

KEY CUSTOMER INSIGHTS

CASE STUDIES FROM MYANMAR

Towards Gender-Smart Microfinance Product Development and Enterprise Lending



Unlocking Public and Private
Finance for the Poor

Enterprise financing for women micro-entrepreneurs often takes a “one size fits all approach” that does not address the unique considerations of women clients. Through gender-disaggregated data and human centric design, three leading microfinance institutions (MFIs) in Myanmar (BRAC, Hana, and LOLC) engaged in a project implemented by UNCDF to design gender-smart loan products and to reduce constraints for women’s access to financial products. Five key customer insights from these three case studies are shared below.



WOMEN ENTREPRENEURS SHOWED STRONG DEMAND FOR LARGER INDIVIDUAL ENTERPRISE LOANS

Around 40 percent of customers at one MFI showed interest in a larger individual enterprise loan (above \$1,214 USD), yet only two percent of their customers graduated from group to individual loans. Moving half of the eligible and interested loyal customers to individual loans can meet demand while adding \$5.4 million to the loan portfolio. Demand for larger loans was also significant for the other MFIs.



WOMEN ENTREPRENEURS DO NOT ALWAYS HAVE CONTROL OVER THEIR LOANS

12 to 18 percent of women customers do not have direct control over their loans. The level of education of the borrower was positively correlated with their degree of control over the loan. One MFI reported that women with individual loans had the most control on loan usage, at 88 percent full or joint control, compared to only 82 percent for women with group loans.



WOMEN ENTREPRENEURS WITH FINANCIAL AUTONOMY WERE MORE LIKELY TO USE LOANS FOR BUSINESS PURPOSES.

As many as 28 percent of women who lacked control over their loans used it for consumption smoothing within one MFI, compared to only 12 percent for women who were financial autonomous. Women with more control over their loans were also more resilient during the pandemic period, expressing fewer concerns about repayment.



REGISTRATION REQUIREMENTS CAN BE A BARRIER FOR WOMEN IN RURAL AREAS

In rural areas and remote provinces, over 90 percent of the women micro merchants and farmers do not have a registered business. Financial institutions can reach women entrepreneurs in Myanmar with relative ease for loans up to \$2,200 USD, by reducing or dropping business registration requirements.



DIGITAL CHANNELS CAN SERVE WOMEN ENTREPRENEURS BY PROVIDING CONVENIENT DIGITAL BANKING AND LOAN REPAYMENT SERVICES

Due to time poverty and cultural and social norms that limit women’s mobility, 84 percent of the women entrepreneurs are constrained from physically visiting MFI branches. Digital channels, if developed effectively, have the potential to address these constraints. However, there is still a long way to go in Myanmar; in 2018, 64 percent of the women entrepreneurs reported access to a cell phone with internet, and 49 percent were aware of mobile money, but only 5 percent used a mobile wallet.



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.



THE METHODOLOGY AND APPROACH

Three MFIs received technical support to analyse customer data and tailor their loans to the needs of women entrepreneurs. Using almost one million customer data records, 2,777 lean data surveys, and FinScope market data, insights were used to drive product ideation and refinements and to identify the business case for gender-smart product development that addresses specific gender barriers faced by women entrepreneurs.

WHAT CAN MICROFINANCE INSTITUTIONS DO?

- 1 REDUCE REQUIREMENTS FOR ACCESSING INDIVIDUAL LOANS**

Simplifying or reducing loan application requirements can increase access for last mile customers, especially in rural areas.
- 2 GRADUATE GROUP LOAN BORROWERS TO INDIVIDUAL LOANS**

Provided that loan amounts are based on business needs and repayment capacity, MFIs can meet the MSME credit gap by transitioning high-potential group lenders to individual loan lenders, through product awareness raising and targeted marketing.
- 3 BUILD STAFF CAPACITY AND INSTITUTIONAL ALIGNMENT**

Staff need improved capacity to offer and manage enterprise loans, and an understanding of the social norms which limit women's access to these products.
- 4 FOCUS ON FINANCIAL AUTONOMY**

Adding loan autonomy as an indicator of due diligence when disbursing loan products, and monitoring the loan autonomy of women borrowers can reduce the risk of over-indebtedness and improve financial resilience.
- 5 PROMOTE FINANCIAL AND DIGITAL LITERACY**

Women generally have lower levels of financial literacy relative to men and lack confidence to ask questions or seek clarification, which can lead to sub-optimal choices and exploitation.
- 6 DEVELOP DIGITAL CHANNELS**

Digital channels have the potential to minimize mobility and time constraints, especially for women entrepreneurs, and provide access to a range of financial services at a lower cost.
- 7 TEST AND TAILOR NEW GENDER-SMART PRODUCT REFINEMENTS**

Partnering MFIs reported improved capacity to leverage sex-disaggregated age, demographic and other data and to better apply customer insights to product design, reducing constraints for women and improving customer satisfaction.

WHAT CAN POLICY MAKERS DO?



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.



INCREASE THE FORMALIZATION OF BUSINESSES

Many women-owned enterprises are informal, and a lack of business registration negatively impacts the ability of women entrepreneurs to open bank accounts or access loans to start or scale businesses. Policymakers can improve the ease of doing business through simplifying business registration procedures and ensuring that it does not discriminate against women entrepreneurs, especially through digital or one stop service centres that improve access to services and information.



PROMOTE SEX-DISAGGREGATED DATA ANALYTICS AND POLICIES

Developing effective policies that work for women entrepreneurs requires sex-disaggregated data analytics to understand women's specific needs and constraints and design for her requirements.