

Request for Proposals: Innovation for MSME Development Initiative (IMDI)

OVERVIEW

J-PAL SEA's [Innovation for MSME Development Initiative \(IMDI\)](#) is calling for proposals to evaluate ideas, programs, and policies related to financing, capacity building, and expanding market access for Micro, Small, and Medium Enterprises (MSME) in Indonesia. IMDI invites proposals from J-PAL affiliates, J-PAL postdocs, J-PAL Southeast Asia Invited Researchers, and PhD students advised by a J-PAL affiliate or J-PAL Southeast Asia invited researcher for full research projects.

Timeline for proposal reviews:

Expression of Interest due January 31st, 2025 : If you are interested in submitting a proposal, please fill out the [Expression of Interest \(EOI\) form](#). We will inform applicants within 2 weeks whether they are invited to submit a full proposal.

Full Proposal due February 28th, 2025: On receiving a positive response to the EOI form from the IMDI team, please submit the full proposal to imdi@povertyactionlab.org. We aim to share the outcome of our review within 5-6 weeks after submission.

FOCUS THEMES AND AREAS

1. Targeting MSMEs with growth potential

Collectively, around 65 million MSMEs contribute to 61 percent of Indonesia's GDP and create 97 percent of employment (Fardah, 2022). More than 70 percent of these micro and small firms are led by women (National Statistics Bureau, 2022). Consequently, MSMEs hold large potential in driving Indonesia's economic growth due to their wide dispersion, ability to absorb the workforce, and opportunities for women's economic empowerment. However, heterogeneous returns to MSME development programs suggest there are benefits to **exploring cost-effective methods of identifying firms with growth potential in order to improve program targeting**. Some very

limited examples include innovations in credit screening, use of community information to identify high-growth potential peers, use of business transaction data from digital marketplaces, and business competitions or incubators programs to identify productive entrepreneurs.

2. Increasing financial access for MSMEs

The Government of Indonesia has prioritized broadening financing for MSMEs through grants and credit programs, including the obligation for banks to allocate 30% of their credit toward MSMEs. Innovations such as digital and peer-to-peer lending also present expanded financing opportunities that are easier to access. However, there remains important opportunities to evaluate innovations that **reduce supply-side constraints**, such as lowering the costs and risks for banks to provide credit for microentrepreneurs, **and demand-side constraints**, such as improving firms financial literacy and management. This research area includes **testing innovative financial products**, such as loans tailored to women entrepreneurs.

3. Increasing firms management and production capacity

Diverse stakeholders in Indonesia, including the government, non-government organizations, and the private sector, have introduced a wide array of programs aimed at enhancing capacity and promoting the development of MSME. There are at least 21 capacity-building programs managed by different Indonesian ministries, some of which are tied to loan programs. However, despite the large variety of programs, the number of MSMEs who have participated in training is small. Furthermore, evidence suggests tailored training (based on firms current knowledge and business scale) and individualized support such as mentoring and peer networks are more effective in boosting firms' sales and profits than providing standard business training. Thus, there is room to explore solutions that would **expand the reach of existing programs and implement effective tailored training or individualized assistance at scale.**

4. Expanding market access for MSMEs

The growth of e-commerce and social commerce platforms, logistical services, and recent infrastructure development have the potential to widen the domestic market access of MSMEs. One major challenge for MSMEs to fully utilize these services and facilities is their small scale, making it costly to procure input or sell products outside beyond their local market. There is an important opportunity to explore solutions that support MSMEs to **utilize and survive in the digital marketplace**, services that allow for MSMEs to **utilize shared production, storage, and shipping services**, improvement in **logistics infrastructure and processes** that would reduce time and cost of movement of goods, and other innovations to support **MSME integration into the supply chain.**

RESEARCH FUNDING OPPORTUNITY

For this round, we strongly prefer submissions for full-scale proposals. However, if this is not possible for your project, we are open to considering submissions for a pilot. The period of performance is up to **September 2025**.

1. **Full Research Projects:** These grants are for research projects at a mature level of development. Not only must the research question be clear, but applicants must also demonstrate a commitment from implementing partners, a method of randomization, well-defined instruments, and sample size estimates. Proposals can also be submitted for funding the continuation of research projects that have already started without IMDI funding. The expectation is that these projects will result in a paper publishable and can be scaled-up into an actionable program or policy for Indonesia. The total amount awarded to a single project is up to \$110,000. Period of performance is up to August 2024.
2. **Pilot Grants:** These grants are meant for studies with a clear research question, but for which the design and implementation requires further testing and pilot data. Pilot proposals should lay out a clear path to future randomized evaluations, the expectation is that these projects will ultimately develop into full-scale randomized evaluations. Proposals can also be submitted for funding the continuation of research projects that have already started without IMDI funding. The maximum amount awarded for pilot studies is up to \$65,000 and for PhD students advised by a J-PAL affiliate or J-PAL SEA invited researcher is \$50,000. Period of performance is up to August 2024.

All awarded funding will be managed by J-PAL Southeast Asia.

ELIGIBILITY

J-PAL affiliates, J-PAL postdocs, J-PAL SEA invited researchers, and PhD students advised by a J-PAL affiliate or J-PAL SEA invited researcher are eligible to apply for the research grant. All proposals may include collaborators outside of this network.

In addition, PhD students may be eligible to apply for up to \$50,000 in full-scale funding. To be eligible, PhD students must have a J-PAL affiliate or J-PAL SEA invited researcher on their thesis committee at their host university. This adviser must provide a letter of support and indicate willingness to remain involved in a supervisory role throughout the lifetime of the project. In order to apply for up to \$50,000 for full-scale funding, graduate students must provide documented evidence of successful pilot activities.