. Further, micro-merchants conduct millions of transactions with customers on a daily basis.

Digitization offers benefits to the FMCG sector to maximize supply chain processes as well as for poor micro-merchants who want to grow and expand

their businesses. Ordering from their suppliers is currently mostly manual (in person) and in cash, but most micro-merchants own mobile phones and could use them for digitized stock ordering. This could greatly improve forecasting and all other steps along the FMCG supply chain, provide valuable information about consumers and open the door to e-commerce.



Digitization can improve how sales are made and benefit both micro-merchants and FMCG and financial sector organizations. Nearly three quarters of transactions with customers are on credit, yet micro-merchants struggle with keeping track of credit sales. New payment instruments may be more convenient for customers and micro-merchants, e.g. person-to-business (P2B) payments through a mobile platform.



Most micro-merchants say that have held a trade licence at some point, which suggests that they could benefit from a greater integration with other formal sectors, allowing them to access a variety of financial products to expand and grow their business. At the same time, the financial services sector seeks to reach last-mile customers such as women who buy products from micro-merchants.

DATA ON MICRO-MERCHANT BUSINESS OPERATIONS



HOW MICRO-MERCHANTS FIT WITHIN THE FMCG SUPPLY CHAIN

Micro-merchants are the last-mile transaction points between FMCG products and customers. Interviews with FMCG key informants provided insight into how their supply chain works. Large FMCG companies divide the country into several regions for distribution purposes and locate their depots or warehouses in each of these regions. These locations are managed by FMCG companies themselves or by third parties. FMCG companies distribute their products through three distribution channels: conventional distribution channels, wholesalers, and alternative distribution channels such as modern super stores or chain shops.

A few other players are also present in the chain. Route wholesalers are essentially large retailers

in the supply chain located within a cluster of outlets; the smaller merchants collect merchandise from the route wholesalers as and when required. Bicycle carriers (called Palli Doot under a special programme launched by Unilever) are part of a large fleet that transport Unilever product brands to hard-to-reach distant rural areas and distribute products to the small micro-merchants for a commission shared by the distributor. At the regional level, sales representatives working on a commission basis for regional FMCG manufactures/producers and serve retail micro-merchants by directly supplying the product to micro-merchants' retail stores. Some of their products are also sold through showrooms and wholesalers. FMCG industry insiders interviewed for this study estimate that there are approximately 2,000 distributors and between 15,000 and 20,000 wholesalers.

FIGURE A

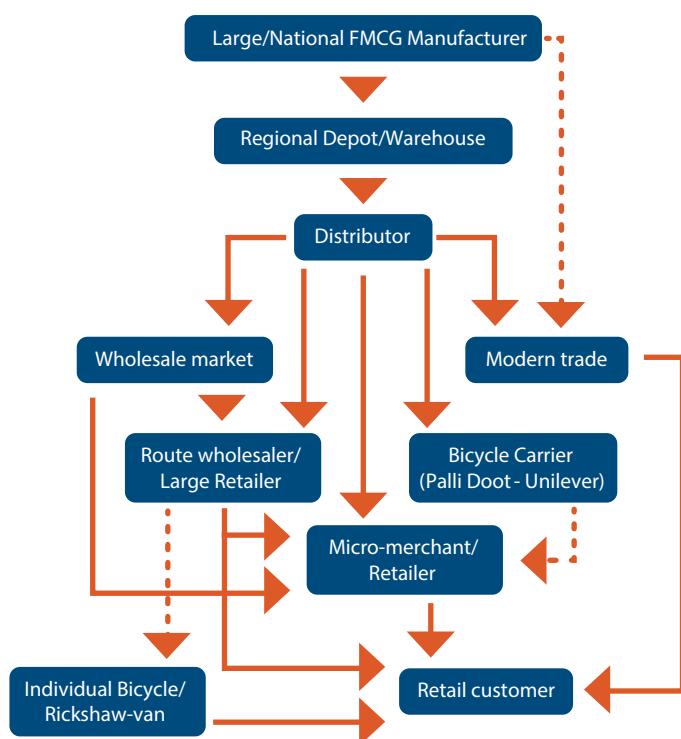
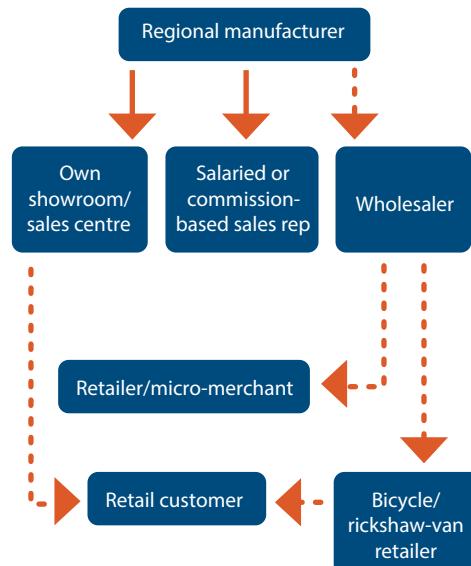


Figure 3: FMCG supply chains in Bangladesh

FIGURE B



Primary channel: — Secondary channel: - - -

CUSTOMERS

Micro-merchants value relationships with customers over business profits. Micro-merchants interviewed during the qualitative phase of the research mention that maintaining a good relationship with customers tops everything. Good and cordial relationships are central to their business approach so much so that micro-merchants (even when it does not make good business sense) sell most of their products on credit to their customers for fear of losing them. Micro-merchant customers are both women and men.

Micro-merchants know their customers' needs and use this knowledge to stock products and predict sales. Most of their customers live nearby and therefore over time they learn about their needs and preferences, the merchants explain in interviews. Micro-merchants use this intrinsic knowledge to learn about customer's buying patterns, purchasing power and needs. They use this habituated knowledge to predict inventory requirements as well as to determine product turnaround time.

COMMON SELLING PRODUCTS

FMCG products account for 60 to 80 percent of micro-merchants' business inventory. Micro-merchants sell both FMCG and non-FMCG products in their shops to cater to customer needs. They sell some non-FMCG products because their poorer customers only buy non-FMCG products (such as vegetables) and

because they can set their own price for non-FMCG products. Observations of shops and discussions with micro-merchants show that micro-merchants sell many types of fast moving consumer goods including products such as processed food (soups, biscuits), beverages (fruit juice); dry goods (tea, coffee, sugar and oil); cosmetics (hand cream); toiletries (detergent); and candy and tobacco goods (cigarettes). When asked about top five most common products sold, micro-merchants mention tobacco goods, oil, rice, packet biscuits and flour as their top five products.

Micro-merchants prefer to sell products well-known to their customers and are reluctant to experiment with new or alternative products. Their customers are loyal to a brand or a product, the micro-merchants report. They explain that when a certain product is not available in their store, their customers shop around. They can rarely persuade their customers to try alternative product brand. For this reason, micro-merchants say that they prefer to stock those products they are sure to sell to their customers, rather than trying to offer new or alternative products. Micro-merchants mention only introduce a new product if they see the product being successfully sold by other micro-merchants. They also say that they receive little or no support in promoting new products to their customers from sales representative or distributors, which makes it harder for them to promote new products.

Table 8: Micro-merchant responses to the statement "Five most common products sold"

LEVEL/RESPONDENT TYPE	TOBACCO GOODS	EDIBLE OIL	RICE	PACKET BISCUIT	FLOUR
Lowest 20% (n=443)	68.4%	34.3%	16.9%	42.9%	15.8%
Forth 20% (n=457)	64.8%	41.8%	28.0%	41.1%	23.6%
Third 20% (n=384)	61.2%	46.3%	35.9%	31.2%	34.4%
Second 20% (n=414)	55.8%	55.3%	48.1%	34.3%	43.0%
Highest 20% (n=402)	49.0%	64.7%	62.7%	20.4%	48.3%

PRODUCT SOURCING AND ORDERING

Micro-merchants source products directly from company distributors/sales representatives.

Some 98 percent of all micro-merchants interviewed buy products directly from FMCG company distributors.

Micro-merchants transact mostly in cash with suppliers. Micro-merchants pay in cash upon delivery of products. Payments are made in cash upfront when distributors deliver the products. Micro-merchants mention that partial purchasing of supplies on credit (i.e. supplier credit) is available when sourcing products from wholesalers, but this option is commonly available only to the top 20 percent of micro-merchants. About 60 percent of all micro-merchants surveyed had paid suppliers in instalments in the last three months.

Micro-merchants cannot place their stock orders digitally. Discussions reveal that micro-merchants can only place orders personally with sales representatives or distributors; in contrast, analysis of the FMCG supply chain shows that sales representatives and others in the supply chain can place orders using technology. Micro-merchants seem not be involved in this digital

ordering process. This may be because suppliers do not see the benefits of digitizing ordering processes between micro-merchants and sales representatives and distributors. However, digitizing the supply management process all the way to micro-merchants would have positive side effects. For the FMCG industry, such digitization would mean greater ability to use the most relevant information to, for example, evaluate stock-outs, identify fast-moving and non-moving stock, prioritize stock and orders, forecast future demand, make cost-optimized orders, introduce new items (or a range of products) in a cost-efficient way, and have a better understanding of the last transaction point with their customers.

SALES AND INVENTORY

Monthly sales increase with business categories.

While on an individual level the businesses may be small, the collective micro-merchant segment of the retail sector is a major force in the economy. Monthly sales in the sample range from BDT 4,000 (\$49) to BDT 1,050,000 (\$12,805). The average monthly sales per micro-merchant is BDT 114,400 (\$1,395). When this is multiplied by the number of micro-merchant enterprises (as of 2013), the total market size in annual sales turnover is \$18.42 billion.

Table 9: Average monthly sales per micro-merchant category

AVERAGE MONTHLY SALES	TOTAL	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
Average monthly sales in BDT	14,400	35,791	64,370	89,578	133,423	262,022
Average monthly sales in US\$	1,395	436	785	1,092	1,627	3,195
Number of respondents (N/n)	N= 2,100	n= 443	n= 457	n=384	n=414	n=402

Table 10: Average monthly inventory per micro-merchant category

AVERAGE MONTHLY INVENTORY SIZE	TOTAL	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
Average inventory in BDT	103,810	33,783	57,891	82,513	120,130	236,716
Average inventory in US\$	1,266	412	706	1,006	1,465	2,887
Number of Respondents (N/n)	N= 2,100	n=443	n=457	n=384	n= 414	n=402

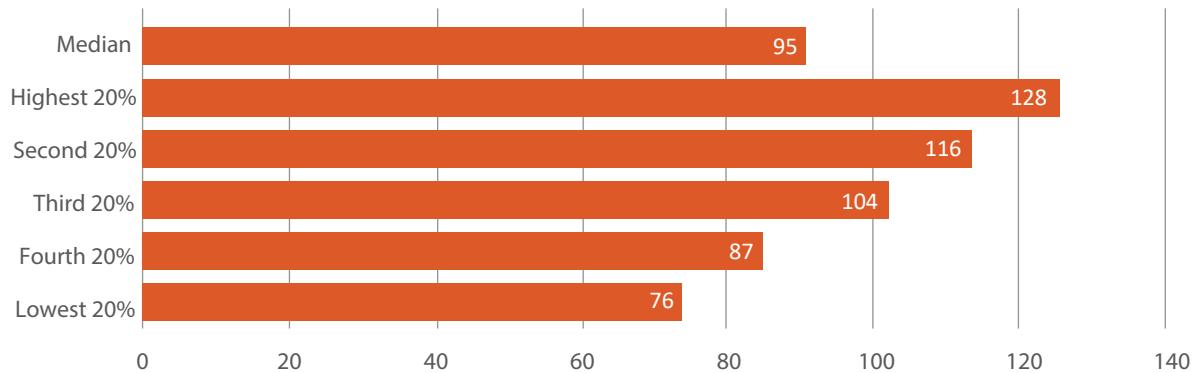


Figure 4: Average number of customers per day per micro-merchant categories

Half of micro-merchant customers are regular. Micro-merchants work seven days a week irrespective of the business size and on average sell to 102 customers daily, with 50 percent of them being regular customers. The highest 20 percent serve the most customers on a daily basis.

Most micro-merchant sales to customers are on credit. When asked if their store offers credit, 73.1 percent (n=1,535) of all micro-merchants respond "yes, regularly". Another 15 percent (n=316) respond "yes, sometimes" and 9.9 percent (n=208) say "rarely". Only 2 percent (n=41) offer no credit sales to their customers. About 87 percent (n=1,818) of micro-merchants self-estimate that up to 40 percent of their monthly sales are on credit, while 13 percent (n=282) say that more than 40 percent of their sales are on credit. Micro-merchants explain that most often they collect money due from customers at the time of the next purchase, and only in rare

instances do they offer payment plans to their customers. Review of their records reveals that micro-merchants primarily keep records of the buyers' name and amount sold on credit. Micro-merchants state that they keep records of sales on credit to customers.

Payments on credit and the percentage of transactions on credit increase as business size increases. While 65 percent (n=289) of the lowest 20 percent (n=443) of micro-merchant businesses regularly offer credit, this number goes up to 81 percent (n=325) for the highest 20 percent (n=402). We estimate that a current credit demand among customers is between BDT 300.1 billion (\$3.66 billion) and BDT 433.8 billion (\$5.29 billion). The fact that most of micro-merchant sales are on credit suggests there may be room for introducing new payment instruments to micro-merchants that would enable them to offer new payment options to their customers, such as instalment payments via mobile phone.

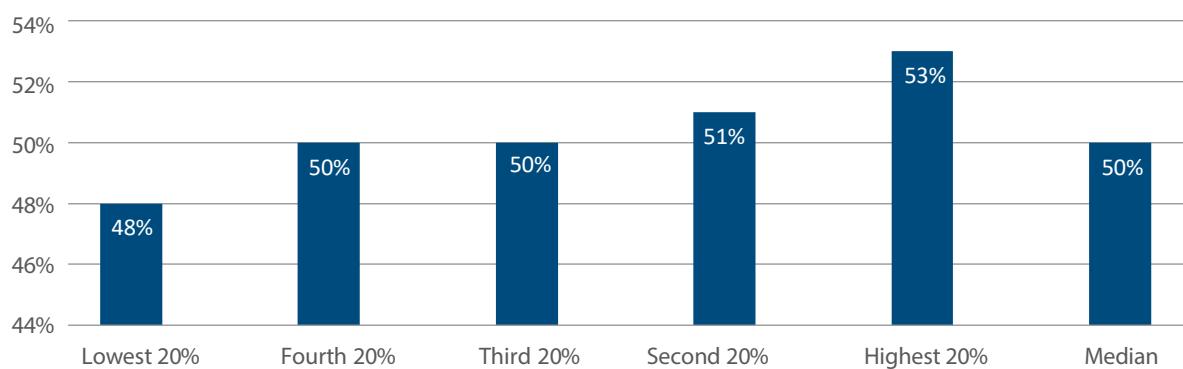


Figure 5: Percentage of regular customers per micro-merchant category

Table 11: Merchants response to the question "Do you have a trade licence?"

LEVEL/ANSWER CHOICE	YES	NO
Lowest 20% (n=443)	42.7%	57.3%
Fourth 20% (n=457)	61.3%	38.7%
Third 20% (n=384)	70.3%	29.7%
Second 20% (n=414)	70.8%	29.2%
Highest 20% (n=402)	86.1%	13.9%
Total (N=2,100)	65.6%	34.4%

TRADE LICENCES

Micro-merchants with larger businesses are more likely to have a trade licence. Among all interviewees (N=2,100), 65.6 percent (n=1,378) said they had a trade licence at some point, which suggests that many micro-merchants' businesses were formalized; some 34.4 percent (n=722) did not have a trade licence. As many as 86.1 percent (n=402) of micro-merchants in the highest 20 percent category have a trade licence compared with only 42.7 percent (n=443) of those in the lowest 20 percent category. In other words, trade licence ownership is greater among merchants with higher sales. Among those in the lowest 20 percent (n=443) some 57.3 percent say that they do not have a trade licence. This suggests that the smallest micro-merchant businesses are informal and are therefore less likely to have access to formal products and

services such as credit.

KEEPING RECORDS

Micro-merchants do not keep separate financial accounts for business. When asked if they keep separate financial accounts about their business operations, 85 percent (n=1,783) of micro-merchants say "no" and 15 percent (n=317) say "yes", which indicates that micro-merchants have few written records about their businesses. It is notable that 90 percent (n=397) of the lowest 20 percent (n=443) of micro-merchants do not keep any financial accounts. As the business size increases so does keeping of the financial accounts. For example, only 10 percent (n=46) of micro-merchants in the lowest category keep financial accounts compared with 18.2 percent (n=73) in the highest category.

Table 12: Share of micro-merchants that own a mobile phone per micro-merchant category

LEVEL/MOBILE PHONE OWNERSHIP	TOTAL	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
% of micro-merchants with a mobile phone	98.1%	96.8%	98.3%	97.1%	99.0%	99.5%
Number of respondents (N/n)	N=2,100	n=443	n=457	n=384	n=414	n=402

Table 13: Share of micro-merchants with a feature phone and a smart phone (among those who say they have a mobile phone)

MOBILE PHONE TYPE	TOTAL	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
Feature phone/basic phone	69.5%	78.1%	75.7%	71.1%	62.9%	58.5%
Smartphone (including smartphone + feature phone)	30.5%	21.9%	24.3%	29.0%	37.1%	41.5%
Number of respondents (N/n)	N=2,061	n=429	n=449	n=373	n=410	n=400

MOBILE PHONE OWNERSHIP

Almost all micro-merchants have a mobile phone, with 30 percent having a smartphone. Almost all (98.1 percent) of micro-merchants have a mobile phone. Overall, 69.5 percent own a feature phone only. As business size grows larger, ownership of a feature phone decreases while ownership of a smartphone increases. The proportion of smartphone ownership doubles between the lowest and highest micro-merchant categories, from 22 percent (n=94) to 42 percent (n=166). Those with smartphones say that they use them primarily to browse the internet, including use of social media such as Facebook.

EMPLOYMENT

Micro-merchants work by themselves and rarely employ others. Among all micro-merchants interviewed, 94 percent (n= 1,978) employ no workers. Almost no employment of workers is found in the lowest 20 percent category, while 78 percent of all the workers are employed by the top 40 percent. Some 18.2 percent (n=73) of micro-merchant businesses in the highest 20 percent category employ up to two (2) persons and 5 percent (n=19) of the second 20 percent employ up to one (1) person.

PART III: ACCESS TO FINANCE AND DIGITAL FINANCIAL SERVICES

KEY OBSERVATIONS

ACCESS TO FINANCE AND DIGITAL FINANCIAL SERVICES



The majority of micro-merchants are financially excluded: 57 percent of micro-merchants have no bank accounts. Yet 65.6 percent have had a trade licence at some point, meaning that they are formalized and should be able to access and use formal financial services.



Micro-merchants who are bank clients do not borrow from banks; rather, they depend on microfinance institutions to access credit, suggesting that there is scope for banks to expand credit services to micro-merchants.



Micro-merchants borrow regularly for personal and business needs, yet they mention that they have greater credit needs than what is available to them now. In effect, all of those surveyed say they need more finance to grow their businesses. This is an opportunity for financial sector industries to inform micro-merchants about current credit products and to expand credit product offerings to this market segment.



About 30 percent of micro-merchants have a mobile financial services account, yet only 5.6 percent use it to pay suppliers. Micro-merchants recognize the convenience of MFS; however, suppliers do not want to accept payments through MFS from micro-merchants. This is an opportunity for micro-merchants, FMCG companies and the financial services sector to come together to overcome barriers and increase MFS use.



None of the micro-merchants in the UNCDF review had an MFS merchant account despite many of them being de facto formal businesses (having held a licence at some point). Demonstrating the benefits of this particular type of account may motivate micro-merchants to use MFS merchant accounts. Policy makers should call for an expansion of merchant MFS accounts to create awareness and support uptake. This would enable digitization of business to business (B2B) payments.

DATA ON FINANCE AND DIGITAL SERVICES

43%

BANK ACCOUNT OWNERSHIP

53%

OPEN A BANK ACCOUNT TO SAVE

23%

OPEN A BANK ACCOUNT FOR ACCESS TO LOANS

61%

BORROWED OVER THE LAST 12 MONTHS

30%

HAVE AN MFS ACCOUNT

43%

OUT OF THOSE USE IT FOR BUSINESS

5.6%

USE MFS ACCOUNT TO PAY SUPPLIERS



MAIN USE OF A BANK ACCOUNT IS PERSONAL



68%

BORROW FROM MICROFINANCE INSTITUTIONS

13%

OF THOSE WITH BANK ACCOUNTS BORROWING FROM BANKS

\$1,116

AVERAGE BUSINESS LOAN SIZE

\$872

AVERAGE PERSONAL LOAN SIZE

LESS THAN 1% HAVE INSURANCE

BANK ACCOUNT OWNERSHIP

The majority of micro-merchants have no bank account. Only 43 percent of micro-merchants have a bank account. When asked why they opened an account, 51.5 percent (n=468) of them state that they opened bank account because they want to save and keep their money safe.¹⁷ Only 23 percent (n=205) say their main

reason for opening a bank account was to gain access to credit. This may suggest that micro-merchants either do not perceive banks as places where they can access credit, or that they are unfamiliar with credit products available to the micro-merchant sub-segment, if such products exist. Bank account ownership is lowest among the lowest 20 percent category (n=443)

Table 14: Ownership of a bank account per micro-merchant category

LEVEL/RESPONDENT TYPE	YES	NO
Lowest 20% (n= 443)	32.7%	67.3%
Fourth 20% (n= 457)	39.8%	60.2%
Third 20% (n=384)	42.2%	57.8%
Second 20% (n=414)	47.1%	52.9%
Highest 20% (n=402)	56.0%	44.0%
Total (N=2,100)	43.3%	56.7%

Table 15: Source of loans per micro-merchant category

SOURCES OF LOANS	TOTAL	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
% who borrowed from family/ relatives	6.4%	6.1%	7.9%	5.2%	6.9%	5.8%
% who borrowed from friends	2.2%	1.0%	4.1%	2.6%	3.3%	0.0%
% who borrowed from a bank	13.1%	7.4%	10.3%	13.0%	19.2%	17.7%
% who borrowed from a village-level savings group	4.0%	4.4%	4.8%	2.6%	4.5%	3.1%
% who borrowed through chits and chit fund groups*	0.1%	0.3%	0.0%	0.0%	0.0%	0.0%
% who borrowed from a moneylender	2.6%	3.7%	2.4%	3.5%	1.2%	2.2%
% who borrowed from a product supplier	0.5%	0.0%	0.3%	0.0%	1.6%	0.9%
% who borrowed from a microfinance institution	68.1%	74.3%	67.1%	69.7%	61.6%	66.4%
% who borrowed from a cooperative	2.7%	2.7%	3.1%	3.5%	.8%	3.5%
Number of respondents (N/n)	N=1,290	n=296	n=292	n=231	n=245	n=226

* A chit fund is type of rotating savings and credit association system.

where almost 67.3 percent (n=298) have no bank accounts, followed by the second lowest 20 percent (n=457) at 60.2 percent (n=275). Account ownership is the highest among micro-merchants in the highest 20 percent category where 56 percent (n=225) report having a bank account. Of 909 respondents with a bank account, the majority 83.6 percent (n=760) describe their accounts as personal while 8.5 percent (n=77) say that they have a dedicated business account. Among the 8.5 percent who have a business bank account, 11.6 percent (n=26) belong to the highest 20 percent and 6.9 percent (n=10) belong to the lowest 20 percent. Almost all micro-merchants with bank accounts (any type) access them at a bank branch at the counter, and only 2.4 percent (n= 22) use an ATM machine.

ACCESS TO LOANS

Micro-merchants, when in a need of a loan, generally borrow from microfinance institutions (MFI) even when they have a bank account.

Among all micro-merchants surveyed (N=2,100), 61 percent (n=1,290) have taken personal or business loans in the past 12 months. Among those that took loans, 13.1 percent (n=169) took a loan from a bank, and 68.1 percent (n=878) took a loan from an MFI. This suggests that microfinance institutions are a key source of credit for micro-merchants and even when micro-merchants are bank clients they are less likely to borrow from banks. All sub-groups of micro-merchants borrow

from MFIs but the lowest 20 percent depends on MFIs to access credit the most: 74 percent accessed loans from MFIs in the last 12 months. Similarly, 17.7 percent (n=40) of the highest 20 percent and 19.2 percent (n=47) of the second 20 percent (n=245) borrow from banks, with only 7.4 percent (n=22) of the lowest 20 percent accessing bank loans.

SIZE OF LOANS

Micro-merchants borrow higher amounts for business than personal needs. Among micro-merchants that borrowed (n=1,290) for personal use, an average loan amount was BDT 71,476 (\$872). Micro-merchants in the lowest 20 percent borrow less for personal use when compared with higher micro-merchant categories. The size of business loans is significantly higher when compared with personal loans, with an average business loan size of BDT 91,551 (\$1,116). The top 20 percent of micro-merchants borrow more than the lowest, with an average business loan size of BDT 153,208 (\$1,868) and BDT 49,143 (\$599), respectively.

Micro-merchants mostly use daily sales to reinvest in business. Micro-merchants were asked to explain how they use daily sales, using a multiple choice question. They use daily sales to reinvest in business (100 percent, n=2,100), they spend money to cover personal expenses (91 percent, n=1,919) and they keep money at home

Table 16: Average amount of personal and business loan by micro-merchant category

LOAN TYPE	AVERAGE SIZE	TOTAL	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
Personal	Loan size in BDT	71,476	47,023	76,783	73,476	73,935	113,357
	Loan size in US\$	872	573	936	896	902	1,382
Business	Loan size in BDT	91,551	49,143	72,258	80,714	117,973	153,208
	Loan size in US\$	1,116	599	881	984	1,439	1,868
Number of respondents (N/n)		N=1,290	n=296	n=292	n=231	n=245	n=226

(60.1 percent, n=1,262). No major differences are apparent between micro-merchant sub-segments. The amount used from daily sales is unknown. However, the majority keep money at home instead of depositing it in a bank (where it would be safe and earn interest).

USE OF MOBILE FINANCIAL SERVICES

Awareness about mobile financial services is high and convenience of use is seen as its main benefit. Every micro-merchant surveyed has heard about mobile financial services. The UNCDF review did not test understanding of MFS features and options or account types, but did investigate reasons why they like or dislike MFS. Convenience is the main reason why 59 percent of micro-merchants like and use MFS. When asked to name three things they dislike about MFS they mention high service charges, network down-time problems, and inability to retrieve money when sent to a wrong account. Reasons for their dislikes are unknown and must be further investigated.

MFS account buy-in among micro-merchants needs improvement. Only 29.6 percent of micro-merchants said they have an MFS account. MFS account ownership is higher among the top 20

percent, where ownership is almost 36 percent. The top three mobile financial services micro-merchants use are: bKash (91.5 percent), followed by Rocket (22.3 percent) and SureCash (5.9 percent).

Use of mobile financial services is limited. Of the 622 micro-merchants with MFS accounts, 43.3 percent use it for business purposes; this goes up to 48 percent (n=128) for the highest categories of micro-merchants (top 40 percent, n=267). As expected, richer micro-merchants use MFS more frequently. The poorest micro-merchants have the lowest proportion of MFS users. It seems likely that usage of MFS is higher among the top 40 percent of micro-merchants due to greater familiarity with MFS and greater opportunities to use MFS for business, such as to remit money to suppliers. For example, 5.6 percent use MFS to pay suppliers. Most micro-merchants pay suppliers in cash. When asked why they do not pay their suppliers via MFS, micro-merchants say that their suppliers do not want to accept payments through MFS. Though not part of this study, it seems likely suppliers may not see the benefits of transacting through MFS with micro-merchants (due to small transaction sizes, for example) and they also may not be aware that some 30 percent of micro-merchants have an

Table 17: Share of micro-merchants that have an MFS account

LEVEL/MFS ACCOUNT OWNERSHIP	TOTAL	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
MFS account	29.6%	24.6%	30.2%	28.1%	30.0%	35.6%
Number of respondents (N/n)	N=2,100	n=443	n=457	n=384	n=414	n=402

Table 18: Share of micro-merchants that use MFS account for business purposes (out of the 622 merchants declared to have an MFS account)

LEVEL/USE OF MFS ACCOUNT	TOTAL	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
Use MFS account for business	43.3%	33.0%	39.9%	46.3%	43.6%	51.8%
Number of respondents (N/n)	N=622	n=109	n=138	n=108	n=124	n=143

MFS account. This situation may require a push-pull approach where on one hand the financial services sector “pushes” the MFS products to micro-merchants and suppliers and, on the other hand, suppliers and micro-merchants “pull” by motivating each-other to use MFS. In other words, industries partner for greater use of Mobile Financial Services.

No micro-merchants have MFS “merchant accounts”. None of the micro-merchants in the UNCDF survey have an MFS merchant account, despite many of them being de facto formal businesses. Though this is surprising, the present study did not explore reasons as to why this is so. It seems likely that micro-merchants do not understand the benefits of having an MFS merchant account versus an ordinary MFS account. Use of below-the-line and above-the-line marketing¹⁸ that demonstrates the benefits of having a merchant account may motivate micro-merchants to use such accounts. Additionally, a national push for a merchant MFS account use would go a long way to create awareness and support uptake of merchant MFS accounts. In the long run, merchant MFS accounts would enable digitization of business-to-business (B2B) payments with spill-over benefits to the economy of Bangladesh.

ACCESS TO INSURANCE

Micro-merchants were asked if they have any form of insurance. Given that micro-insurance is a nascent sector in Bangladesh, the finding that less than 1 percent of micro-merchants surveyed have an insurance product is not surprising. The study did not investigate the risks and shocks to which micro-merchants are exposed; however, other research has found that micro-enterprises are commonly very vulnerable to shocks such as health, death or loss of business. Therefore, it is important to understand more about the common risks and risk management behaviour and, consequently, to develop appropriate financial products to assist micro-merchants in managing risks. This is especially important given that thousands of individuals become micro-merchants every year. Moreover, leveraging ownership of mobile phones in order to offer and expand access to savings and insurance products would go a long way towards helping micro-merchants protect themselves and their families. A good start would be to undertake a more in-depth study into the risks facing micro-merchants and how the technology can help.

PART IV: ASPIRATIONS AND CHALLENGES

KEY OBSERVATIONS

MICRO-MERCHANT ASPIRATIONS



Micro-merchants wish to grow their businesses and earnings, but they face significant barriers. Access to finance is among their biggest concerns followed by a need to improve their business operations, such as capacity development in marketing, finance, business planning and accounting.



Digitization of stock ordering and inventory management may help micro-merchants improve their businesses. While micro-merchants did not specifically mention digitization, it is apparent that they could improve cash management and bookkeeping and reduce costs by using digital resources, especially through smart phones.



Many already have smartphones (30 percent) and considering their increased affordability coupled with the young age profile of micro-merchants, it is likely that ownership of smartphones among micro-merchants will increase. This is an opportune time to introduce digital platforms to improve their businesses, starting with micro-merchants who already have smartphones. Such innovations would have spill-over effects on other industries that are increasingly looking for greater integration and use of digital platforms to improve business practices as well as expand business opportunities.

DATA ON ASPIRATIONS



96%

MICRO-MERCHANTS WHO WANT SOME TRAINING TO HELP THEM GROW THEIR BUSINESSES



MOST SORT AFTER SKILLS-TRAINING IS: CASH MANAGEMENT, BOOKKEEPING, FINANCIAL LITERACY AND MARKETING



BIGGEST CONSTRAINT: LACK OF CAPITAL TO EXPAND BUSINESS



BIGGEST NEED = MORE CREDIT



GROWING THEIR BUSINESSES

Micro-merchants want to grow their business. With some exceptions, most micro-merchants say that they would like to see their business grow in the future. In their words, businesses have been “on the rise”. They attribute this to an increasing number of customers and increasing demand for FMCG products. Understanding customers was beyond the scope of this study; however, conversations with micro-merchants seem to indicate that consumer behaviour is changing. Both FMCG and financial sector companies would benefit from knowing how consumers may be changing.

UPGRADE BUSINESS AND FINANCIAL MANAGEMENT SKILLS

Micro-merchants want training to grow their businesses. According to 96 percent of micro-merchants, cash management, bookkeeping and access to finance are their most common training needs. Training in financial management was the first priority among all sub-groups, followed by marketing. Micro-merchants in the second 20 percent seemed to have a greater need for training in marketing when compared with other categories. Business planning was cited as a need among all categories of micro-merchants, with

Table 19: Need for training in finance per micro-merchant category

NEED FOR TRAINING IN FINANCE	TOTAL	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
% of micro-merchants who state a need for training in finance	87.9%	89.8%	90.8%	88.3%	85.8%	84.1%
Number of respondents (N/n)	N=2,100	n=443	n=457	n=384	n=414	n=402

Table 20: Need for training in marketing per micro-merchant category

NEED FOR TRAINING IN MARKETING	TOTAL	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
% of micro-merchants who stated a need for training in marketing	42.1%	37.9%	41.6%	41.7%	46.9%	42.8%
Number of respondents (N/n)	N=2,100	n=443	n=457	n=384	n=414	n=402

Table 21: Need for business plan training per micro-merchant category

NEED FOR TRAINING IN BUSINESS PLAN WRITING	TOTAL	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
% of micro-merchants who state a need for training in business plan writing	19.5%	21.4%	16.6%	20.3%	20.0%	19.4%
Number of respondents (N/n)	N=2,100	n=443	n=457	n=384	n=414	n=402

Table 22: Need for finance per micro-merchant category

NEED FOR FINANCE	TOTAL	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
% of micro-merchants who state a need for finance	93.3%	96.4%	94.3%	92.5%	93%	89.8%
Number of respondents (N/n)	2,100	443	457	384	414	402

Table 23: Personal or business loan taken in the past 12 months

PERSONAL OR BUSINESS LOANS TAKEN	TOTAL	LOWEST 20%	FOURTH 20%	THIRD 20%	SECOND 20%	HIGHEST 20%
% of micro-merchants who took a business or a personal loan	61.4%	66.8%	63.9%	60.2%	59.2%	56.2%
Number of respondents (N/n)	N=2,100	n=443	n=457	n=384	n=414	n=402

the lowest 20 percent having a greater need for business planning (21.4 percent) compared with other categories. Through qualitative research, micro-merchants indicate that they have very limited opportunities to access training or any form of advancement.

MORE LOANS

Micro-merchants do not have enough capital to grow and they want more credit. Micro-merchants describe the lack of capital as the biggest constraint for business growth because they cannot access credit in adequate amounts. Some 93.3 percent said they needed credit. This is true across all micro-merchant categories where a need for credit is the highest among the lowest 20 percent and the lowest among the highest 20 percent. We calculated¹⁹ that in the last year micro-merchants in Bangladesh have taken loans estimated at BDT 63.8 billion (\$778 million).

RECOVERING CREDIT

Recovering cash for goods sold on credit is a leading business management challenge for micro-merchants. When presented with a statement "I have experienced problems with recovering credit from my customers" most respondents across the groups agreed "somewhat" and "strongly agreed" with the statement. Credit recovery appears to be more challenging to those in the fourth 20 percent and top 20 percent of the micro-merchant categories.

TRANSPORTATION

Transport costs are high for micro-merchants who go long distances to purchase products for their stores. Transport costs related to collecting merchandise from distributors are high, according to micro-merchants surveyed. They need to travel to distant locations to replenish their stock. While they did not quantify the amounts they spend on transport, they frequently

Table 24: Micro-merchant responses to statement “I have experienced problems with recovering credit from my customers” (N=2,100)

LEVEL/RESPONDENT TYPE	STRONGLY DISAGREE	DISAGREE SOMEWHAT	AGREE SOMEWHAT	STRONGLY AGREE
Lowest 20% (n= 443)	7.9%	13.1%	41.5%	37.5%
Fourth 20% (n=457)	6.6%	6.1%	39.2%	48.1%
Third 20% (n=384)	5.2%	7.3%	43.2%	44.3%
Second 20% (n=414)	5.1%	9.9%	44.4%	40.6%
Highest 20% (n=402)	6.0%	7.5%	39.6%	47.0%

mentioned transport costs as a major issue. They say that transport costs combined with long distances can cause delays with stocking of their businesses. Digitization of stock ordering may help in reducing transportation costs for micro-merchants, though challenges due to inadequate and poorly maintained road networks and geographic isolation are hard to overcome.

Currently, micro-merchants often collect their stock daily due to the nature of their businesses and ordering practices. Digitization of ordering processes would enable micro-merchants to better manage their inventory and consequently could reduce the need to travel as frequently to collect products from suppliers.

PART V: RECOMMENDATIONS

Large businesses and leading economic sectors such as the ready-made garment sector are often the centre of attention within discourse in Bangladesh.

However, our research shows that, collectively, small micro-merchant businesses in the retail sector can have a **significant ripple effect on the country's economy**.

Micro-merchant businesses often provide more employment opportunities for unskilled workers and can therefore have positive effects on the overall level of employment in Bangladesh.

These micro-merchant businesses are also very important for the business landscape in general, as they are last-mile transaction points with customers across the country.

This suggests they can be a major source of innovation for the industries they operate within. Micro-merchants in retail are an important, growing sector of the Bangladesh economy – an economic force – yet it is a sector that needs action to stimulate its further growth and development. Below are key recommendations to support the sector's growth and prosperity, resulting in benefits for micro-merchants and their families as well as the economy of Bangladesh.

RECOMMENDATIONS FOR THE FMCG SECTOR

1. LEVERAGE MICRO-MERCHANTS TO BUILD BRAND LOYALTY AND REACH LAST-MILE CUSTOMERS



- i. Make them know they are valuable actors in the FMCG supply chain.
- ii. Invest in improving their marketing skills.
- iii. Talk to them periodically to see how to leverage their position in the retail sector more effectively.

RECOMMENDATIONS FOR DIGITAL PLATFORM DEVELOPERS INCLUDING FINTECHS



2. PARTNER WITH FMCG COMPANIES AND FINANCIAL SERVICE PROVIDERS TO **ENABLE MICRO-MERCHANTS TO DIGITIZE CREDIT SALES RECORDS.**



3. INNOVATE AROUND NEW PAYMENT INSTRUMENTS THAT WOULD **ENABLE MORE CONVENIENT WAYS OF PAYMENT** BOTH FOR CUSTOMERS AND MICRO-MERCHANTS.



4. OFFER DIGITAL PLATFORMS TO **ENABLE MICRO-MERCHANTS TO MANAGE CASH, ACCOUNTS AND INVENTORY THROUGH SMARTPHONE APPLICATIONS.**

RECOMMENDATIONS FOR THE FINANCIAL SERVICES SECTOR



5. EXPAND CREDIT TO MICRO-MERCHANTS

- Market **current product offerings** to micro-merchants more effectively.
- Undertake market research of the segment to develop tailored financial products to address working capital and cash-flow needs among businesses owned by men and women.
- Pilot alternative credit assessment approaches utilizing micro-merchants' data and transaction records. Most micro-merchants keep written records of credit transactions with their customers. These transactions can be digitized and used to develop new ways of assessing credit worthiness of micro-merchants.
- Consider using technology to expand lending to micro-merchants thus lowering the costs of serving this segment; for example, pilot a small loan through a mobile phone platform.



6. PARTNER WITH FMCG COMPANIES FOR GREATER PENETRATION AND USE OF MOBILE FINANCIAL SERVICES ACCOUNTS

- Jointly invest in platform development to digitize payments.



7. IMPROVE UNDERSTANDING OF THE BENEFITS OF MOBILE FINANCIAL SERVICES MERCHANT ACCOUNTS

- Undertake below-the-line and above-the-line marketing and demonstrate benefits of these accounts to motivate uptake of MFS merchant accounts.

RECOMMENDATIONS FOR REGULATORS

01100
00101
11001

8. PROMOTE DIGITIZATION OF BUSINESSES

- A national push from policy makers for expansion of merchant MFS accounts would go a long way to create awareness and support uptake of these accounts.



9. ACT ON FINANCIAL LITERACY

- Set **financial literacy objectives** for men and women in Bangladesh.
- Work with development partners, the private sector and government ministries to achieve literacy objectives .



10 SUPPORT GROWTH OF THE RETAIL SECTOR

- Ensure and enable continuous innovation (such as through e-commerce) and growth within the retail sector, in particular among men and women business owners in the micro-merchant segment.



11. COLLECT GENDER-DISAGGREGATED DATA ON THE RETAIL SECTOR THROUGH PERIODIC SURVEYS

- Commission nationally representative surveys of the micro-merchant segment (and/or introduce set of questions about this retail segment within economic census) to be undertaken periodically by national authorities to generate up-to-date datasets.
- Include collected data in government databanks online, available for public use.



12. ENABLE ACCESS TO BUSINESS AND FINANCIAL MANAGEMENT TRAINING FOR MICRO-MERCHANTS WITH SPECIFIED INCLUSION OF WOMEN MICRO-MERCHANTS

- Call on Business Development Services providers and organizations that promote Micro, Small and Medium Enterprises (MSMEs) to extend skilling and capacity development opportunities to micro-merchants.

RECOMMENDATIONS FOR RESEARCHERS



13. CONDUCT RESEARCH ON WOMEN MICRO-MERCHANTS.

- Address the lack of data and analysis. Identify barriers to and opportunities for the greater participation of women in the retail sector.



14. LEARN MORE ABOUT COMMON RISKS FACING MICRO-MERCHANTS.

- Address the limited understanding of the vulnerability of micro-merchants, and use this knowledge to inform policy decisions and to design appropriate market-based instruments to enable them to manage risks.

NOTES

1. Centre for Policy Dialogue (2016). *State of Bangladesh Economy*. Retrieved from: https://cpd.org.bd/wp-content/uploads/2016/05/IRBD-FY16-Third-Reading-FINAL_Revised.pdf
2. FinTechs (financial technology) is a new technology and innovation that aims to compete with traditional financial methods in the delivery of financial services. FinTechs use technology to improve activities in finance.
3. Ministry of Industry (2018). Government of Bangladesh. National Industrial Policy 2016. Retrieved from: https://moind.portal.gov.bd/sites/default/files/files/moind.portal.gov.bd/policies/55dad52c_913d_487d_b59a_26db59742b49/Industry%20Policy%202016%20Scan%20Copy.pdf
4. In the Org-Quest Research Limited dataset, we observed an increased number of observations for four districts: Sherpur, Jamalpur, Tangail and Rajshahi districts. We could not ascertain why there was an increased number of observations for these four districts compared with other districts of Bangladesh. Consequently, we kept original dataset as is. However, we note that this increased number of observations stemming from these four districts may have influenced the findings and that the dataset is not representative of Bangladesh. We recommend that any future analysis of the Org-Quest Research Limited dataset corrects for these anomalies.
5. Managed by the Innovations for Poverty Action (IPA).
6. Likelihoods are computed using a sub-set of pre-picked poverty indicators that proved to be the best predictors out of a larger set of variables.
7. Centre for Policy Dialogue (2016). *State of Bangladesh Economy*. Retrieved from: https://cpd.org.bd/wp-content/uploads/2016/05/IRBD-FY16-Third-Reading-FINAL_Revised.pdf http://203.112.218.65:8008/WebTestApplication/userfiles/Image/GDP/GDP_P_2015-16_p.pdf
8. Hussain, S.S. & Lesihman (2013). *The Food Retail Sector in Bangladesh*. USDA Foreign Agricultural Services. Global Information Network, GAIN report # BG 3014. Retrieved from: http://gain.fas.usda.gov/Recent%20GAIN%20Publications/The%20Food%20Retail%20Sector%20in%20Bangladesh_New%20Delhi_Bangladesh_7-3-2013.pdf
9. Bureau of Statistics. Government of Bangladesh. Economic Census 2013: Part 1 and 2. Retrieved from: <http://203.112.218.65:8008/PageWebMenuContent.aspx?MenuKey=534>
10. Ibid.
11. Ibid.
12. This approach was followed to calculate across the five micro-merchant categories.
13. There are 1,102,859 micro-merchants according to the Economic Census 2013. We used the nearest round figure (1,100,000) for micro-merchants in Bangladesh and we interviewed 2,100 thus 1 micro-merchant in the UNCDF survey represents 523.81 micro-merchants.
14. Ibid.
15. We use only unpaid family labour, as only three micro-merchants (out of 2,100) declared to have full-time or part-time female employees.
16. Poverty Probability Index. <https://www.povertyindex.org/about-ppi>
17. This study did not investigate savings behaviour, therefore data on savings is not available through this research and needs further investigation.
18. Above-the-line marketing uses mass media to promote brands and target consumers, e.g. through television, radio, print and internet. Below-the-line marketing is more one to one, e.g. distributing pamphlets and brochures, posting banners and placards or holding demos and sampling.
19. For the approach to calculation, refer to the section Estimated Market Size of micro-merchant segment in Bangladesh of this report.

A woman with dark hair, wearing a pink and gold patterned sari, is smiling warmly at the camera. She is standing in a shop filled with colorful goods, including boxes of detergent and other household items. The background is slightly blurred, showing shelves and products.

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