

# Market Assessment Tool

## User Manual

### SME Banking Toolkit



## 1. OVERVIEW

The **Market Assessment Tool** is a fully automated, data-driven diagnostic designed to identify high-potential markets for SME banking expansion by leveraging over 80 globally recognized indicators across 173 countries.

Focus audience: **TA Funders** **Commercial Banks** **DFIs**

## 2. USE CASE & BENEFITS

This tool addresses the challenge of pinpointing attractive markets for SME lending expansion. By analyzing more than 80 indicators across 173 countries, it quickly identifies markets with the right mix of enabling factors and potential demand, even in lower- and middle-income countries.

### Strategic Decisions Informed:

- **Market Prioritization:** Identify and rank countries based on market readiness and opportunity size.
- **Bank Engagement:** Provide evidence-backed data to support business case discussions.

## 3. KEY OBJECTIVES

- **Provide Robust Comparisons:** Normalize complex indicator data (scored from 0 to 1) across four main pillars and their respective sub-pillars to facilitate clear comparisons between countries and highlight relative strengths, weaknesses, and opportunities.
- **Identify High-Potential Markets:** Ensure that decisions on market expansion are grounded in comprehensive, data-driven insights.
- **Support Strategic Discussions:** Empower stakeholders to have informed deliberations with evidence-based scoring and comparisons.

## 4. STRUCTURE & COMPONENTS

### 4.1 Description of Tabs

This tool includes eight tabs (or sheets) the description of which are presented in the table below.

Tab Name	Description
Instructions & Overview	This is the landing page of the tool, providing general information about the file, including its overview, use case, objectives, and a high-level summary of each tab. It also offers guidance on how users can navigate and interact with the tool effectively. Additionally, it contains links to this PDF guide and the video tutorial.

Tab Name	Description
Indicator Descriptions	This tab lists all the indicators used in the tool, along with their sources, reference years, units of measurement (e.g., percent, number, score), direction of influence (positive or negative), and detailed descriptions.
Assessment Overview	This tab presents the market assessment of a selected country by displaying its normalized scores, along with those of five peer countries, across four key pillars and 14 sub-pillars. Based on these scores, the selected country is categorized into one of four groups, each accompanied by a brief explanation of what the category represents. The tab also provides key macroeconomic indicators for the selected country and its peers to support broader contextual analysis.
Detailed Comparison to Peers	This tab displays the detailed scores of over 80 indicators for the selected country and its peer countries. These indicators are used to calculate the scores of the four main pillars and 14 sub-pillars.
All Scores by Country	This tab is similar to the "Detailed Comparison to Peers" sheet, but instead of showing only the selected country and its peers, it displays the scores for all countries covered in the tool.
All Values by Country	This tab presents the actual values of all indicators for all countries in the tool.
List of Peer Countries	This tab shows country groupings based on GNI per capita (PPP) and HDI to help users select relevant peer comparators.
Data	This tab provides supporting macroeconomic indicators.

## 4.2 Description of the Pillars

The tool is structured around four pillars, each comprising multiple sub-pillars and drawing from globally recognized datasets (e.g. WDI, Findex, IMF, ITU, WBES, BTI):

Pillars	Sub-pillars	Description
A: Enabling Environment	<ul style="list-style-type: none"> <li>• A1 Economic Development and Sustainability</li> <li>• A2 Stage of Social Development</li> <li>• A3 Digital</li> </ul>	Assesses the macroeconomic, digital, and institutional conditions required for SME banking to thrive
B: Entrepreneurship	<ul style="list-style-type: none"> <li>• B1 General Context for Business</li> <li>• B2 Legal Context</li> <li>• B3 Starting the Business</li> </ul>	Evaluates the broader business ecosystem, startup activity, and legal-regulatory constraints affecting SME creation & growth
C: Financial Sector	<ul style="list-style-type: none"> <li>• C1 Inclusivity – Overall</li> <li>• C2 Capacity</li> <li>• C3 Regulation</li> <li>• C4 Youth Financial Inclusion</li> </ul>	Measures financial inclusion, SME lending capacity, banking infrastructure, and regulation, including youth indicators
D: Women's Economic Inclusion	<ul style="list-style-type: none"> <li>• D1 Women Daily Lives</li> <li>• D2 Legal &amp; Economic context</li> <li>• D3 Women Entrepreneurship</li> <li>• D4 Digital Gap</li> </ul>	Assesses gender gaps in education, economic participation, entrepreneurship, digital access, legal restrictions

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## 5. HOW TO USE THE TOOL

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Follow the steps below to configure and interpret the Market Assessment Tool:

1. Open the Excel file containing the Market Assessment Tool.
2. Navigate to the “Assessment Overview” sheet.
3. In cell B4, select the country you wish to assess from the dropdown menu.
4. Select peer countries to benchmark performance:
  - a. By default, peer countries are pre-selected based on similar income levels (GNI per capita (PPP)).
  - b. To choose your own set of peer countries, select “Custom” from the dropdown.
  - c. A table will appear on the right side of the sheet. Use the dropdown menus in cells F7 to J7 to select five peer countries for comparison.
5. *(Optional)* Adjust indicator weights to tailor the assessment to your specific needs:
  - a. You can modify the weights of sub-pillars by using the dropdown menus in column C, rows 17 to 34.
  - b. To adjust the weights of individual indicators, go to the “All Scores by Country” sheet and edit column D accordingly.
6. Review the market assessment and implications for the selected country in cells B10 and B11 of the “Assessment Overview” sheet.
7. Examine the pillar and sub-pillar scores for the selected country and its peer group:
  - a. Scores for the selected country appear in column E, rows 16 to 34.
  - b. Scores for peer countries are displayed in columns F to J, rows 16 to 34.

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## 6. OUTPUTS & INTERPRETATION

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### 6.1 Market Categorization

To assess market readiness, each country’s total score is compared to a set of five peer countries. Based on this comparison, markets are categorized as follows:

Category	Implication
Lagging Market	The country scores below all peer countries. This suggests significant constraints in the market environment for SME banking, indicating high risk and limited near-term opportunity.
Emerging Potential	The country scores below the peer average but above at least one peer. This indicates foundational strengths with room for improvement—suggesting that targeted interventions or reforms could unlock growth.
Strong Foundation	The country scores above the peer average. This reflects a relatively conducive environment for SME banking and signals readiness for strategic expansion with moderate risk.
Very High Readiness	The country has the highest score among its peers. This implies a highly favorable market environment, strong institutional support, and significant potential for SME banking success.

Each of the four pillars is assessed and categorized using the same scoring logic as the overall country score. These pillar-level insights offer a more nuanced understanding of where a country’s strengths and constraints lie.

Pillar	Category	Implication
A. Enabling Environment	Lagging Market	Indicates foundational economic or digital constraints relative to peers.
	Emerging Potential	Signals moderate progress with remaining structural challenges.
	Strong Foundation	Reflects stable enabling conditions compared to peer countries.
	Very High Readiness	Denotes standout macro-institutional readiness for SME finance expansion.
B. Entrepreneurship	Lagging Market	Highlights legal, procedural, or cultural impediments relative to peers.
	Emerging Potential	Suggests opportunity with some need for reform or capacity building.
	Strong Foundation	Indicates a generally supportive entrepreneurial environment.
	Very High Readiness	Suggests a top-performing, agile business environment among peers.
C. Financial Sector	Lagging Market	Signals major gaps in SME finance, access, or financial infrastructure.
	Emerging Potential	Reflects developing capabilities and partial financial inclusion.
	Strong Foundation	Suggests the country has solid financial systems and reach.
	Very High Readiness	Indicates advanced financial infrastructure and accessibility relative to peers.
D. Women's Economic Inclusion	Lagging Market	Indicates wider gender gaps or restrictive legal frameworks.
	Emerging Potential	Shows improvements in inclusion with scope for progress.
	Strong Foundation	Reflects an enabling environment for women's participation.
	Very High Readiness	Denotes the most favorable gender inclusion context among peers.

## 6.2 Scoring Methodology

To enable **meaningful comparisons** across **diverse markets**, **each indicator** in the tool is scored on a scale from **0 to 1**, **benchmarking countries against top performers within their region or income group**. This normalized scoring **simplifies complex data**, helping users quickly identify areas of **relative strength, weakness, and opportunity**—particularly in lower- and middle-income countries.

Indicators that reflect **positive outcomes**, such as account ownership or affordability of financial services, are scored directly, with **1 representing the best observed result**. A lower score indicates how far a country lags behind the benchmark. For **indicators measuring constraints**—such as legal barriers or gender gaps—**scores are inverted**, so that fewer constraints result in higher scores. This ensures that across all indicators, **higher scores consistently reflect a more enabling environment**.