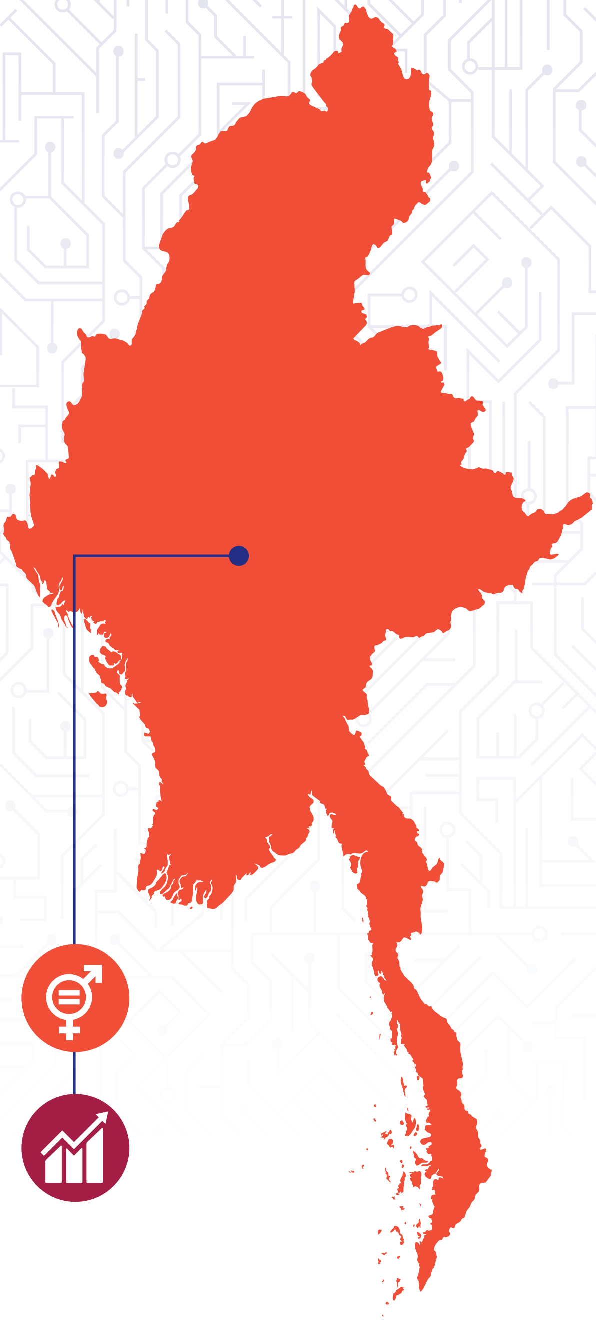
Unlocking Public and Private Finance for the Poor



TOWARDS GENDER-SMART MICROFINANCE PRODUCT DEVELOPMENT AND ENTERPRISE LENDING

CASE STUDIES FROM MYANMAR | 2021

SUSTAINABLE DEVELOPMENT GOALS

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Andreas Fransson	Knowledge management specialist	UNCDF
Nandini Harihareswara	Inclusive digital economies, Gender lead	UNCDF
Saskia Vossenberg	Remittances and migration, Gender lead	UNCDF
Julie Kamau	Remittances and migration, Gender analyst	UNCDF
Giulia Zaratti	Senior research associate	UNCDF
Paul Luchtenburg	Myanmar country programme manager	UNCDF
Sazaduzzaman	CEO	BRAC
Wai Hin Aung	Operation manager	BRAC
Poe Su Nandar	Digital finance specialist	BRAC
Brindley De Zylva	CEO	LOLC
Soesoe Tun	COO	LOLC
Kalindu Jayawardena	IT manager	LOLC
Michael Lee	CEO	HMF
Soo-hyun Park	CHRO	HMF
Kaung Waiyan Lynn	Research manager	HMF
Kaung Pyie Win	Data analytics manager	HMF
David Velazquez	Capacity development – IESG	FMO
Andrew Shaw	Capacity development – Lead	FMO
Sohina Sign	Project manager	VIAMO
Alise Dykstra	Myanmar country office	VIAMO

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EXECUTIVE SUMMARY

Microfinance is believed to be a critical development finance tool that has helped to improve financial inclusion, self-employment and entrepreneurship, especially when capital is used to start or expand women-led micro and small businesses. Microfinance services are equally believed to empower women, for example by improving their financial autonomy, self-esteem, and their standing in the home and community. This is seen to be more pronounced however, where gender-intentional product design processes have been used that focus on women's entrepreneurship and enterprise financing.

In Myanmar, women entrepreneurs operate mainly in the informal sector and face gender-specific barriers that impede their financial inclusion and development of their enterprises. These include low financial and digital literacy levels, lack of awareness of financial services, limited financial autonomy, complex business loan application requirements, limited collateral, and sociocultural norms that give rise to time and mobility constraints.

This paper describes action research conducted by UNCDF on gender-smart enterprise financing in Myanmar, with case studies on customer-centric product design with three large microfinance institutions (MFIs). Support was also provided to encourage product development ideation through human-centric design and data analytics, to address specific gender barriers faced by women micro-enterprises. Using almost one million customer data records, 2,777 lean data surveys, and FinScope market data, the three MFIs received technical support to use customer insights to better tailor loans to the needs of specific women enterprise segments, including merchants, farmers, and home-based workers.

The report identifies potential business cases for each MFI that address barriers faced by women entrepreneurs. Proposed product ideations and refinements include awareness-raising campaigns for loan products, reducing business registration requirements for informal microenterprises, better predicting loan graduation, and refinancing mechanisms for enterprise loans during COVID-19 that all better serve women clients. However, due to turbulent market dynamics as a result of the pandemic, and the changing political context, MFIs have focused on their own liquidity and cashflow constraints with existing customers, versus new client acquisition and geographical expansion, thus few of these product ideations have been taken forward while others may take longer to implement.

This study nevertheless demonstrates the importance of women-centric product design and the business case for enterprise lending in Myanmar, and the key recommendations remain relevant. For microfinance institutions there were eight recommendations resulting from this study, to (i) reduce requirements for accessing individual loans, (ii) transition from group to individual loans, (iii) build capacity and institutional alignment to offer enterprise loans, (iv) focus on financial autonomy, (v) promote financial and digital literacy, (vi) develop digital channels, (vii) test and tailor new gender-smart products, and (viii) strengthen capacity in data analytics and product development. Recommendations for regulators and policymakers were threefold, including the need to (i) reduce barriers to accessing finance, (ii) increase the formalization of businesses, and (iii) promote sex-disaggregated data analytics and policies.

1
INTRODUCTION

Enterprise lending through microfinance institutions is considered a critical development tool that plays a significant role in supporting women entrepreneurship and financial inclusion (Crépon et al., 2001; Kabeer, 2005; Chowdhury, 2009). This is especially true where there has been a gender intentional product design process for women's enterprise financing (Sabharwal 2000; Johnson, 2003; ILO, 2014; Buvinic and O'Donnell, 2016; Vossenberg et al., 2018).

While Myanmar has made significant strides to create an inclusive financial sector largely led by the microfinance movement, a high level of financial exclusion is still evident among women, the rural population, and micro, small and medium-sized enterprises (MSMEs). Women-led microenterprises in particular face gender-specific challenges and barriers to financial inclusion, autonomy and entrepreneurship (UNCDF, 2017). Challenges include low levels of financial literacy, lack of awareness of different financial products and services, and a lack of familiarity and exposure to the financial sector. Women-owned enterprises are more likely to be informal, lacking business registration, which in turns hinders their access to capital. Additionally, women entrepreneurs often receive lower loan amounts compared to men because they tend to have lower incomes and own less land and property deeds. Even when women entrepreneurs do have access to finance, knowledge gaps, social norms, and cultural issues may inhibit them from accessing and using financial services.

On the supply side, enterprise financing for women micro-entrepreneurs often takes a "one size fits all" approach that does not address their unique considerations, or MFIs may only superficially tailor their products to meet women's needs. Forward-thinking financial institutions are beginning to recognize the potential of the women-owned business market as a growth strategy, but what is missing is institutional capacity building, and gender analyses to better understand women entrepreneurs and their needs, leading to business cases that offer incentives to financial service providers, and stronger, gender-aware products that can capitalize on this market opportunity.

WOMEN ENTREPRENEURS IN MYANMAR FACE CHALLENGES INCLUDING LOW LEVELS OF FINANCIAL LITERACY AND AWARENESS OF FINANCIAL SERVICES, LOW FINANCIAL AUTONOMY, COMPLEX BUSINESS LOAN APPLICATION REQUIREMENTS, LIMITED COLLATERAL AND TIME AND MOBILITY CONSTRAINTS.

In this context, three leading microfinance institutions (MFIs) in Myanmar engaged in action research and technical support implemented by UNCDF with financial support from the UK's Foreign, Commonwealth and Development Office and the Dutch development bank FMO. This project aimed to refine customer value propositions for unprivileged and financially excluded women micro-entrepreneurs and farmers, to better understand their experiences and identify problems with existing product offerings. The MFIs engaged in gender-smart product development from sex, age and other disaggregated data analytics combined with human-centric design to develop gender-sensitive loan products and improve women's access to enterprise loans.

A FIRST STEP TOWARDS GENDER-SMART PRODUCT DEVELOPMENT IS A SHIFT IN THINKING FOR THE FINANCIAL INSTITUTIONS FROM A PRODUCT FOCUS TO A CUSTOMER-CENTRIC MODEL.

The project used supply side and anonymized administrative data using management information system (MIS) data covering almost one million data records for more than 350,000 customers. This data was supplemented with and linked to demand-side data including 2,777 lean data interactive voice response (IVR) surveys conducted between August 2020 and February 2021, as well as 2018 market demand data (FinScope Myanmar, 2020) (n=5500), to gain a comprehensive picture of the financing needs of and barriers faced by women. The three MFIs received technical support to analyse women entrepreneur customer data and better tailor their loans to the needs of women entrepreneurs including merchants, farmers and home-based workers. Insights were then used to drive product ideation and refinement and to identify potential business cases for gender-smart product development.

In supporting each MFI in their product development, the project used the following process. First, an institutional gender self-assessment and market scan was conducted, followed by strengthening of institutional capacity to undertake product development and ideation based on customer data insights. Next, analysing management information system data and insights from customer surveys allowed refinements to and piloting of gender-smart products. This approach required a significant shift in thinking and acting for the financial institutions from a product focus to a customer-centric model, with a clear value proposition for both the MFI and their women customers.

2 A MARKET SCAN OF WOMEN ENTERPRISE LENDING

In Myanmar, microfinance is the principal means of access to formal credit for women and has experienced substantial growth in the last decade. Towards the end of 2019, microfinance institutions (MFIs) operating in the country served almost five million customers, predominately women, through approximately US$1.2 billion in outstanding loans.

Myanmar's rapid growth in access to formal credit is mainly due to increased borrowing from microfinance institutions and cooperatives. These MFIs have stepped in to meet unsatisfied demand for credit, particularly in rural areas and provinces, targeting predominantly women micro-entrepreneurs.

MYANMAR'S RAPID GROWTH IN ACCESS TO FORMAL CREDIT IS MAINLY DUE TO INCREASED BORROWING FROM MICROFINANCE INSTITUTIONS AND COOPERATIVES.

However, there remain gaps between the product offerings of MFIs and the requirements of women to access financial services. While access to microloans has expanded, the financing gap for micro, small and medium-sized enterprises (MSME) stands at more than US$ 13.8 billion, equivalent to 21 percent of the country's GDP (Myanmar Central Statistical Organization Survey, 2017). While there are similar levels of financial inclusion between men and women, women face more significant barriers to access enterprise lending and entrepreneurship compared to men (UNCDF, 2017; FMT and UNCDF, 2018). Women tend to access loans and other financial services from informal providers such as informal money lenders, as well as from formal microfinance institutions, while men typically access financial services through formal banks and cooperatives (UNCDF, 2020). In addition to these issues around financial inclusion, there is an overall low recognition of women entrepreneurship in Myanmar by the general public, and only 34 percent of MSMEs are owned by women (FMT and UNCDF, 2018). Women's businesses are generally smaller with fewer workers, and few are registered (4 percent, compared to 15 percent for men). Women generally rely on household enterprises in the informal and trade sectors, compared to men who are more active in the agricultural sector (see 2018 data in FinScope Mynmar, 2020).

WOMEN ENTREPRENEURS IN MYANMAR FACE GREATER BARRIERS THAN MEN IN REGISTERING BUSINESSES.

Women entrepreneurs often receive lower loan amounts compared to men because they tend to have lower incomes and own less land and property deeds. Often collateral remains registered under the husband's name, making it harder for women to receive collateral-backed enterprise loans (IFC, 2014). Women entrepreneurs in Myanmar face greater barriers than men in registering businesses due to legal restrictions, and other cultural factors that limit women's mobility, interactions, and abilities to navigate the system (IFC, 2014). Women entrepreneurs generally felt that dealing with finance is stressful (63 percent) and almost half (47 percent) stated that sticking to financial commitments is difficult (FinScope Myanmar, 2020). In addition, the case study found some women did not have control over the usage of their loan. Understanding these gender-based constraints to women entrepreneur's access and usage of financial services is one of the first steps in designing gender-sensitive products.

Two stories from women microloan customers illustrate some of the challenges that they face.

"A micro-merchant successfully took an individual loan after several group loans. She aims to use the loan to increase her working capital to improve inventory financing. Since she has irregular income streams, she opted for the individual loan in order to have more flexible repayment options. She cannot easily travel to the microfinance branch to make repayments because it is not easy to leave her shop. She also finds the loan amount insufficient to purchase a new motorbike that can be rented out to generate additional household income." Field Interview, July 2019.

"A single mother with three children is supporting a wider household of ten people. She operates a small dairy business, turning the milk from several cows and goats into dairy products such as yogurt. After receiving the individual loan from the MFI, she used a third to pay off the debt of a family member; a third for education and a third to purchase a new cow. Before receiving this individual loan, she had taken three group loan products. She didn't like the group system and felt that the service of an individual loan was better. She wants to have more livestock in the future, and her aspiration is to send her son to school and see her sister get married." Field Interview, July 2019.

These stories represent personal examples of greater systemic challenges faced by women micro-entrepreneurs in Myanmar, including less accessible channels for loan repayments, unmet demand for individual loans, and competing priorities for spending the loan. In 2019, many MFIs realized that to strengthen women's financial service usage and improve opportunities for entrepreneurship, they would need to first gain a deeper understanding of women's shared realities, what they want and need, and carefully ideate pilot products such as larger and individual enterprise loans that could overcome some of the finance and gender-related barriers for women.

Regarding the financial supplier side, the market scan and gender self-assessments found that enterprise financing for women micro-entrepreneurs often takes a "one size fits all approach" and does not address the unique considerations of women clients, or that MFIs may only superficially tailor products to meet women's needs. A deeper analysis of women entrepreneurs and their needs is required, together with articulating clear business cases that give incentives to financial service providers to serve women better and reach this untapped market. Forward-thinking financial institutions are beginning to recognize the potential of the women-owned business market as a growth strategy, but what is missing is an institutional capacity building and design process based on customer evidence and data that leads to stronger gendered products that can capitalize on this market opportunity.

ENTERPRISE FINANCING FOR WOMEN MICRO-ENTREPRENEURS OFTEN TAKES A "ONE SIZE FITS ALL APPROACH" AND DOES NOT ADDRESS THE UNIQUE CONSIDERATIONS OF WOMEN CLIENTS.

Table 1: Key demand and supply side research findings for developing products that cater to the needs of women, identified from sector-wide gender expert discussions and market scans in 2019.

DEMAND SIDE (CUSTOMER)	SUPPLY SIDE (ORGANIZATION)
Lack of business financing skills and low financial awareness among women entrepreneurs	Product Development Team in financial service providers is not always established
Women customers want to transition from informal to formal businesses, and from group loans to individual loans	Need for product development and customer data analytics capacity
Limited control over household assets and money management	Limited women-centric marketing and targeting especially for MSME loans in remote rural regions
Low recognition of women's entrepreneurship	Low graduation rate from group loans to individual loans
Women may engage in self-employment out of necessity rather than entrepreneurial motivation	Limited availability of entrepreneurship and financial literacy training programmes
Low business registration rate and formal MSME ownership	Lack of understanding of the business case for serving women

3

APPROACH AND METHODOLOGY

This project aimed to further refine the customer value propositions for unprivileged and financially excluded women in Myanmar, particularly women micro-entrepreneurs and farmers, to identify shortcomings of existing product offerings and to better understand their experiences.

Building on UNCDF's existing work on human-centric financial inclusion interventions in 2019, and with funding from the UK's Foreign, Commonwealth and Development Office and the Dutch development bank FMO, three MFIs engaged in action research and technical support collaboration with UNCDF. Each MFI engaged in gender-smart product development powered by sex-disaggregated data and human-centric design to develop gender-sensitive loan products and to reduce constraints for women's access to financial products.

MOST BORROWERS ACROSS THE THREE FINANCIAL SERVICE PROVIDERS ARE WOMEN, WORKING IN MICRO AND SMALL ENTERPRISES RECEIVING GROUP RATHER THAN INDIVIDUAL ENTERPRISE LOANS.

The three MFIs selected for the action research were BRAC Myanmar, LOLC Myanmar Micro-finance Company, and Hana Microfinance Limited (HMF). All three MFIs are among the leaders in the Myanmar microfinance market collectively servicing 599,618 customers, predominantly women group loan borrowers. These MFIs are also especially active in rural and remote states. Founded in 2013, BRAC provides microfinance services across 42 branch offices to over 130,000 customers as of December 2019. LOLC is the fourth largest deposit-taking MFI in Myanmar, serving nearly 200,000 customers in Bago, Mandalay and Magway regions, and Mon state. Another large microfinance institution in Myanmar, HMF provides microloans to small businesses and individuals, serving about 195,000 customers. All three financial service providers offer a range of credit facilities including group and individual loans. Some also provide voluntary and compulsory savings products, which for example contribute 17 percent to LOLC's total portfolio.

Most borrowers across the three financial service providers are women, working in micro and small enterprises with average loans of US$300–438 for group loans, and US$674–1,534 for individual loans (Table 2). The vast majority take group loans, and on discovering an unmet demand for individual loans, MFIs have been seeking new ways to graduate women into larger individual enterprise loans. MFIs can have significant market and portfolio gain opportunities by incentivizing and targeting high-potential customers who are in their third loan cycle or higher (8–25 percent of their customer base).

Table 2: Indicators for customers of BRAC, LOLC, and HMF.

	BRAC	LOLC*	HMF
ACCESS			
Customers	131,276	30,269	194,682
% women	95%	93%	84%
% micro/small/medium enterprises**	34%/59%/7%	64%/7%/1%	98%/1%/1%
% merchants	54%	65%	49%
% interested in individual loans	75%	33%	58%
% remote areas (Kayin, Kachin, Kayak, Mon, Sagaing, Rakhine)	14%	*	45%
USAGE			
Average loan amount (overall)	US$390	US$536	US$525
Average loan amount (group loan)	US$300	US$425	US$438
Average loan amount (individual loan)	US$1200	US$674	US$1534
% group loans	90%	64%	94%
% individual loans	10%	33%	6%
% loyal users (clients in their 3rd loan cycle or more)	25%	17%	8%
FINANCIAL CONTROL***			
Control over the loan	87%	88%	82%
Control over business	74%	NA	NA
Use of loan only for business purposes	83%	86%	94%
Usage of the loan for consumption purpose	17%	14%	6%

* Data from Mon State only, where LOLC operations were focused.
** BRAC and HMF define enterprises as micro (0 workers, i.e., sole trader), small (1-10 workers), medium (>10 workers), whereas LOLC used micro (1-5 workers), small (6-10 workers), medium (>10 workers).
*** Data from the lean data survey

Rather than providing undifferentiated products for women customers, MFIs were encouraged to take a gender-smart product development approach to meet the needs of women in

Figure 1: Timeline and key steps of gender-smart product development support.

different market segments. Going beyond the 'access to loans' approach to address gender inequalities, this project aimed to help accelerate women's financial inclusion by building the capacity of financial service providers, and by analysing their data to identify and develop solutions to the barriers that women face when trying to access and use their financial services.

The project supported the MFIs in their product development process in the following ways. An institutional gender self-assessment and gender market scan was conducted, followed by institutional capacity strengthening on product development and ideation based on customer data insights. Gender-smart product refinements could then be analysed, collecting additional market and customer data as required, and then piloted. This approach required a significant shift in thinking and operating for the financial institutions, from a product focus to a customer-centric model, with a clear value proposition for both the MFI and their customers.

The institutional gender self-assessment was drawn from multiple gender assessment tools, including the Participation of Women in the Economy Realized (PoWER) Tool and the Gender Self-Assessment Toolkit for FSPs. This was combined with a gender market scan using national financial inclusion survey data (FinScope Myanmar, 2020), and interviews conducted with key stakeholders (UNCDF FinScope Myanmar, 2019) in the gender and financial inclusion sector. These tools and the gender self-assessment helped MFIs to scan market institutions and their social performance management capabilities to engage in gender-smart product development. It also gave a clearer picture of each institution's strengths and weaknesses in management systems, strategies and approaches that promote gender equality, stakeholder management practices, and the design of women-specific products and services.

Data analytics and product ideation capacity was then strengthened, to help the MFIs to undertake product development through gender-disaggregated data analytics. Training courses for 60 middle and senior managers across the three MFIs were held from December 2019 to February 2020. These sessions included an introduction to customer journey mapping, conducting sex-, age-, sector- and other disaggregated customer segmentation for product development and market analytics, and product ideation brainstorming on possible gender-smart enterprise loan refinements that would address customer 'pain points' identified in the gender self-assessment.

Training courses were followed by biweekly on-line mentoring sessions with the product development teams of each financial institution to build technical capacities of managers to address women enterprise challenges. During these sessions in the first half of 2020, MFI staff applied the Myanmar enterprise market dashboard using financial inclusion market data to work on product ideation. Each financial service provider team further developed an in-depth management information system data dashboard that collectively covered more than 225,000 customers, with the ability to disaggregate data by gender, age, sector, location, loan type (individual vs. group) and other variables for 2014–2019, drawing from more than one million loan records.

DATA ANALYTICS AND PRODUCT IDEATION CAPACITY WAS THEN STRENGTHENED, TO HELP THE MFIS TO UNDERTAKE PRODUCT DEVELOPMENT THROUGH GENDER-DISAGGREGATED DATA ANALYTICS.

To analyse market and customer data, customer research on developing gender-smart microcredit products was conducted using a combination of IVR mobile phone surveys of microfinance customers, insights from supply-side transaction data from all three MFIs, and a national financial inclusion survey. Microcredit products' usage patterns were studied from anonymized supply-side data on loan transactions, and user profiles based on data from 2017 to December 2020. Data collected from MFIs did not include any individually identifiable information, names, addresses or bank account numbers, and phone numbers were used only for surveys. UNCDF signed strict data non-disclosure agreements with each financial service provider and complied with all applicable regulations. Unique client IDs were coded to generate anonymized IDs for obtaining customer-level insights, all datasets were password encrypted, and only members of UNCDF working on the study had access to the data.

Analysis was undertaken with the MFIs to develop various customer segments in terms of age, gender and occupation, business characteristics including the nature, registration status, and size of their businesses, as well as the characteristics of each loan type such as the loan amount, duration and term. Such data helped to build a deeper understanding of women customers, their needs and barriers, by offering multiple and disaggregated pictures of women clients to overcome the assumption that women represent a single and uniform customer segment.

TO BETTER UNDERSTAND THE FINANCIAL NEEDS AND BARRIERS FACED BY DISTINCT GROUPS OF WOMEN-LED MSMES, ADDITIONAL DATA WAS COLLECTED THROUGH 2,777 LEAN DATA SURVEYS.

To better understand the financial needs and barriers faced by distinct groups of women-led MSMEs, additional data was collected from 2,777 women customers through IVR mobile phone surveys, one of the first of its kind in Myanmar. Each MFI conducted their own survey but with common questions. The survey samples were designed to mimic actual product distribution by interviewing a mixture of loyal group loan customers who had completed at least three loan cycles, and individual loan customers. BRAC and HMF conducted country wide surveys, whereas LOLC's survey focused solely on the remote Mon State. To maximize the response rates, the number of survey questions was limited to 14 with only 4 response choices per question, with an initial validation question to ensure that the responder was a loan user. Information collected included occupation, nature of business (registered/informal), business size in terms of number of employees, monthly business income, loan usage for business and/or personal needs, desired loan product, preferred loan repayment channels, control over business loans, barriers to business activity, and customer support needed from MFIs.

Viamo, a global social enterprise, was commissioned by UNCDF to conduct all three IVR surveys, the first of their kind in Myanmar. Surveys were conducted between August 2020 and February 2021, during the COVID-19 pandemic and political crisis which have impacted the microfinance market significantly, with restrictions on loan collection implemented by the regulator, in-country travel restrictions and lockdowns, decreased Internet connectivity, and a decreased sense of personal security.

Table 3: Management information system data harvested and phone surveys collected.

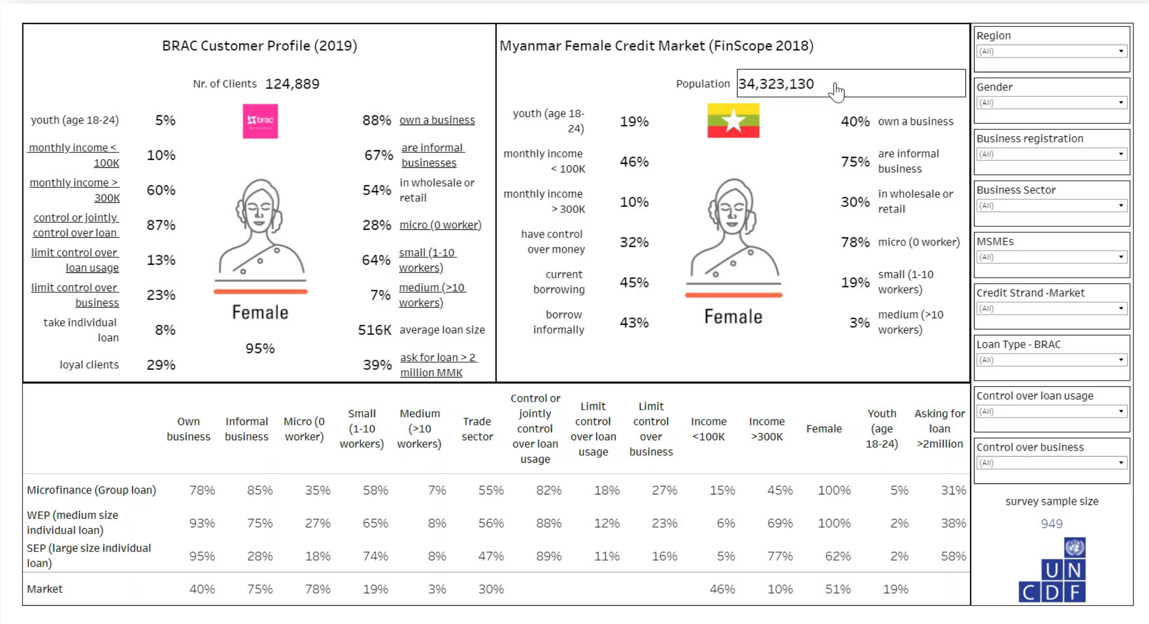
	BRAC	LOLC	HMF	TOTAL
Customers	131,276	30,269	194,682	356,227
Customer loan data records	455,977	29,946	434,140	964,086
IVR phone surveys conducted	949	1,221	607	2,777

Using management information system data, lean data surveys and FinScope market data, a deep-dive analysis was conducted by integrating supply and demand-side insights, the findings being corroborated with feedback received from the business team, branch managers and credit officers. UNCDF jointly developed an online interactive dashboard with each MFI to integrate demand and supply-side gender finance insights, and track the uptake and usage of gender-smart individual business loans. Finally, a small sample of qualitative interviews were conducted for BRAC in March 2020 in collaboration with Columbia University to qualitatively map customer journeys (Columbia/SIPA, 2020).

USING MANAGEMENT INFORMATION SYSTEM DATA, LEAN DATA SURVEYS AND FINSCOPE MARKET DATA, A GENDER ANALYSIS WAS CONDUCTED.

The implementation period of the project ran from Oct 2019 until March 2021, during a period where Myanmar experienced a volatile market situation due to the COVID-19 pandemic starting in March 2020 and the political regime change in February 2021. The impact on the economy and resulting effects on the microfinance sector have been severe, with partner MFIs reporting that once loyal customers are now unable to repay and job losses have been significant. The project adapted by shifting to online training and support with some activities (such as the IVR surveys) delayed partly due to the lockdowns, and partner MFIs also reported adjustments due to cashflow and liquidity concerns.

Figure 2: An example of the customer journey dashboard, for BRAC.



	Own business	Informal business	Micro (0 worker)	Small (1-10 workers)	Medium (>10 workers)	Trade sector	Control or jointly control over loan usage	Limit control over loan usage	Limit control over business	Income <100K	Income >300K	Female	Youth (age 18-24)	Asking for loan >2million
Microfinance (Group loan)	78%	85%	35%	58%	7%	55%	82%	18%	27%	15%	45%	100%	5%	31%
WEP (medium size individual loan)	93%	75%	27%	65%	8%	56%	88%	12%	23%	6%	69%	100%	2%	38%
SEP (large size individual loan)	95%	28%	18%	74%	8%	47%	89%	11%	16%	5%	77%	62%	2%	58%
Market	40%	75%	78%	19%	3%	30%				46%	10%	51%	19%	

For example, HMF delayed launch of their newly developed gender-smart business recovery loan and shifted focus to a new geographic area; LOLC was unable to promote and expand offerings of a gender-smart enterprise loan; and BRAC put their plans for expansion in upper Myanmar and business case that was approved by senior management as well as the government of Myanmar on hold.

THE TECHNICAL SUPPORT PROCESS WAS CUSTOMER DATA DRIVEN AIMING TO HELP IDENTIFY AND ADDRESS SELECTIVE MARKET BARRIERS OR CUSTOMER PAINPOINTS FOR WOMEN.

Conceptually, it is worth nothing that the approach in this project perhaps aims to enhance capacities for financial institutions to become gender 'smarter'. In doing so the team worked directly with the MFIs to build on their existing institutional capacities aiming to further embed a gender lens in product testing and refinements. The technical support process was customer data driven aiming to help identify selective market barriers or customer painpoints for women (e.g., low digital literacy levels, lack of awareness of financial services, limited financial autonomy, complex loan applications and registration requirements, and mobility constraints). The MFIs were then encouraged to ideate incremental refinements to their enterprise lending services to help address one or two of these gender financial inclusion market barriers. We may argue our approach was to move one step on a 'gender-smart' ladder from gender 'blind' to 'aware' to 'women-centric or accommodating' towards inclusive and 'truly transformational'. It is clear that in order to be really gender 'transformative' the approach would need to change the underlying gender norms and rules and nurture both the success of the MFI and the profitability of the women's enterprise, which is well beyond the scope of the project (e.g. Johnson 2003; Gravesteijn et al 2014; Vossenberg et al 2018). The approach here has been more modest to improve the gender lens used by the MFI, and perhaps starting and improving social performance management and institutional learning processes and dialogue, while refining products and services more incrementally.

4

RESULTS AND INSIGHTS FROM DEMAND AND SUPPLY SIDE RESEARCH

This section details supply-side and demand-side data insights on the barriers faced by women customers, their perceptions around the utility and relevance of the products and services offered to them, as well as their behaviours and needs—all of which are crucial to increase and optimize the uptake and use of products and services offered to them. Each MFI case study highlights specific challenges related to the access, usage and control of financial products that women customers face.

4.1 BRAC MYANMAR

CUSTOMER PROFILES

Overall, 95 percent of BRAC customers are women who are often self-employed in the trade or agriculture sectors, running an informal, non-registered micro or small enterprise. Around 35 percent are household or family enterprises with no formal wage workers (Table 4). Micro-merchants are the largest customer segment, comprising almost half (48 percent) of the MFI's customer base. A typical micro-merchant tends to be a shop owner who runs a small or medium enterprise with at least one employee and takes an average loan size of US$340. Loans are often intended to finance working capital to purchase wholesale goods which are sold for profit in small retail shops. Micro-merchants also obtain credit mostly through informal channels, with only 3 percent of micro-merchants in rural areas using credit from a formal bank. Half of micro-merchants in rural areas do not borrow at all, which could represent a market expansion opportunity for the MFI (FinScope Myanmar, 2020).

The farming, service and production sectors make up the remaining customer segments. Specifically, women farmers often living in rural areas form the second major customer segment (38 percent), often using finance to pay for agricultural activities such as purchasing livestock.

Table 4: BRAC's customer segment profiles.

	MICRO-MERCHANTS	FARMERS	HOME-BASED BUSINESSES	PRODUCTION
% total customer	48%	38%	9%	4%
% women	99%	89%	98%	94%
% micro/small/medium enterprises*	28%/64%/8%	35%/85%/7%	22%/69%/9%	28%/66%/6%
% registered or licensed businesses	37%	23%	24%	30%
% individual loan uptake	10%	3%	17%	34%
% having control over loan usage	89%	91%	85%	85%
% using loan purely for business	90%	91%	90%	80%

* micro has 1 worker (the customer), small has 2-10 workers, and medium more than 10.

KEY CUSTOMER SEGMENTS INCLUDE WOMEN MICRO-MERCHANTS, WOMEN FARMERS, AND WOMEN HOME-BASED WORKERS, EACH WITH THEIR SPECIFIC NEEDS FOR ENTERPRISE LOANS.

Although a new agriculture loan with a higher loan size of US$400 was launched in 2018, uptake had been low, with only 27 percent of women farmers using this product compared to 69 percent of women farmers with a group loan. Only a few farmers (3 percent) received individual enterprise loans, as women farmers either do not have the required documentation or cannot easily obtain them.

A third customer segment consists of home-based workers in the service sector (9 percent), with most of these women entrepreneurs owning a micro or small household-based enterprise (82 percent). Most have group loans, though 17 percent have an individual loan which is almost double that of micro-merchants. Finally, production activities such as cottage industries and food processing are a relatively small customer segment (4 percent) for BRAC, with most customers being small and medium enterprises (80 percent). These customers have the greatest uptake of individual loans (34 percent). Based on analysis of data, it appears that there is potential for BRAC to scale the uptake of women enterprise loans for trade and inventory financing, and agricultural livestock loans.

ACCESS TO FINANCIAL SERVICES

Many customers had not yet received tailor-made enterprise loan products. While BRAC has a diverse customer base including women micro-merchants, farmers and home-based workers, most have only received group loans. BRAC started offering its first individual and larger loan product in 2017, but had not managed to scale this offer to most of its customers.

The business registration and formalization required to obtain larger individual loans is a significant barrier for women-led businesses. Women were more likely to have an informal enterprise compared to men.

Compared to the overall market, 88 percent of microenterprises did not easily meet business registration requirements, especially in remote and rural provinces where 92 percent of women-owned businesses were not registered. Without a business registration or licence which are complicated to obtain, many women entrepreneurs in rural areas remain ineligible for several of BRAC's individual loan products. As such, the business registration requirements at BRAC for large size individual loans created frustrating delays (sometimes up to one month), causing some customers to stop the process, so substantially reducing the number of women-owned enterprises that can be served (Columbia University, 2020).

After identifying these barriers, BRAC reduced business registration requirements, which has helped expand loans to rural and remote provinces. To understand the impact of this, it is important to consider that 75 percent of the 600,000 women-led MSMEs lacked business registration. In remote rural areas such as in Kachin, Kayan, and Mon, 86–94 percent of women micro-merchants have no formal registration, hindering the MFI's expansion of individual enterprise loans and unintentionally keeping women in smaller group loans which do not require business registration. While reducing business registration requirements may be considered risky, this also helps in addressing a significant market opportunity. This business case would increase loan uptake and onboard an estimated 15,000 new women micro-merchants, increasing BRAC's individual loan portfolio by a further US$13.5 million in two years.

IT IS IMPORTANT TO CONSIDER THAT 75 PERCENT OF THE 600,000 WOMEN-LED MSMES LACKED BUSINESS REGISTRATION.

The COVID-19 crisis has posed new challenges for BRAC in regard to their rural expansion. BRAC had onboarded 10,542 enterprise loans (89 percent to women) in 2020 and was actively expanding into Mon and Sagaing with plans to expand to rural Kachin and Kayin. However, the pandemic and political regime change has postponed these plans as more urgent priorities surfaced, such as keeping their current operations afloat, focusing on their existing customer base, and managing cashflow due to regulatory changes in the banking sector.

USE OF FINANCIAL SERVICES

Individual loans represented only 10 percent of total loans in 2020, even though women customers preferred individual rather than group loans. Uptake of group loans has increased disproportionately over the past five years compared to individual loans. Qualitative customer interviews confirmed that BRAC's loan products have helped businesses to grow (Field Visit, July 2019). For example, one customer said a loan enabled her to open a new clothing shop, another a new hostel. A striking finding of this research was that women entrepreneurs showed strong demand for individual enterprise loans, and did not like group liability lending, requesting larger loans with more flexible repayment schedules. Individual loans were larger in size and in high demand because they were more tailored to customers' business financing needs.

However, most women customers interested in larger loans did not receive them. As of 2020, BRAC had more than 120,000 group loan customers. Among the 25,000 who had received three consecutive group loans, 75 percent were interested in taking an individual loan. Interest in individual loans was even higher among customers who owned a formal business (87 percent) or who had middle or higher incomes (85 percent), as they had more established businesses to be able to take on bigger loans. Some 40 percent of customers showed an interest to request a loan below 2 million Myanmar Kyat (MMK), 15 percent preferred loans of MMK 2–6 million, and 24 percent wanted loans above MMK 6 million. However, as of June 2020 only two percent of BRAC customers borrowed above MMK 2 million, and only one third of loyal group loan customers were aware that BRAC offered individual loans.

MOST WOMEN CUSTOMERS INTERESTED IN LARGER LOANS DID NOT RECEIVE THEM.

As such, BRAC Myanmar has a business case to graduate women micro-merchants from small group loans to larger individual enterprise loans. If BRAC could move half of its 15,000 loyal women MSMEs customers from group to individual loans, this would lead to an additional US$5.4 million in loans. BRAC has set itself the ambitious goal of increasing individual loans to 30-40 percent of its portfolio by 2025. Usually, customers first hear about these loans from family or friends without the specifics of the loan available, and word of mouth referrals from trusted sources is especially important to women clients. To encourage graduation from group to individual loans, BRAC is planning to launch an awareness-raising campaign for enterprise lending among women micro-merchants. Alongside, it aims to provide ready access to detailed information on individual loan offerings such as interest rate, loan tenure, repayment schedule, while also highlighting reduced registration requirements.

Another challenge faced by women entrepreneurs when using their loans was the cumbersome and time-consuming process of making physical loan repayments at BRAC's branches. Surveys showed that 40 percent of its women customers preferred more flexible loan repayment channels, including payments by digital or bank accounts, door-to-door collection, and mobile money agents' services (over the counter transfers). As it becomes more relevant for MFIs to identify market expansion opportunities and tailor products to different women segments, having more flexible channels can improve loan collection success rates and improve women customers' journeys. BRAC is also considering the digitizing of its credit and loan repayments system to allow women to repay using digital finance, which is also part of a larger long-term organizational plan to increase enterprise lending.

CONTROL OVER FINANCIAL PRODUCTS

Women have different degrees of control over their loans (Figure 3) that affect aspects of decision-making in loan utilization, and is as important as access and usage since lack of control constrains women's empowerment and limits their say in other aspects of their lives such as household decision-making. Overall, most women entrepreneurs are in full control of deciding how their own loan is used (69 percent) or decisions are made jointly with their spouses (17 percent). However, 14 percent of women customers still lack direct or joint control over their loans, higher for customers with group loans (18 percent). Customers with individual loans had the most control on loan usage (88 percent full or joint control), compared to 82 percent full or joint control for customers with group loans.

The degree of control women have over their loans not only differs across loan types, but also across social and demographic aspects. For example, low-income women earning less than MMK 100,000 more often lacked control (17 percent) compared to higher income women (11 percent). Young women under 25 years-old were also more likely to lack control (26 percent) compared to adult women (14 percent). Married women and rural women experienced higher interference from family members in loan usage decisions compared to single women and urban women. Control over loans and control over businesses are positively associated (Figure 5). Women with individual loans are also more likely to run their business by themselves compared to group-loan holders (Figure 4).

OVERALL 86% OF THE WOMEN ENTREPRENEURS ARE FULLY IN CONTROL OF DECIDING HOW TO USE THE LOAN. 14% OF WOMEN CUSTOMERS LACK FINANCIAL AUTONOMY OVER THE LOAN DECISION MAKING.

Figure 3: Womens' control over usage of loans by loan type.

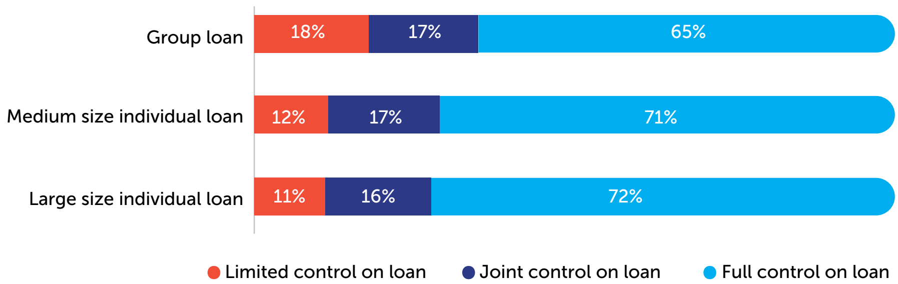


Figure 4: Who is responsible for running the business, by loan type.

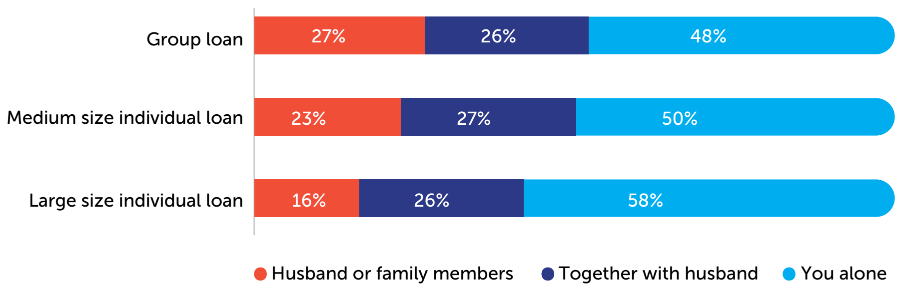
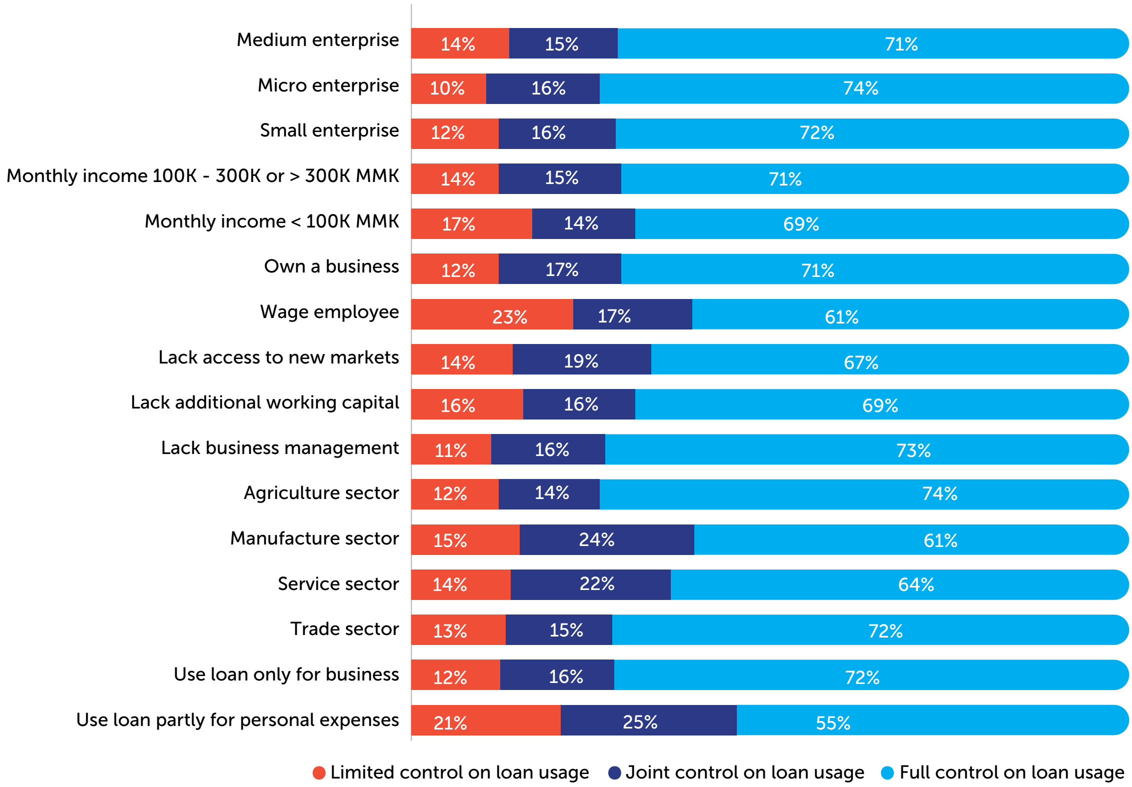


Figure 5: Control over loans for women customers.



Furthermore, women with registered businesses had slightly more control over loans compared to women who run informal businesses. The discrepancy in control over loan utilization is even greater by region, with for example, 71 percent of women customers in the urban centre of Yangon having full control over their loans, compared to 63 percent in rural Sagaing.

Control over loan utilization also affects the way in which loans are used. In terms of business impact, qualitative customer interviews in July 2019 confirmed that loans have helped them to grow their businesses. Sometimes however, women entrepreneurs faced tensions between using the loan for intended business purposes or for meeting urgent household needs (Columbia/SIPA, 2020). For example, one group loan customer said "if the loan is disbursed in time for school re-opening, we use some money for our children's school expenses such as enrolment fees, school uniform and textbooks." Women who end up using the funds for purposes other than their businesses may be at higher risk of over-indebtedness. Among those who lacked control over both their business and loan financing, 28 percent used loans for domestic purposes, compared to 12 percent of those with full control on their loans and businesses. It is therefore recommended that MFIs screen and monitor financial control, control over the business and the intended usage of the loan, as they are all related.

4.2 LOLC MYANMAR

CUSTOMER PROFILES

The LOLC analysis and survey focused on the remote Mon State in south-eastern Myanmar, bordering Thailand. Similar to the BRAC case study, most women customers were self-employed (95 percent), owning small and unregistered informal businesses (82 percent). Most were in the trade sector (63 percent), followed by agriculture and livestock (18 percent) and service (13 percent) sectors. Micro-merchants and farmers are predominantly women (96 and 90 percent, respectively), with 79 percent of service workers being women. As for the business size of LOLC's customers, 26 percent of businesses are self-run with no wage workers, most (63 percent) with 1-5 workers, and 11 percent with more than 6 workers.

The profiles of women who received microcredit from LOLC also differ across loan products. The general group loan remains the most common (56 percent), followed by smaller microloans that comprise around 41 percent of their customers. In contrast, only 2.5 percent of entrepreneurs had access to large sized individual loans. While group and microloans are taken predominantly by women customers (94 and 93 percent, respectively), women make up only 78 percent of the larger individual loans. Given that individual loans are the largest in size, the lower uptake of these among women suggests that they may face additional barriers in accessing higher amounts of capital for their businesses.

Table 5: LOLC's customer segment profile.

	TRADE (MICRO-MERCHANT)	AGRICULTURE AND LIVESTOCK	SERVICE
% total customer	64%	18%	13%
% women	96%	91%	79%
% micro and small enterprises*	99%	99%	99%
% registered or licensed businesses	17%	18%	20%
% of individual loan uptake	39%	44%	39%
% having full/joint control over loan usage	85%	88%	89%
% using loan purely for business	80%	86%	81%

* micro has 1 worker (the customer), small has 2-10 workers, and medium more than 10.

ACCESS TO FINANCIAL SERVICES AND PRODUCTS

The gendered nature of informal enterprises suggests that women face greater barriers than men in accessing financial services and products. In the survey, the majority of LOLC women-led MSME customers identified access to finance as the main barrier to business growth, followed by access to markets and working capital. The gender-gap in the ownership of formal businesses is also a significant barrier for accessing finance, since larger loans require formal business documents. Only 11 percent of women-led enterprises were formally registered, compared to 32 percent of enterprises led by men. Social and legal factors could explain this discrepancy. For example, among some ethnic groups, the property of a deceased husband cannot be inherited by the widow, and woman may administer properties that they do not have legal ownership of, reducing women's ability to access formal finance.

WOMEN WHO RUN INFORMAL ENTERPRISES ARE TYPICALLY PAID IN CASH, AND TEND TO USE INFORMAL SAVING MECHANISMS.

Addressing the needs of women entrepreneurs in the informal sector can help to reduce barriers to accessing finance. Women who run informal enterprises are typically paid in cash, and tend to use informal saving mechanisms which are often insecure and unreliable. Running informal enterprises also means that women workers do not have access to pensions and other benefits from the formal sector. The formalization of businesses is important for business growth, as registration of businesses positively influences the business incomes of small and medium-sized enterprises. As such, reducing business requirements will increase the accessibility of financial products to women entrepreneurs who were previously excluded from sources of enterprise financing. An alternative option for MFIs is to identify and analyse clients through other means, such as through their business history, transaction records, Ward Authority recommendation, and other reliable references.

Women's lack of mobility and 'time poverty' due to social norms and unpaid work, including care for family members and domestic chores (ILO, 2018), are also barriers that reduce women's access to financial services. Inconvenient and limited hours further reduce the likelihood that women seek out formal financial institutions to obtain capital (Asian Development Bank, 2018). The financial costs of accessing formal financial institutions can include losing a day's work, transportation and childcare costs. Despite these constraints, 84 percent of survey respondents stated that branch banking was still the dominant loan transaction channel for both registered and informal businesses.

In Mon State, even though there is a 70 percent phone penetration and high use of social media among mobile phone users, only 43 percent use

Internet services on their phones, and use of mobile money for sending or receiving money is negligible (The Economist, 2013). Less than 10 percent of women micro-enterprise customers surveyed used digital payments, having to resort to visiting branches in person where generally it takes more than 30 mins to reach a branch. Registered businesses (13 percent), individual loan customers (12 percent) and urban customers (10 percent) were most inclined to use digital banking. The low use of digital banking shows there is much work to be done to advance women's digital inclusion.

WHILE 7 OUT OF 10 WOMEN ENTREPRENEURS IN MON STATE USE MOBILE PHONES, ONLY 1 OUT OF 10 USES DIGITAL PAYMENTS. THERE IS STILL MUCH WORK TO BE DONE TO ADVANCE WOMEN'S DIGITAL FINANCIAL INCLUSION IN RURAL AREAS.

USE OF FINANCIAL SERVICES AND PRODUCTS

In addition to barriers that women face in accessing loans, standard loan offerings do not always meet their financial and non-financial needs. For example, 46 percent of women entrepreneurs would like larger loans, and individual loan customers were particularly dissatisfied with 70 percent of them wanting larger loans compared to group loan and microloan borrowers (40 and 44 percent, respectively). Furthermore, 28 percent of informal businesses needed loans of more than US$6,666[1] as compared to 17 percent of registered businesses. However, existing laws prevent MFIs from lending more than US$6,666, which presents a major challenge in meeting customer needs.

The top three barriers faced by women-owned businesses when using their loans included the lack of capital to run and expand their current businesses, lack of business and financial know-how for business management, and not having adequate networks to increase market access. MFIs could offer additional non-financial services support to enhance business performance such as linking their local businesses to digital market platforms and delivering enterprise trainings and financial literacy, and this would be beneficial for the MFI in terms of receiving customer feedback and increasing customer loyalty.

FOR THE MFI GRADUATING ONE-FIFTH OF THE ELIBLE ROUP LOAN CUSTOMERS TO INDIVIDUAL LOANS CAN INCREASE THE LOAN PORTFOLIO BY US$4.6 MILLION

Similar to BRAC, LOLC has an opportunity to graduate group loan customers to larger individual loans, especially given that 26 percent of their customers are already in their third or higher group loan cycles. In Mon State, 19 percent of group loan customers migrated to individual loans, and assuming similar behaviour in other states, graduating eligible and willing group loan customers to individual loans could increase the loan portfolio of LOLC by 9 percent or US$4.6 million in absolute terms, based on 2019 loan customers data. Since the lack of capital was a key issue for many women-led businesses,

1 Calculated in US$ at the time of the project implementation using an exchange rate of $1 US$: 1500 Myanmar Kyat

offering the appropriate loan amounts for eligible clients would further fulfil their finance requirements. This brings other benefits as well. For example, strengthened customer journeys by serving customer-centric products and services can result in 3.5 times greater revenue from customer referrals and a 56 percent increase in cross-sell and up-sell revenues. Furthermore, women with loan amounts and terms they want are less likely to resort to informal lending to access other additional capital, and are less likely to use business loans for domestic use. For example, 14 percent of women entrepreneurs used business loans for personal consumption, increasing to 20 percent among customers dissatisfied with loan products.

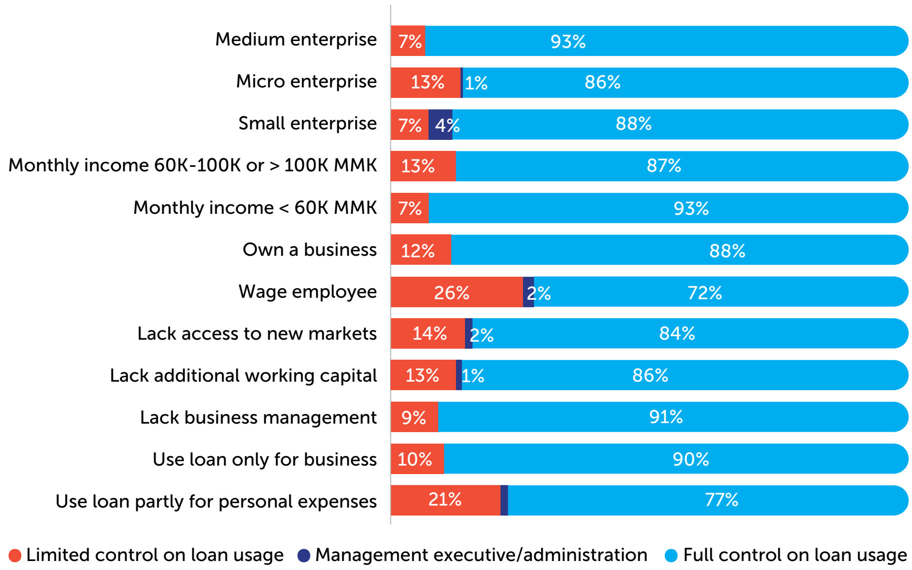
The extent to which customers use loans for domestic use also varies based on business ownership, with self-employed customers who own their business being the least likely to use part of the loan for personal expenses (16 percent). In contrast, customers who have no ownership of their business are twice as likely to use part of the loan for personal expenses (30 percent). These findings support a positive association between business ownership and spending loans for their intended use, and that women with more ownership tend to allocate more resources for income-earning purposes.

CONTROL OVER FINANCIAL PRODUCTS

Women entrepreneurs with a higher number of employees or who have individual loans, tended to have greater control over loan utilization. Understanding control over loan utilization is important, as evidence suggests that when women retain control of microloans, they spend more on the health, security, and welfare of their families (Karnani, 2008). Despite having access to credit, some women clients do not have control over their loans or the income generated by microenterprises. Overall, most women clients at LOLC (87 percent) decide themselves how loans are utilized. Women with larger businesses that employ more than six employees have a greater control over loan utilization (92 percent), compared to those with five or less employees.

The level of control over loans is also related to business and social norms, for 12 percent of customers the family members decided how the loan was used. Control over loans is lower among wage employees who work for someone else, with 27 percent saying that another person decides on loan usage.

Figure 6: Control over loans for women customers.



4.3 HANA MICROFINANCE LIMITED (HMF)

CUSTOMER PROFILES

Similar to the other MFIs, HMF's customers are predominantly women entrepreneurs owning non-registered micro and small enterprises (96 percent), with 49 percent in the trade sector. Many (43 percent) make their livelihoods by running small stores that sell a variety of consumer goods and services including money exchange, bike rental, transportation and housing repairs. Most women micro-merchants (96 percent) make an average monthly business income of US$270, less than men in the same sector who make US$339 per month. Most enterprises in the trade sector are unregistered (96 percent) employing 1-10 workers (72 percent), and taking an average loan of US$450.

Another group of customers consists of men and women farmers involved in diverse agriculture and livestock activities (28 percent). Women farmers grow vegetables, maize and other cereals, sesame, betel nut and natural rubber, and/or raise pigs, cows and chickens. Interestingly, more of those in the agricultural sector are registered businesses (16 percent) compared to 3–9 percent for other sectors, whereas average loans amounts for agriculture and livestock are the lowest of all sectors (US$345-400). There are also gender disparities, with 76 percent of HMF's farmer customers being women and 24 percent men.

Table 6: HMF's customer segment profiles.

	TRADE	AGRICULTURE	SERVICE	LIVESTOCK
% total customers	49%	19%	19%	9%
% women	89%	76%	78%	83%
% micro/small/medium enterprises*	22%/72%/6%	19%/78%/3%	19%/62%/19%	17%/74%/9%
% registered or licensed businesses	4%	16%	9%	3%
% individual loan uptake	6%	1%	6%	1%
% having control over loan usage	83%	67%	79%	79%

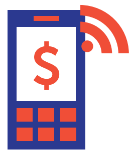
* micro has 1 worker (the customer), small has 2-10 workers, and medium more than 10.

A third group of customers operate in the service sector (19 percent), engaged in activities such as tailoring, motorbiking and car driving. While men and women in the other sectors tended to have the same kinds of jobs, enterprise activities in the service sector show several differences. Women service workers comprise 78 percent of the customer base with a greater variety of enterprise types, many in the textile industry and offering tailoring services. In contrast, the most common jobs among men service workers (22 percent) were as motorbike or three-wheel car drivers. Men workers in the service industry were also more likely to be employees working for other businesses. In the service sector, 19 percent were medium-sized businesses with more than 10 workers, compared to only 3–9 percent in the agriculture and trade sectors. Due to larger business sizes, service workers also receive a higher loan amount of US$455 on average. Such diversity in business activities due to gender and sector differences reflects different customer needs in regard to loan financing.

ACCESS TO FINANCIAL SERVICES AND PRODUCTS

Data analysis from HMF demonstrates that low-income women such as MSME owners are generally failing to access formal sources of credit, and are obtaining capital from informal money lenders. Estimates based on a national financial inclusion survey (UNCDF FinScope Myanmar, 2020) show that 23 percent of women entrepreneurs take loans from informal sources, and that most borrow from local money lenders (not family and friends) who can charge as much as 20 percent interest per month. Informal loans are more easily accessible and tend to be used especially by women, but in reality, the higher interest rates can lead to repayment challenges and a higher risk of over-indebtedness. Hence, having a reliable alternative formal loan from an MFI would offer capital for business growth and reduce both costs and business risks for MSMEs.

To make loan products more agile, one idea suggested by HMF was to disburse loans with digital loan payments and to adopt other digital channels. Digital loan payment platforms could also send relevant and important digital messages to the customers, such as financial service marketing messages and loan repayment reminders. HMF plans to incorporate more flexibility in repayment schedules especially in response to impacts of COVID-19, and has adapted by allowing some customers to pay only the interest on the loan for a certain time period. HMF is also thinking about developing other digital innovations such as chat bots on social media and their own e-wallet product, to scale their operations in a cost-efficient manner and increase the awareness of their financial services to new and existing women entrepreneurs. Digital channels would also allow HMF to create awareness about the implications of COVID-19 and to deliver important information to MSMEs in real-time. These digital channels are especially important during crises, as MFIs try to keep their operations and support their customers' businesses while following health and social distancing measures. According to a national survey in April 2020, MSMEs were experiencing cash shortages due to the economic shock of the pandemic, and 39 percent had stopped business operations entirely, losing their source of income (Wallace, 2020).



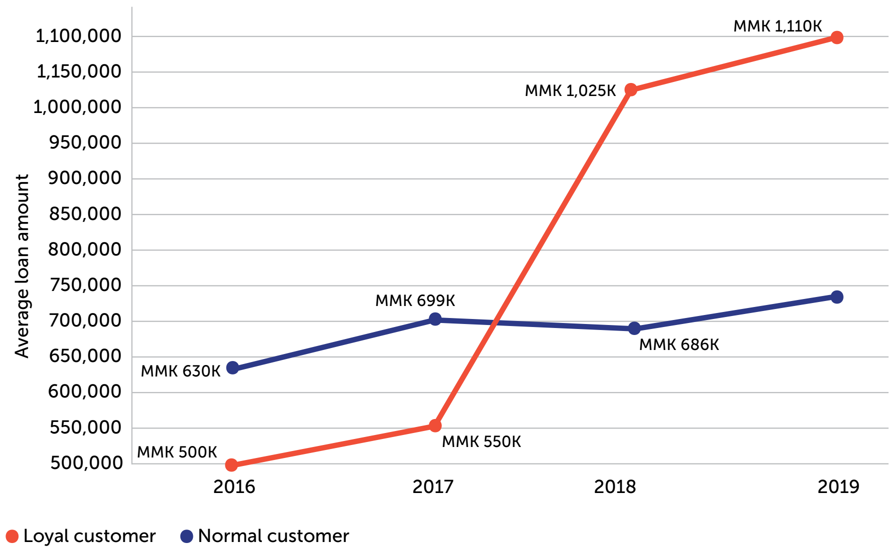
DIGITAL CHANNELS WOULD ALSO ALLOW HMF TO CREATE AWARENESS ABOUT THE IMPLICATIONS OF COVID-19.

USAGE OF FINANCIAL PRODUCTS AND SERVICES

Women from certain business segments receive larger loan amounts and feel more satisfied with HMF's financial products than other segments. Of all customers surveyed, 71 percent said they were satisfied with their experiences, with 22 percent being neutral and only 8 percent dissatisfied. Key reasons for dissatisfaction were that loan amounts were too low, onboarding procedures were difficult, inconvenience in loan payments, or negative experiences when using different products. Across customer groups, service workers had the highest level of satisfaction (75 percent), agricultural workers the lowest (58 percent). Levels of satisfaction corresponded with loan amounts, with service workers receiving much larger group and individual loans, and agriculture workers consistently receiving one of the lowest loan amounts for both group and individual loans. Levels of satisfaction with HMF for micro-merchants and livestock farmers were between those of agriculture and service workers, at 72 and 68 percent, respectively.

Similar to the other case studies, there is an opportunity for HMF to move customers to having larger individual enterprise loans, especially among loyal customers who have completed multiple loan cycles. These loyal customers tend to work in the production and trade sector and took the

Figure 7: HMF loan uptake by customer loyalty, 2016–2019 (in Myanmar Kyat, MMK).



largest individual loans of US$2,160 on average, and while only 4 percent of the customer base, they make up 12 percent of HMF's individual loan portfolio. Agriculture workers make up 20 percent of the customer base but less than 1 percent of individual loans, due in part to dissatisfaction with the small loans they were given. Similar to other MFIs, the unmet demand for larger loans presents an opportunity for the MFI to grow enterprise lending and increase their loan portfolio, especially by targeting loyal customers as a starting point.

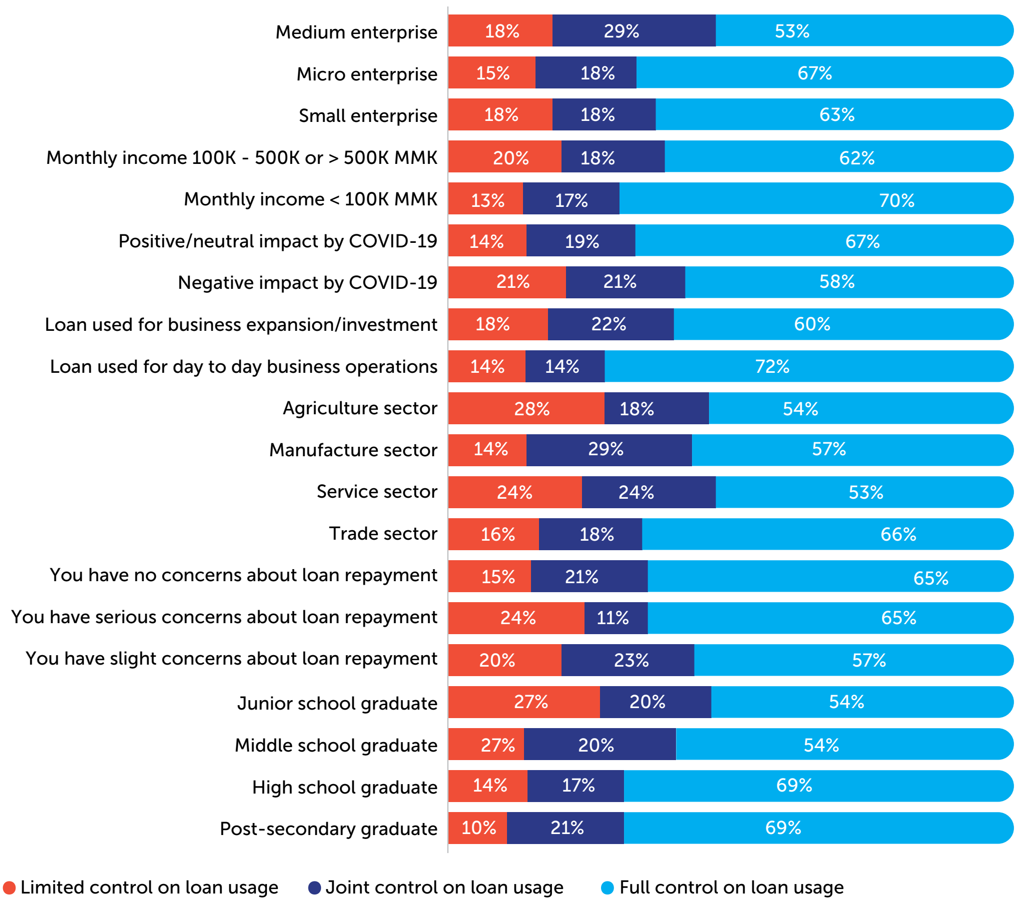
Loyal customers include those who are in their third loan cycle and tend to take larger loans of US$519–878, compared to normal users whose loan amounts were US$401–671. Loyal customers were predominantly women working in the trade (62 percent) and agriculture (26 percent) sectors, with diverse enterprise activities in farming, selling vegetables and other consumer goods, raising pigs, etc. Since individual loans of loyal customers are about US$486 higher than normal customers, HMF can achieve significant portfolio gains by transitioning high-potential normal customers into loyal customers and further improving customer retention.

Of customers surveyed, 80–90 percent stated that they would like enterprise training in running their businesses. Some respondents from the trade and service sector said that they need help to access new markets for selling products or services. On the other hand, agriculture workers, the least satisfied with their experience at HMF, said that the support they wanted most was help to expand their business network, and accounting. The variety of business needs across segments shows the importance of tailoring products and services with the customer in mind. Providing additional financial literacy and enterprise development support to women customers to grow their businesses can provide a strategic advantage for the MFI, as studies have shown that this can result in improved borrower retention and customer loyalty, especially among women borrowers (Karlan and Valdivia, 2011; ILO, 2014). To be truly transformative, further emphasis on helping clients develop their ability to build successful enterprises is needed.

CONTROL OVER LOANS

More control over loans improves women's business livelihood outcomes and their financial resilience. Most women customers said they had financial autonomy (82 percent), while for 18 percent, their husband or other family members decide the use of loans. Financial autonomy over loans varied by sector and loan purpose. Agriculture workers had the least amount of control, with 28 percent claiming they have no direct control on loan usage, compared to the trade sector (16 percent). The survey further indicated that women have more control over day-to-day business decision making than

Figure 8: Control over loan reported by women customers (HMF).



in longer term business expansion and investment.
This may be caused by wider social norms and beliefs that men, considered as the head of household, should make important business or investment decisions, hindering women's financial autonomy and entrepreneurship.

UNDERSTANDING THE IMPACT OF COVID-19 ON LOAN REPAYMENT ON WOMEN CLIENTS IS CRITICAL.

Understanding whether women have control over their loans is meaningful because women with more financial autonomy generally reported being better able to cope with the COVID-19 pandemic. Of women who experienced negative impacts, 21 percent lacked control over their loan, compared to 14 percent who experienced positive or neutral effects. Furthermore, 24 percent of women with serious concerns about loan repayments said they do not have control over loans, compared to those with no concerns (15 percent) (Figure 9). Loan control was positively correlated with resilience during the pandemic possibly because women who control their loans are able to allocate those resources efficiently in their businesses, especially in times of vulnerability.

Understanding the impact of COVID-19 on loan repayments is also critical in the design of better tailored products for women clients. Of respondents, 61 percent reported COVID-19 having negative impacts on their livelihoods, with 39 percent saying that it was having a neutral or positive impact. Nearly half of the women (47 percent) stated that they were not concerned about loan repayments, 31 percent felt concerned, and 22 percent felt serious concerns. In particular, women in the low-income category and those with fewer assets tended to be more likely to be concerned about their capacity to repay loans on time.

To facilitate the financial resilience of women enterprises that have been impacted by the pandemic, HMF has planned a COVID-19 recovery loan, acknowledging that a one-size-fits-all recovery loan would not be sufficient to address customer needs in times of increased vulnerability. The loan recovery product should be split into at least two categories, for the most affected women, and those that experienced neutral to positive impacts. Recovery loans for the most affected group should be smaller to safeguard against risks of over-indebtedness, longer in tenure with speedier disbursement and more flexible loan repayments. For the least affected group, HMF should offer larger recovery loans but shorter in tenure, that would support women to expand and maintain business operations with repayments matched to their cashflows.

5
CONCLUSIONS AND RECOMMENDATIONS

The different profiles, needs, and barriers of women customers including farmers, micro-merchants and home-based workers, call for human-centred design approaches that leverage data to tailor gender-smart products.

As shown across three case studies, women-owned enterprises face challenges to accessing and using enterprise loans, including high registration requirements for larger loans, preferring but not receiving larger individual loans, and requiring additional financial and business support for running and growing their enterprises. Furthermore, the degree of control that women have over their loans also affects their loan usage and financial resilience. From the results and insights, this section presents the conclusions including a set of recommendations for MFIs and for regulators and policymakers, to enhance women's financial inclusion and entrepreneurship. It further highlights some practical steps and actions undertaken by the MFIs involved in the case study.

5.1. FOR MICROFINANCE INSTITUTIONS

REDUCE REQUIREMENTS FOR ACCESSING INDIVIDUAL LOANS

Simplifying or reducing loan application requirements can enhance the customer base, especially in rural areas. Reducing or dropping business registration requirements to access individual loans has helped BRAC and LOLC expand their loan offerings to rural provinces, where the vast majority of women micro-merchants and farmers do not have a registered formalized business. The BRAC case study indicated that financial institutions can reach 15,000 women entrepreneurs in Myanmar with loans up to US$2,200 by reducing or dropping registration requirements. Over the last six months of 2020 - even with the impact of COVID-19 - BRAC saw the number of active individual loan customers increase by 20 percent and reach 13,000 individual loans (compared to only 5 percent increase in group loans), representing the first time in their history that the individual lending portfolio grew faster than the group lending portfolio. Likewise, the HMF and LOLC case studies also showed a latent demand for individual enterprise loans, which also represent opportunities to onboard new customers.

TRANSITION FROM GROUP TO INDIVIDUAL LOANS

Women entrepreneurs showed strong demand for larger, individual enterprise loans. In BRAC's case, only 2 percent of customers borrowed above US$1,214, whereas 40 percent showed an interest to request a loan above that amount. Demand for larger loans was also seen by LOLC and HMF.

These analyses indicate a mismatch between products currently offered and the needs of women entrepreneurs. In several cases, if such customer painpoints remain unaddressed this can lead to increased customer exit and dissatisfaction (see e.g. UNCDF, 2018). The MFI representatives were generally surprised by the relatively high number of women entrepreneurs who were not aware of the individual loan products. MFIs can create product awareness-raising campaigns to specific groups of women entrepreneurs that are more likely to be in need of individual loan products as opposed to group loans. Such campaigns can be carried out by loan officers, social media and push messages on smartphones to existing customers that have received (often multiple) group loans. For LOLC, graduating 20 percent of the eligible group loan customers to individual loans can increase the loan portfolio by 9 percent, or US$4.6 million. Provided that loan amounts are based on women's business needs and repayment capacity, MFIs can achieve significant gains by transitioning high-potential group lenders to individual loan lenders.

BUILD CAPACITY TO OFFER ENTERPRISE LOANS

Graduating customers from group to individual loans can bring its own set of challenges, including business evaluation, enterprise cashflow assessment, internal capacity constraints, product sales and marketing, and staff also require an understanding of the social norms which limit women's access to those products. MFIs often need to build staff capacity to offer enterprise loans and establish specialized units or departments to manage the risk of default (see e.g ILO 2014). Moreover, MFIs should anticipate and effectively manage staff concerns that could hamper new product launch, such as concerns over job losses if many clients graduate from group to individual loans. Based on the customer insights, LOLC has now implemented new policies that allow loan officers to offer both group and individual loans.

"We realized that the group loan officers would naturally have some resistance for transferring their clients to individual loans, as they have cultivated the relationship and history with that client. So to solve this challenge we now broadened their scope, loan officers can manage both the group and the individual loans together and we keep training them to properly assess for the individual loan product."

The trialling of alternative credit scoring by LOLC to leverage customer transactions and test how to reduce default rate, speed transaction time and more accurately move people from group to individual loans achieved promising results with an accuracy rate of 96 percent but will require additional efforts to harness the predictive power of the model and scale staff capacity to effectively use algorithms to predict default. This is an innovative alternative to the expectations placed on loan officers to accurately predict defaulters through a relatively subjective and time-consuming exercise, yet requires a high level of organizational commitment, cost and a long-term view to be sustainable, and assurance that the loan scoring model algorithms themselves are not gender blind.

FOCUS ON FINANCIAL AUTONOMY

Case studies found that 12–18 percent of women customers do not have direct control over their loans. Women with more financial autonomy are more likely to use loans for managing or expanding their business, and reported better financial resilience during the COVID-19 pandemic by investing more in the welfare of their families. Women with more ownership over their loans are also at a lower risk of over-indebtedness. MFIs should consider adding loan autonomy as an indicator of due diligence when disbursing loan products, and consider monitoring the loan autonomy of women borrowers through asking tailored questions and flagging behavior or responses that might indicate a lack of control. Doing so can reduce the risks of over-indebtedness and improve financial resilience. For example, a representative from HMF mentioned he was surprised to see that women who had more control over their loans were more resilient in the COVID-19 situation. It was felt important to educate staff and [change] perspectives on this point as a first step to improve the screening process. Other MFIs also indicated the need to screen on financial autonomy.

12–18 PERCENT OF WOMEN CUSTOMERS DO NOT HAVE DIRECT CONTROL OVER THEIR LOANS.

PROMOTE FINANCIAL AND DIGITAL LITERACY

Financial and digital literacy programmes promote financial service usage, and empower customers to make informed decisions. In Myanmar for example, Wave Money launched a gamification financial literacy app where women can learn more about financial concepts such as savings, interest payments and insurance. Other fintech companies that use mobile platforms as a customer acquisition channel include ThitsaWorks and ONOW which offer financial and digital literacy curricula and financial product and service provider matching to low income MFI clients through online and offline e-learning platforms. Implementing such financial and digital literacy initiatives in close coordination with policymakers could further influence the access and uptake of formal financial services by women.

BRAC Myanmar equally highlighted the need for non-financial services as part of a gender-smart product development approach, especially also considering the turbulent market environment with many loyal customers now struggling to maintain their businesses and repay their loans. Some clients are shifting their business model from trade to agriculture, and are vulnerable and need much support for their businesses to survive. So we see the need for more non-financial support to the women clients on business skills, financial literacy, enterprise development, technical knowledge, and improving business networks to help them build successful businesses.

DEVELOP DIGITAL CHANNELS

The fintech and digital finance revolution is reaching the rural areas of Myanmar, yet there is still a long way to go before it reaches the majority of people, especially last mile women entrepreneurs. In 2018, while 64 percent of the Myanmar women entrepreneurs reported having access to a cell phone with Internet, and 49 percent were aware of mobile money, only 5 percent used a mobile wallet. Digital channels, if suitably developed, have the potential to address mobility constraint, especially for women entrepreneurs.

WOMEN WHO RUN MSMES ARE CONSTRAINED FROM PHYSICALLY VISITING MFI BRANCHES WHICH IS THE MAIN CHANNEL FOR ACCESSING MICROFINANCE.

Due to social and cultural norms that limit women's mobility and time poverty, women who run MSMEs are constrained from physically visiting MFI branches which is the main channel for accessing microfinance (84 percent). Digital access to microfinance brings financial tools and services directly to where women live and work, and can lead to more convenient repayment services. Women can then engage with banking services independently from the safety of their home, strengthening their financial autonomy. Digitized financial services also can offer a gateway to other additional products such as deposits that are simply not practical to deliver in a cash-based lending system.

In this context, several MFIs, banks and fintechs in Myanmar are piloting digital loan repayments, such as mobile wallets (KBZpay, UABpay, CBPay) to allow payments, transfers, cash in and cash out from mobile phones, and digital and remote onboarding and document verification. Other digital innovations include Ongo, a digital payment service that allows women entrepreneurs to repay their loans by sending e-payments to their MFI on the Ongo mobile app. Another example comes from LOLC that set up a new digital application and payment channels for loan customers to accommodate reduced mobility and health concerns due to the COVID-19 pandemic.

TEST AND TAILOR NEW GENDER-SMART PRODUCT REFINEMENTS

There are huge opportunities for leveraging sex-disaggregated, age and other demographic and geographic data to ensure that enterprise financing is designed using a gender lens. Data analytics software and interactive dashboards can handle large volumes of transaction and survey data on women's empowerment outcomes, generating additional insights that help develop or refine products to serve the needs of women. In the case of MFIs, customer assessments can unlock significant benefits in terms of improved customer retention, increased cross selling of products, better risk management, and stronger social performance management. Good customer needs assessment is vital in improving financial service usage, while strictly protecting customer data and privacy by implementing appropriate laws and guidelines.

BRAC Myanmar has set up a product development team as part of their commitment to developing staff capacity in gender-smart product design. The team was assigned by the CEO to help understand and track customer pain points and product needs, and develop a clear business case for supporting value propositions for women entrepreneurs. The MFI also set strategic goals and targets and organizational processes around women enterprise lending. Building this operational capacity was key for success, and included the mindset to iterate, prototype, test and integrate data analytics and a women-centred approach into the organizational DNA.

HMF was able to apply the learning from this approach to designing a new education loan product for teachers to open a digital and/or community learning centre in their villages, so more children can be in school. The team now has more experience in applying a systematic product design process and the use of sex-disaggregated data analytics to design and iterate new products. A representative from HMF notes "we were already aware of many of the challenges that women face, but the program provided us with tools to understand the pain points of female clients and how to design better for them."

STRENGTHEN CAPACITY IN DATA ANALYTICS AND PRODUCT DEVELOPMENT

Changes to product development processes can pose challenges, especially in well-established organizations. A product development team is needed with the mandate to understand and track customer pain points and product needs, and to develop a clear business case directly linked to the long-term sustainability of the MFI. Staff development includes skill acquisition in data analytics and customer journey mapping, and understanding social norms which limit women's access to services. On a higher level, the role that robust gender data can play is potentially transformative as it enables us to better understand the barriers faced by low-income women and ensure that financial services are more than accessible but are helping women to build security and prosperity.

In this regard, the three MFIs participating in the project reported that they improved their capacity to conduct data analysis on their own and to better apply customer insights to product design, as well as "how to design questionnaires to learn more about our clients' needs" (LOLC representative). It was acknowledged that "we all have so much data, but the key is how we build the staff capacity to analyze and understand the customers so we can make sure that products are matching what is needed."(LOLC representative).

MANY WOMEN-OWNED ENTERPRISES ARE INFORMAL, AND THE LACK OF BUSINESS REGISTRATION NEGATIVELY IMPACTS THEIR ABILITY TO OPEN BANK ACCOUNTS OR ACCESS CERTAIN LOANS.

Both HMF and LOLC cited the survey design as helping to gain additional insights. "The experience of designing the customer surveys to fill in the gaps from our own data was really helpful for us, and we gained insights especially during the COVID time on the impact on our clients, and set up our own data analytics team for ongoing analysis" (HMF). "The support also set off Hana to become more data savvy in the use of new programs for data analysis, and our CEO emphasizes being data driven and pushing an emphasis on knowing our clients, so the training kickstarted us, and made us move faster. It was really helpful also to learn more about data analytics as we have so much data, but we learned how to break it down and design new products systematically, considering many factors such as geography, loan size and repayment approach. It opened our eyes especially for many of our team members" (HMF representative).

5.2. FOR REGULATORS AND POLICYMAKERS

REDUCE BARRIERS TO ACCESSING FINANCE

Policymakers and regulators have vital roles to play in improving enterprise lending. This starts by recognizing women's financial inclusion and access to credit as core to national policies, financial sector regulation, and laws that regulate digital channels. Regulators can further help to reduce barriers for women. For example, 78 percent of women who owned assets are unable to provide appropriate documentation, because asset documents tend to be registered under the name of the husband or other family member (UNCDF, 2017). Regulators can therefore improve women's access to enterprise finance by making it easier for them to access ID and asset ownership documents.

INCREASE THE FORMALIZATION OF BUSINESSES

Many women-owned enterprises are informal, and the lack of business registration negatively impacts the ability of woman entrepreneurs to open bank accounts or access certain loans to start or scale businesses. However, complex business registration processes that vary across regions pose a barrier to women's access to finance. Policymakers can simplify the business registration process and ensure that it does not discriminate against women entrepreneurs. For example, it can introduce a digital business registration process to limit bureaucratic hurdles and travel time. The government could also set up a centralized business registry with demographic and enterprise data to help policymakers gain a better understanding of how micro, small and medium-sized enterprises benefit the wider economy through job creation and enterprise growth.

POLICYMAKERS SHOULD UNDERSTAND AND RAISE AWARENESS ON THE CASE FOR USING SEX-DISAGGREGATED FINANCIAL INCLUSION DATA.

PROMOTE SEX-DISAGGREGATED DATA ANALYTICS AND POLICIES

Policymakers, practitioners, and researchers need more gender-sensitive and sex-disaggregated data to better respond to the needs of diverse women entrepreneurs. Developing effective policies that work for women entrepreneurs requires sex-disaggregated data analytics to understand women's specific needs. While sex-disaggregated data is available at a granular level at the MFIs, it is often not required for detailed reporting to the Central Bank (UNCDF, 2020). Yet as demonstrated across the case studies, analysis of sex-disaggregated data has enabled organizations to better align products to women's needs.

Policymakers should understand and raise awareness on the case for using sex-disaggregated financial inclusion data, mandate its collection, reporting and use, and amend the current regulatory reporting templates to allow MFIs to include sex-disaggregated information. The national financial inclusion strategy should include setting clear goals and targets for women and men's financial inclusion. Policymakers should also offer more clarity on product development procedures. Some MFIs for example, highlighted that changing existing loan features (loan period or amount, etc.) require approval from the government's Financial Regulatory Department (FRD), others said that only new loan products require approval. Policymakers can facilitate a more conducive environment to accompany gender-smart product development and sex-disaggregated data analytics.

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Unlocking Public and Private Finance for the Poor

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The UNCDF Strategy 'Leaving no one behind in the digital era' is based on over a decade of experience in digital finance in Africa, Asia, and the Pacific. UNCDF recognizes that reaching the full potential of digital financial inclusion in support of the Sustainable Development Goals (SDGs) aligns with the vision of promoting digital economies that leave no one behind. The vision of UNCDF is to empower millions of people by 2024 to use services daily that leverage innovation and technology and contribute to the SDGs. UNCDF will apply a market development approach and continuously seek to address underlying market dysfunctions.

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UN Capital Development Fund,
Two United Nations Plaza,
New York, NY 10017,
United States

+1-212-906-6565
www.uncdf.org
info@uncdf.org

@UNCDF
@UNCDF
@UNCDF