

# Technology-enabled Business Training for MSMEs

**Evidence in Financial Inclusion: New Findings and their Applications**  
**Manila**

*John Arun , IFMR LEAD*



## Principal Investigators:

**Dr Shawn Cole,**  
*Harvard Business School*

**Dr Antoinette Schoar,**  
*MIT Sloan School of Management*

## 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

# **Drexler, Fischer and Schoar (2013): Traditional Accounting vs. Rules of Thumb**

<b>Traditional Accounting</b>	<b>Rule of Thumb</b>
<b>Produce income statement and profit projection for the business</b>	<b>Keep two “drawers” – one for the business and one for the home</b>
<b>Manage working capital needs</b>	<b>Assign yourself a wage for the month</b>
<b>In-depth cash management</b>	<b>Any “borrowing” from the business has to be paid back in 5 days and vice versa</b>
<b>Accounts receivable management</b>	<b>Only give credit to customers if prior credit purchase has been paid off first</b>
<b>Increase savings and reduce impulse purchases</b>	<b>Physically hide savings in places that are difficult to get to</b>

# 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: 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.



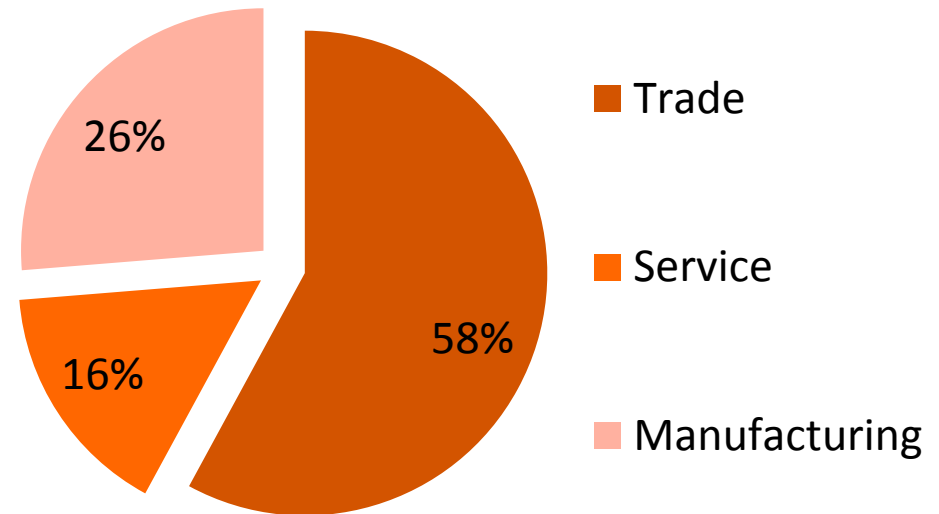
## Expert advice

- The questions posted by users were answered by team of business experts

# Characteristics of the sample

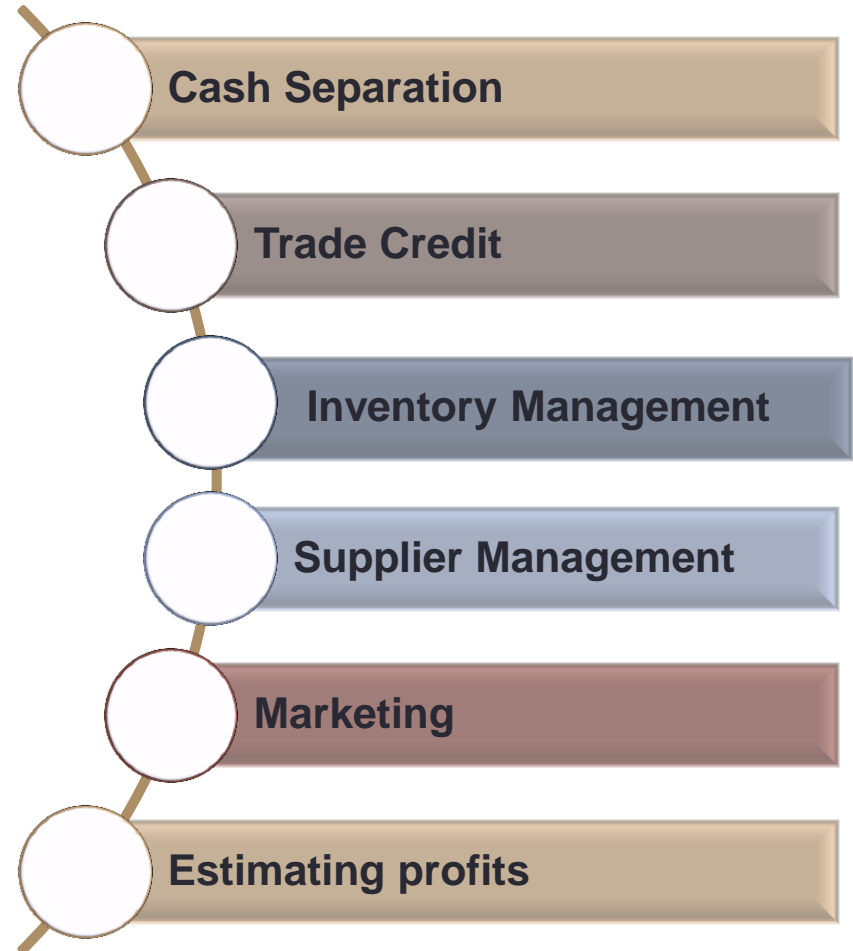


Distribution of participants by Industry types



- 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\$) )

# Modules covered in Phase 2



# 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



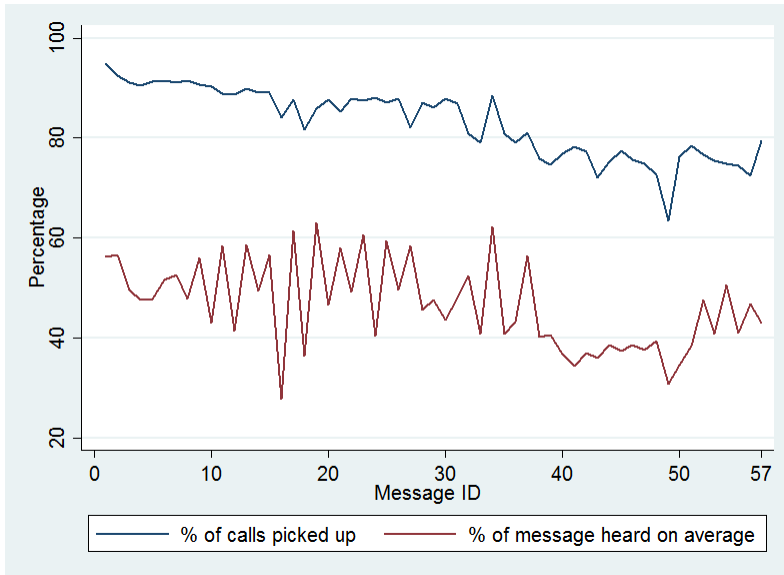
# Sample Rules of Thumb Mobile Messages

*“ 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 “*

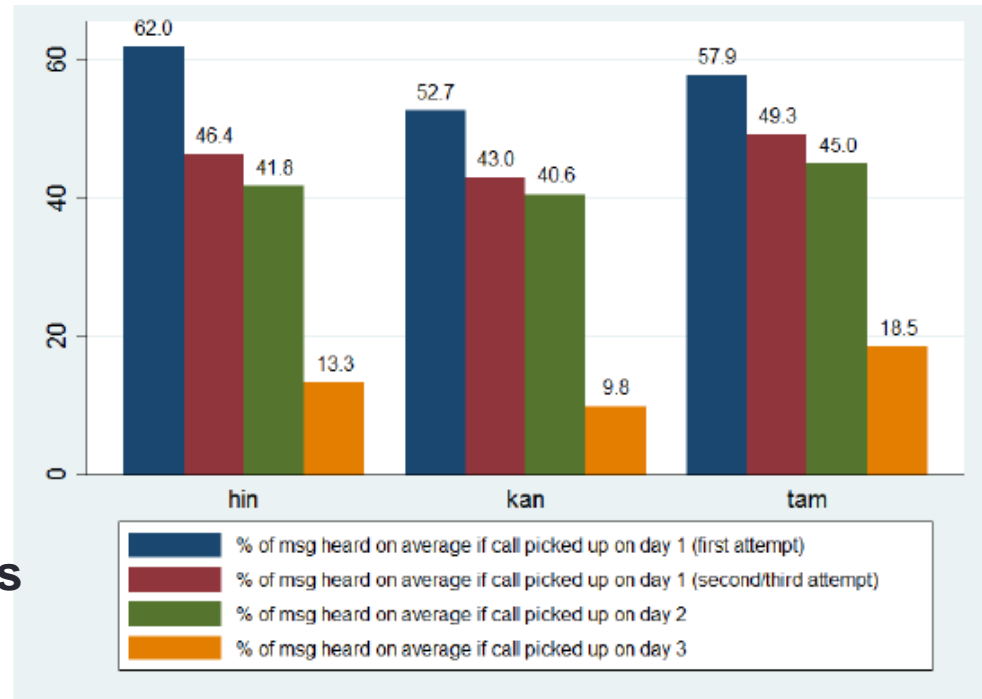


*“ Now that you have two places for the cash, the second step is the following: You need to know how much money gets into the household drawer? For this, at the beginning of each week take a fixed amount of money for the weekly house hold expenses from your business drawer and put it into the household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

# Some findings from the study

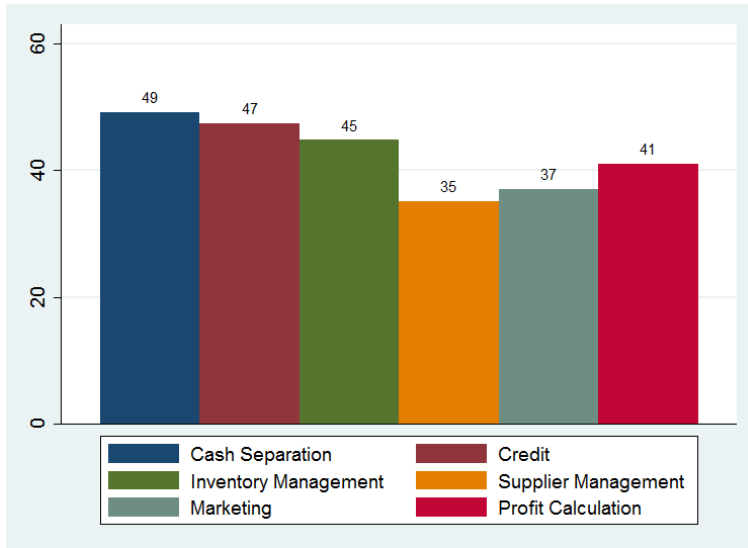


## Call Pickup vs Listenership

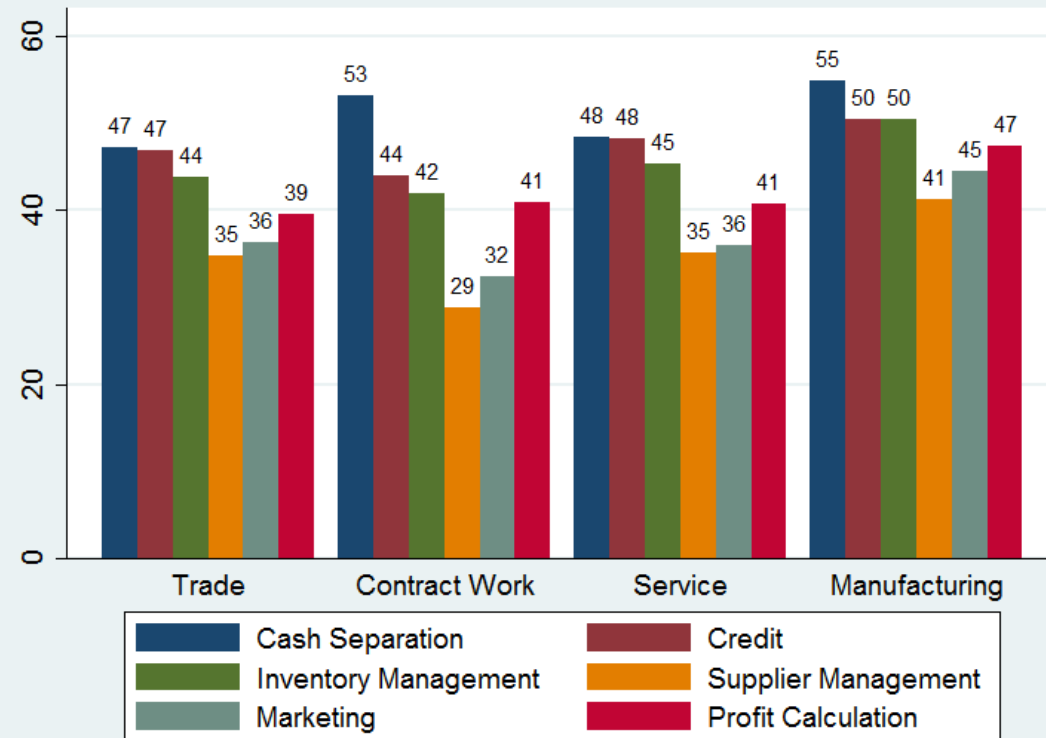


## Call pickup attempts vs Listenership

# 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
- Voice messages delivered to multiple customers at the same time(preferred time )

## 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

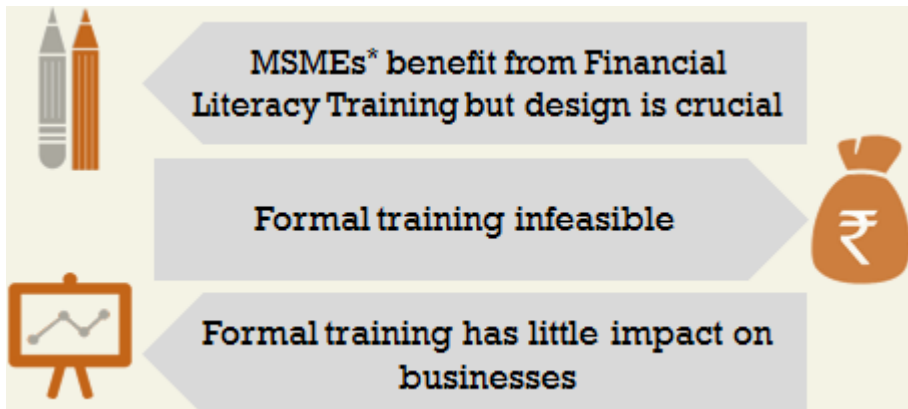
## Other Benefits

- Client engagement
- Provide timely information
- Other follow- ups / reminders



# MOBILE BUSINESS CONSULTANT

## Policy Challenge



\* 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



**John Arun**

Project Manager

john.arun@ifmr.ac.in | www.ifmrlead.org

## Product Design

### Research Design

#### Intervention:

Mobile based training platform for MSME owners in Treatment group



1200 MSMEs each

**Push Content**  
Rules of thumb in local language



**Questions by users**  
Interact with experts and peers

**Expert Advice**  
Queries answered within 1 week



### Our Sample



**49%**  
women



**51%**  
men

#### Industry Types

26%

16%

58%

- Trade
- Services
- Manufacturing

## Partners

