

## Design and implementation of an integrated financial education programme by Alliance for Microfinance in Myanmar

### 1. FINANCIAL EDUCATION (FE) CONTEX

Myanmar is an emerging market for inclusive finance. The majority of the population still does not have access to formal financial services<sup>1</sup>. The microfinance sector is gradually developing, but uptake and knowledge of financial providers and products are still rather low. Informal debt and saving practices have been the instruments mostly used in the past and are currently still very popular. Saving is a popular habit with a clear preference for informal methods, such as ROSCAs and in-kind savings.

Financial education has been historically weak in the country. It is still a rather new concept and the idea of it being a subject of classroom training is still quite unfamiliar among Alliance target population. However, in recent years an increasing number of international and local private sector entities and NGOs have started important efforts to improve financial education among micro-entrepreneurs and low-income population. They offer financial education programmes targeting specific populations in specific regions. However, each of these programmes is planned, developed and executed independently of others.

In 2015, Myanmar government formed a steering committee, together with a number of development partners, to implement the Myanmar Financial Sector Roadmap that was proposed the previous year by the United Nations for Capital Development Fund (UNCDF). One of the activities in the committee's action plan is promoting financial literacy among low-income households. At the request of the Ministry, the Livelihoods and Food Security Trust Fund (LIFT) funded the design and production of a basic financial literacy booklet, designed to address the utmost needs for financial literacy that were identified in the financial sector roadmap. The booklet was then distributed to communities through microfinance institutions, private companies, and selected government offices.

### 2. INTERVENTION APPROACH

#### Financial literacy needs assessment

The low education level and the only recent exposure of clients to formal financial services is the first reason why Alliance has identified the need to design a financial education programme that will be an integrated part of its approach.

Qualitative research was conducted in the form of life stories with the purpose of gathering relevant information about clients' demand for financial education that would allow Alliance to identify the most suitable content and approach for implementing financial education. Different business types and sizes were identified for this research: farming, food service, handicraft and small convenience stores. Nine clients (all women) underwent two rounds of interviews and four stories, two representing group loan (GL) clients and two representing small enterprise (SE) loan clients, were presented in a report.

The research allowed for understanding at a deeper level the needs and vulnerabilities of Alliance clients and the peculiarities of different business types and client segments.

The life stories supplemented a wider research project carried out by Alliance in the form of surveys. 60 amongst group and small-enterprise clients were interviewed using a structured questionnaire. The survey served to assess the needs and preferences for financial education among a more significant sample that could fruitfully guide the design of financial education programme and initiatives.

The research phase produced main conclusions and recommendations on priorities and delivery mechanism for financial education. Findings evidenced that even though some similarities were observable, small enterprise and group loan clients required a different approach and content in terms of financial education. Group loan clients showed a scarce knowledge of what financial products are available on the market and how they work. For the great majority of these clients, microfinance institutions were their first experience with the formal, regulated financial sector. Therefore, it was deemed essential to focus financial education efforts towards the explanation of products and their use, incorporating messages on over-indebtedness, saving, and client protection. Small enterprise loan clients' needs proved to be arguably more advanced. Having to manage larger capital and operations, proper accounting and business management skills become even more crucial for them. These clients generally have a more substantial knowledge of the formal financial sector and in some cases also have bank accounts.

<sup>1</sup> There is a huge unserved demand for financial services. Less than 10% of adults have access to bank accounts as per a recent report of CGAP. In 2014, the UNDP estimated that the demand for microfinance in Myanmar was in the range of 400 and 600 million USD.

### Main activity areas (goal, targets, resources & time frame) and outputs

For group loan clients, financial education is fully embedded in the loan process, in a way that leverages teachable moments within the service delivery process. Before applying for the loan, client officers take the time to explain the presentation guide. This comes in the form of a flipchart and provides an introduction to Alliance and the characteristics of the products offered. All technical features, such as interest rates, fees and repayment modalities are disclosed and explained. Through visual supports and relatable stories the guide proceeds to explain (i) the importance of group formation and members selection, (ii) the mechanism of joint liability and the responsibilities of group members, (iii) the benefits of using the loan properly and the risks of an improper use and (iv) basic cash flow management concepts. Client officers are trained on how to effectively deliver the presentation guide.

To reinforce these messages, a video was also produced. It employs a mixed approach of storytelling and graphics to deliver messages on loan use, cash-flow management, saving and over-indebtedness, and explanations on products and contracts. The video is shown during disbursement in the branches.

Also small enterprise loan clients receive financial education during the loan process, through the FE video at disbursement. However, the more advanced nature of their needs suggested the need of conventional classroom training. The content of the training focuses on financial products use and business management topics, such as bookkeeping and cash flow management, business analysis and marketing. A total of seven training modules of one hour each have been designed (i. Borrowing; ii. Saving; iii. Insurance; iv. Bookkeeping; v. Business analysis and planning; vi. Marketing). The sessions are conducted entirely in Burmese and designed to be as practical as possible, with exercises and space for guided discussion where participants are encouraged to share the challenges they face in their businesses. Exercises and stories are used to improve clients' understanding and capability of applying those concepts and methods to their specific cases. Materials and tools prepared for the training include exercise materials, stories and visual supports.

As of today, all group loan clients (over 45,000) have been trained with the presentation guide and at least 20,000 clients have watched the video at disbursement. For small enterprise loans, at least 1,500 clients have watched the disbursement video and 225 took part in one or more financial education training sessions.



*Small enterprise clients during one session of FE training.*

Target	Degree of achievement	% achieved	Comments
20 Client officers trained in financial education	All client officers and supervisors	>100%	Staff receive inception and refresher trainings on financial education plus specific training on how to deliver the presentation guide. Trainers are trained on delivery of the business management modules for SE clients.
Develop FE materials to be used during different steps of the loan process	Presentation guide and video developed. Materials to be used in other steps of the loan process are under development.	90% <sup>2</sup>	All materials are updated at least once a year to ensure the quality and relevance of content and messages.
Develop training modules for business management training for SE clients	6 training modules developed.	100%	Modules are reviewed and/or added at least once a year or on the account of clients' feedback.
1,800 GL clients trained	All GL clients. Over 60,000 clients.	>100%	Clients receive training via presentation guide and disbursement video
200 SE clients trained	All SE clients. Over 6,000 clients.	>100%	All SE clients receive training via the disbursement video. 225 clients participated in the business management training until now. Training is ongoing.

<sup>2</sup> The last two updated processes to implement are: FX verification and location meeting. Implementation is in progress.

### Partner financial institution

**Alliance for Microfinance in Myanmar (Alliance)** was founded in 2014 with the mission of responsibly offering a wide range of client-oriented financial services and financial education to unbanked entrepreneurs, particularly women, to strengthen their businesses and family welfare. The institution began as a partnership between FIDES of Switzerland BASIX of India, two leaders in the field. With the support of UNCDF and our shareholders BOPA, Inisitor Impact Fund, SMH and IFU Alliance has become a leading microfinance institution (MFI) in the Mandalay region and expanding. Alliance aims to rapidly scale up and expand its operations to become a leading MFI in Myanmar. Alliance has recently achieved break-even on a monthly basis and currently offers group loans, small enterprise loans, agricultural loans and savings products, while developing and exploring additional services such as mobile banking, alternative delivery channels and micro-insurance.

Key operational data (as of March 2017 in USD)	
Total gross loan portfolio	6,605,378
Number of active borrowers	47,616
Active women borrowers (%)	84%
Rural borrowers (%)	50%
Avg. initial disbursed loan size	227
Portfolio-at-risk (%)	0,0%
Total savings	1,062,749
Number of staff	265
Number of branches	8
Net equity	4,940,752
Borrowing	2,102,349

Figure 1. Key operational data

### 3. RESULTS ACHIEVED AND NOT ACHIEVED

#### Client level

Intervention	Change in financial literacy levels	Behaviour changes	Impact
Presentation guide & disbursement video (GL)	Group clients learned about: joint liability, use of loan, cash flow management, importance of saving, over-indebtedness risk.	<ul style="list-style-type: none"> <li>• Clients adopted more regular saving habits.</li> <li>• Better understanding of loan products and debt management.</li> </ul>	<ul style="list-style-type: none"> <li>• All group clients are required to have two savings account. 47% of clients are actively saving even after disbursement during the course of their loan.</li> <li>• Improved access to loans.</li> <li>• Groups repayment rate is 100%.</li> </ul>
Disbursement video (IL)	SE clients learned about: use of loan, cash flow management, importance of saving, over-indebtedness risk.	<ul style="list-style-type: none"> <li>• Clients adopted more regular saving habits.</li> <li>• Planning for expenses</li> </ul>	<ul style="list-style-type: none"> <li>• Increased use of number of medium/long-term savings strategies (i.e. term deposits)</li> </ul>
Business management training	SE clients learned about: use of financial products, cash flow management, book keeping, business planning and analysis.	<ul style="list-style-type: none"> <li>• Better knowledge of financial products available and use of the same.</li> <li>• Clients adopted methods for tracking and improving the performance of their business.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved access to financial products.</li> <li>• Improved business performance and ability to plan for longer terms.</li> </ul>

A client satisfaction survey was conducted in November 2016. The questionnaire contained a section on financial education to assess the outreach of FE initiatives and the effectiveness of the messages and methods for both GL and SE clients. Among GL clients 90% received the explanation on the presentation guide before applying for a loan with Alliance. 67% stated that it presented useful information that was unfamiliar to them before. Especially with regards to the sections on cash-flow management and saving, they responded that it helped them to manage their loan and their business' cash flow in a more efficient manner. 27% declared that the information received was useful, but to a certain extent already known to them. Only 6% of the



Client officer explaining the presentation guide.

interviewed clients, did not find the information interesting or useful either because they were already familiar with it or because they felt it was not particularly relevant to their business or financial situation.

Among the messages explained in the presentation guide, interviewed clients found the messages around the importance of group members selection and group solidarity as the most useful ones. 45% remembered the messages about the loan use (benefits of correct use, dangers of misuse and over-indebtedness).

Feedback from small enterprise loan clients who participated in the financial education training sessions showed a general level of satisfaction with the topics presented and the delivery methods. Clients appreciated in particular the sessions on bookkeeping, analysis and planning for their business. Although many among them already used some form of record keeping system, the tools presented during the training offered them an easier and effective way to record their business transactions. Business analysis and planning were mostly unfamiliar to the clients who attended the trainings. The majority of participants declared to be able to calculate profits generated by their business (on a simple income – expenses/sales – purchases basis). However, analysing other type of data and especially finding causes and reasons behind the performance of their business was new to them. Knowing how to analyse business performance and finding causes helped participants to come up with solutions to problems and longer-term strategies to improve their business.

## CLIENT PROFILES



### **WIN WIN MAR, group loan client**

Win Win Mar is one of Alliance group loan clients. She runs a recycling business and her group is formed by five members, all of which are currently in their second loan cycle. For Win Win Alliance was the first experience in borrowing money. She says that at the beginning she was hesitant to take a loan because she had no experience and feared it would be too risky for her. During the first group meeting, a client officer explained the presentation guide. She says that it contained all the information that she needed, not only regarding products and processes, but also on how to manage the loan for her business. She had never received training on saving and cash flow management before.

When getting her second loan, she watched the video. She remembers in particular the messages about over-indebtedness. Not having borrowing experience, she says that it was very important for her to see what happened to the character in the video when she had more loans than she could repay. “I understood her mistake and made sure I didn’t make it too”. Win Win used to record her sales and purchases even before joining Alliance, but applying the tips from the presentation guide and the video, she feels that now she can better organise and manage her finances on a weekly basis. She was also encouraged to save more and can regularly follow her saving plan. Saving more and more regularly gave more security to her family. She was able to use her savings to pay school fees for her son and keeps the rest in case of emergency.



### **HTAY THIDA, small enterprise client**

Htay Thida owns a print and copy shop near the University of Mandalay. She is currently on her second loan with Alliance and before Alliance, she had never taken a loan, not even from moneylenders. She attended three FE sessions in March 2017: Bookkeeping, Business analysis, and Marketing.

Initially she signed up only for one module, but after attending she was very interested and wanted to learn more, so she kept coming back for the other sessions. Htay Thida says that the Alliance course was very useful for her because it is more practical and with examples and methods that she can easily relate to her business and everyday management challenges.

Before the training, she was occasionally keeping records, but it was difficult to make it a habit because she kept changing her method and this was creating a lot of confusion. “Alliance templates were easy to understand and use, and now I have

a method for recording my sales and expenses.” she declares. Htay Thida believes that this simple exercise is helping her to save more and more regularly. She saves with Alliance, in a ROSCA, and recently opened an account at a local bank.

“When I got my first loan with Alliance, a client officer came to visit my shop and analyse my business. I had nothing to show her: no books, no sales records. Next time it will be different because now I register everything”, she says with pride. She adds that before she used to estimate and guess, but today if for a period of time her profits are low, she knows how to find the reasons, so that she can find a solution. With the loan from Alliance and the skills learned at the FE training, she could expand and refine her product offer and maximise her returns. She says that she has already shared all the materials distributed during the training with some of her friends in her ROSCA.

### Partner financial institution level

The way financial education is integrated in Alliance business model and operations (3-years financial education plan was approved by the board and will be integrated into the update of the business plan) ensures broad outreach, since the financial education programme reaches all clients taking a loan. Furthermore, this approach ensures that all clients receive consistent and standardised information and training on use of products, terms and conditions and financial management. At an institutional level, this ensures that all clients are equally aware of their rights and responsibilities and exposed to the same financial education messages that can help them better their financial lives. At the same time, this is achieved in a way that is not too burdensome for the client or for the field staff. In particular, the use of the video at disbursement has brought significant efficiency gains with respect to time and human resources employed in the disbursement phase. With this more structured process in place, Alliance has been able to increase and improve the messages and explanations given to the clients, while creating a more efficient and smoother process that requires less staff and reduces waiting times for the clients.

Most of the materials developed for Alliance financial education initiatives make great use of visuals and story-telling approach, which, combined with the interaction and explanations given by the staff, ensures full comprehension for all clients, even those with limited literacy.

Training has an essential role in ensuring the quality of financial education for the clients of Alliance. For this reason, all field staff are trained and continuously coached on contents and delivery methods. Furthermore, two dedicated trainers are responsible for delivering the financial education training for small enterprise loan clients and in the future, more trainers will be needed to be able to offer financial education training in branches located outside the region of Mandalay.



*Two groups viewing the FE video in the branch at disbursement.*

## 4. LESSONS LEARNT

Alliance has learned a number of important lessons from the experience and implementation of this FE programme:

- It is essential to carry out initial client research and collect regular feedback to identify demand and appropriate design and delivery for FE interventions.
- Integrating FE initiatives is a cost-effective and highly-customizable solution. An integrated model is certainly more sustainable in the long term and easier to continue after intervention. Making it part of normal operations and processes makes it easier to ensure and monitor buy-in and delivery of financial education.
- A gradual approach is recommended when implementing an FE model that is fully integrated in an institution's processes. Introducing FE messages and initiatives will require a partial or total redesign of those processes and will have a great impact on the work of branch staff. Implementing initiatives gradually will ensure time for those new processes to be understood and internalized in the branches' daily operations.
- Importance of buy-in from the branch staff is essential for the success of any FE initiative. Materials and interventions created in relevance not only to clients' lives but also in consideration of the strengths and challenges faced by field staff in dealing with clients will be seen as a helpful aid rather than an extra task to carry out.
- Use of visual materials complemented with scripts and delivery guides to be used during selected touch-points are particularly useful to ensure a standardized communication and to deliver important messages without further burdening branch staff with additional tasks and lengthy explanations.
- Time is an extremely sensitive aspect when dealing with Alliance target clients. FE interventions should be as forthright and concise as possible, otherwise it might generate opposite results, with clients losing focus and not paying attention to the messages and growing dissatisfied with the MFI's service.