Technology-enabled Business Training for MSMEs

Evidence in Financial Inclusion: New Findings and their Applications
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Partners:
Previous research: Inspiration

- **Keep it Simple: Financial Literacy & Rules of Thumb (Drexler, Fischer and Schoar 2009)**
  - The prior research has shown that SMEs benefit from FLT training. But the design of the training program is crucial in achieving an impact. The authors find no effect using a standard accounting training. However, a simplified, rule-of-thumb training produced significant improvements in business practices and outcomes.

- **The Value of Advice: Evidence from Mobile Phone Based Agricultural Extension (Cole and Fernando 2012)**
  - The research shows that in an agricultural context advice delivered via a phone-based platform significantly improves farm outcomes, such as pesticide usage or shift to higher return cash crops.

=> Need for an innovative solution that could combine scalability and customization of advice: Mobile-based on-demand advice platform
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<tr>
<th>Traditional Accounting</th>
<th>Rule of Thumb</th>
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<tr>
<td>Produce income statement and profit projection for the business</td>
<td>Keep two “drawers” – one for the business and one for the home</td>
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<tr>
<td>Manage working capital needs</td>
<td>Assign yourself a wage for the month</td>
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<tr>
<td>In-depth cash management</td>
<td>Any “borrowing” from the business has to be paid back in 5 days and vice versa</td>
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<tr>
<td>Accounts receivable management</td>
<td>Only give credit to customers if prior credit purchase has been paid off first</td>
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<td>Increase savings and reduce impulse purchases</td>
<td>Physically hide savings in places that are difficult to get to</td>
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Improving the financial heuristics training product

Phase 1
- Classroom-based
- Dominican Republic
- MFI: ADOPEM

Phase 2
- Mobile Phone
- India
- MFI: Janalakshmi Financial Services, India

Phase 3
- Mobile Phone
- India & Philippines
- Janalakshmi
- NWTF

Courtesy: IFMR

Courtesy: USAID
Features of the Mobile Platform

Business Training
- Users receive business advices on the phone in their preferred language on a weekly basis.
  (Indian languages Hindi, Kannada and Tamil)

Missed call Service
- Users can record their questions, messages and feedback
- Browse through previous messages and answers to their questions.

Expert advice
- The questions posted by users were answered by team of business experts.
Characteristics of the sample

- Business owners were all business loan clients of Jana Lakshmi Financial services.
- Loan size ranges from Rs. 50,000 to Rs.2,00,000 (750$ to 3000$)

Distribution of participants by Industry types:

- Trade: 58%
- Service: 16%
- Manufacturing: 26%

Male (51%)  Female (49%)
Modules covered in Phase 2

- Cash Separation
- Trade Credit
- Inventory Management
- Supplier Management
- Marketing
- Estimating profits
Face to Face on Boarding

Step 1: Enumerators introduce users to the three steps of cash separation
Step 2: Handover - Cash Separation visual aid
Step 3: Demo of the mobile platform
“Keep your Business cash and Household cash in two different locations. For example keep two drawers one for the business cash and other one for the household cash“

“Now that you have two places for the cash, the second step is the following: You need to know how much money gets into the household drawer? For this, at the beginning of each week take a fixed amount of money for the weekly house hold expenses from your business drawer and put it into the household drawer. This is like paying you a salary from the business every week.”
Some findings from the study

Call Pickup vs Listenership

Call pickup attempts vs Listenership
Some findings from the study

Listening pattern by different training modules

Listening pattern across industry types and training modules
### Key takeaways to partners

| Scalability                      | • Easy to operate  
|                                 | • Less human resources required  
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<th>• Voice messages delivered to multiple customers at the same time (preferred time)</th>
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| Personalization                 | • Content can be fine tuned based on the target group  
|                                 | • Timely feedback and suggestions |
| Cost effectiveness              | • Cost of sending voice call vs visiting clients or conducting classroom based trainings  
|                                 | • Effective monitoring and tracking |
| Other Benefits                  | • Client engagement  
|                                 | • Provide timely information  
|                                 | • Other follow-ups / reminders |
Thank you
MOBILE BUSINESS CONSULTANT

Policy Challenge

- MSMEs* benefit from Financial Literacy Training but design is crucial
- Formal training infeasible
- Formal training has little impact on businesses

* MSMEs: Micro, small and medium enterprises

Policy Implication

- Knowledge and adoption of financial and management practices
- **Business Outcomes** - investment, revenues, employment
- **Welfare outcomes** - sensitivity to risk, consumption
- **Effect on Peers** - Information spillover and equilibrium effects

Product Design

**Intervention:** Mobile based training platform for MSME owners in **Treatment** group

- Push Content
  - Rules of thumb in local language
- Questions by users
  - Interact with experts and peers
- Expert Advice
  - Queries answered within 1 week

1200 MSMEs each

Research Design

**Our Sample**

- 49% women
- 51% men

**Industry Types**

- 26% Trade
- 58% Services
- 16% Manufacturing

**Partners**

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