

AID-OAA-F-14-00022: Financial Heuristic Scale-Up Project Milestone No.1 Report

Purpose and Structure of the Report

This report is the first milestone deliverable for DIV grant AID-OAA-F-14-00022 (Financial Heuristics Scale-Up Project). The report is structured as follows: The first section provides a summary of the project and its main objectives. Section 2 presents the project implementation plan, highlighting key project activities and milestones. Section 3 outlines the intervention design for the scale-up pilots in India and the Philippines, and Section 4 goes over the evaluation strategy.

I. Project Summary

Summary of the Financial Heuristics Scale-up Project

Nonprofit behavioral design firm ideas42 has been awarded \$909,834 by the Development Innovation Ventures (DIV) program at the United States Agency for International Development (USAID) to scale up an innovative mobile phone-based tool to help microentrepreneurs in developing countries better manage their finances.

In a prior project, in partnership with ideas42's founder Antoinette Schoar together with co-authors Alejandro Drexler and Greg Fisher, the team developed simple and easy to implement financial management training based on simple rules-of-thumb, or "heuristics". We tested the effectiveness of the classroom-based financial heuristics training against a traditional classroom-based financial education curriculum and found that the financial heuristics training led to better business and financial outcomes for microentrepreneurs in the Dominican Republic.¹ Currently, we are working on a phase 1 pilot in India, which aims to adapt the classroom-based financial heuristics training to a mobile phone-based platform.²

With a proof-of-concept of a low-cost, behaviorally-designed financial literacy solution, the next step for the ideas42 team, with the support of the DIV Stage 2 funding, is to develop a scale-up version of the

¹ Drexler, Alejandro, Greg Fischer, and Antoinette Schoar (2012) "[Keeping it Simple: Financial Literacy and Rules of Thumb](#)", MIT Working Paper.

² Antoinette Schoar (Massachusetts Institute of Technology) and Shawn Cole (Harvard Business School) are currently conducting this study in India with joint funding from Innovations for Poverty Action (IPA), International Finance Corporation (IFC), and the Center for Economic Policy Research in the UK.

mobile phone-based financial heuristics tool, to increase ease of adoption and implementation by financial institutions. As part of the project, we will pilot the developed solution with microfinance institutions (MFIs) in two developing countries. We plan to implement the scale up tests with partner microfinance institutions Negros Women for Tomorrow Foundation (NWTF) in the Philippines and Janalakshmi in India. In each country, we will adapt the rules-of-thumb to the local context in which microentrepreneurs work, and develop scalable delivery channels. Second, we will run two 12-month evaluations of the financial heuristics advisory service to measure the effectiveness of the program with randomized controlled trials. As part of the evaluation, ideas42 will also conduct a financial analysis of the program to build a business case for the cost-effectiveness of the financial heuristics solution. Finally, we plan to disseminate the results and lessons from the pilots in India and the Philippines to microfinance institutions and industry partners as a way of engaging potential partners in the next stage of scale-up. The project will run from September 1, 2014 through September 1, 2017.

Scale-Up Project Objectives

The key objectives of the project are to develop a scalable version of the mobile phone-based financial heuristics training, with the support of microfinance institutions in India and the Philippines, and assess the effectiveness of the tool on changing financial management behaviors of the microfinance clients of these institutions.

Scalability and replicability are key factors of success for the financial management tool. To ensure scalability, we will work to embed the elements of the tool we've tested in other contexts into the day-to-day operations and financial literacy programs of our partner microfinance institutions. To date, many aspects of managing and implementing the financial heuristics tool in the preliminary India pilot are managed by a local research partner. The objective for scalability is to create a delivery mechanism for the financial heuristics tool that is easily managed by a financial institution, so they could be in charge of delivering the financial heuristics training product.

As part of this effort, we would like to create a scale-up product in India that can be easily incorporated into an MFI's financial service delivery. To test for replicability, the mobile based financial heuristics training will also be scaled up to microentrepreneurs in the Philippines, which offers a similar contextual environment. The Philippines has a high proportion of microentrepreneurs with limited financial management skills. Still, mobile phone penetration is very high, thus making it a suitable candidate to test the scale up product. Here again, as part of the scalability objective, the aim would be to embed the mobile phone-based financial heuristics training into partner MFI's operations.

II. Project Implementation Plan

The work on the Financial Heuristics Scale-Up project consists of four main phases. In the first phase, Preparation, the team will focus on project planning, partner recruitment and finalizing the financial heuristics content and delivery structure. In the second phase, Implementation, the team will prototype and finalize the structure of the technology platform, followed by launching two pilots to test the mobile phone-based financial heuristics advisory service in India and the Philippines. In the third phase, Evaluation, the team will evaluate the impact of the intervention on both microentrepreneurs and on the participating MFIs. The fourth and final phase, Next Steps for Scale Up, outlines the team's strategies to take this work beyond these two pilots to form new partnerships with a variety of institutions in the financial capability space to reach out to a wider audience around the world.

A high-level project implementation plan with respective timelines is presented in Appendix A. Key project activities and milestones are described below.

Preparation Phase

Project Planning

In the project planning phase, we will undertake the following activities: Developing a high level workplan, starting communication with our partners, scheduling key site visits to both countries, and getting familiar with ongoing work in the financial capability space to start building potential partnerships to further enhance the scale-up work in the future.

Partner Recruitment

Our partner recruitment phase will focus on building strong working relationships with the implementation partners for the project. In order to achieve this, we will schedule regular phone calls with partners and organize 1- to 2-week long site visits at key milestones of the project. Furthermore, we will identify key contacts and departments within the organizations to work closely on this project, and get familiar with the lending operations and data management systems of the MFI partners. In this phase, we will also identify the right customer groups and geographic locations for the pilots, and do preliminary interviews with target microentrepreneurs and MFI field staff. Finally, we will sign MOUs and contracts with partners.

We envision working with the following five partners as part of this project: two field implementation partners, two MFIs, and a technology partner.

Microfinance Institutions:

We will partner with MFIs to develop and embed the scale-up training product in their operations and work together to execute and evaluate the pilots.

Janalakshmi: In India, we will partner with Janalakshmi, a world-leading microfinance institution based in Bangalore, which serves clients across India. The participants for the project will be Janalakshmi clients who are microentrepreneurs and currently hold a JanaOne individual loan, unless requested otherwise by Janalakshmi. Project implementation locations will be finalized based on discussions with Janalakshmi.

Negros Women For Tomorrow (NWTF): In the Philippines, we will partner with NWTF, a non-government organization committed to the fight against poverty by providing Grameen-based micro-financing and developmental services to the marginalized urban and rural poor of Central Philippines. Currently, we are working with NWTF to identify the microentrepreneur target group (individual or group loan clients) for the scale-up project. Project implementation locations will be finalized based on discussions with NWTF.

Fieldwork Partners:

We will partner with local fieldwork partners to manage the day-to-day activities on the project while it is in the field and to lead the data collection at baseline (before intervention launch), midline (6 months after the launch), and endline (12 months after the launch).

SEFC (India): We will partner with the Small Enterprise Finance Center (SEFC) at the Institute for Financial Management Research (IFMR) in Chennai to assist with fieldwork and on-the-ground implementation of the project. SEFC's professional research staff and academic leadership have extensive experience running randomized controlled trials with microentrepreneurs in India.

IPA (Philippines): We will partner with Innovations for Poverty Action's (IPA) local office in the Philippines to assist with the fieldwork and on the ground implementation of the scale-up project in the Philippines. Innovations for Poverty Action has been one of the leaders in randomized evaluations in the last ten years since its inception. IPA has worked with over 250 leading academics to manage over 400 evaluations in 51 countries. Currently, in the Philippines, IPA has various evaluations underway in the fields of microfinance, remittances, land reforms, and governance.³

Technology Partner:

We will work with technology partner/s to develop the mobile phone-based technology platform for the financial heuristics training delivery, and manage the delivery implementation.

Awaaz.De: We will partner with Awaaz.De, an Indian technology firm, to develop the mobile platform and voice and text delivery system for the project. Awaaz.De provides organizations

³ Source: Innovations for Poverty Action, Website, <http://www.poverty-action.org>

with a turnkey solution to connect and communicate with people through mobile phones using voice and text-based information services. Currently, Awaaz.De is providing technology solutions to solve social issues in 6 developing countries, in 13 states within India, and offers support for 9 languages.⁴ We are also exploring other technology partners in case Awaaz.De is not able to provide a suitable platform for the Philippines pilot.

Financial Heuristics Scale up Design

In this phase, we will conduct in-depth interviews with MFI's clients in the Philippines to understand their financial management practices and business challenges, and assess their needs for financial management support. In addition, we will assess the relevance of the already developed financial heuristics training content and make any revisions, if needed, to make it suitable to the needs of the target microentrepreneurs. We will then prototype the revised content with target clients in the Philippines. Based on these results, our team will finalize the financial heuristics content and delivery structure (i.e. number, duration and timing of messages and reminders) for the scale-up project.

In India, we will carry out interviews with the microentrepreneurs who participated in the financial heuristics based training intervention of the ongoing phase 1 pilot to learn about their user experience and to design ways to improve the usability of the service. We will prototype in case any major changes to the financial heuristics content are called for based on the results of the current phase 1 pilot.

Implementation Phase

Implementation Preparation

In this phase, our team will finalize the functionality and features of the technology platform for mobile based financial heuristics delivery in the Philippines. We will run tech pre-pilots to check the functionality of the platform and its ease of implementation. After successful testing of the technology platform, we will pre-pilot the platform and financial heuristics messages with target microfinance clients to assess ease of usage by microentrepreneurs and troubleshoot any technical or delivery issues. Since the technology platform is already functioning in India, we will run such pre-pilot tests only if major changes are made to the platform based on the results of the current phase 1 pilot. As a critical step in scalability, in this stage, we will also train the MFI staff in both countries on the technology platform so that they can effectively operate it.

⁴ Source: Awaaz.De, Website, <https://www.awaaz.de/>

Intervention Launch

We will launch the intervention in the field with a group of about 2,000 microentrepreneurs in Spring 2016. The preliminary mobile phone-based financial heuristics curriculum spans over 12 weeks. We will monitor participant financial behaviors for a total of 12 months after the launch of the intervention. As part of the monitoring effort, SEFC in India and IPA in the Philippines will lead the data collection effort at baseline, midline and endline.

Final Evaluation

After collecting the endline data, we will perform analysis to measure whether there were any significant improvements in business outcomes and financial behaviors of the microentrepreneurs who received the financial heuristics training compared to the Control group which did not receive the training. In addition, we will also perform a cost-effectiveness analysis at the MFI level to evaluate the business case for scaling up the heuristics mobile intervention. We will then share the results and lessons learned from these pilots with our partner institutions. More details on the impact evaluation plan are available in the evaluation strategy section.

Next Steps for the Financial Heuristics Scale Up Work

In order to execute on scale successfully, we will actively engage in information sharing and forming partnerships with players in the financial capability space throughout the project duration. Pilot findings will be widely shared with the financial inclusion industry through blog posts, articles, white papers, and conference presentations. We plan to start actively working on our scale-up and dissemination strategy in Fall 2016. The first and obvious step will be to roll out financial heuristics across all lending clients of Janalakshmi and NWTf, which would reach a scale of over 1 million microfinance clients. Additionally, we will perform next steps to look for new partners and opportunities to take mobile phone-based financial heuristics to the next stage of scale-up and to expand our outreach to more microentrepreneurs around the world.

III. Intervention Design

Our intervention design focuses on delivering rules-of-thumb based financial management training cost effectively and at scale using a mobile platform. This financial capability intervention differs from the traditional financial education method in two significant ways. First, it simplifies the training into easy-to-remember and easy-to-adopt rules-of-thumb. Second, it leverages mobile technology to deliver the material cheaply and thus increasing its likelihood to scale.

A key component of the intervention design is a mobile phone-based service, which delivers financial management/business rules-of-thumb to microentrepreneurs via pre-recorded voice messages. To prepare microentrepreneurs to take full advantage of the service, they are offered an in-person onboarding session at the start of the intervention, where they receive a brief face-to-face explanation on how to use the mobile platform to listen to training messages, record questions/comments and listen to previous broadcasts. In addition to the voice-based training curriculum, delivered weekly, microentrepreneurs would also receive reminders over the phone to prompt them to complete the financial management actions covered in the previous week's training. The following sections describe various components of the mobile phone-based financial heuristic training product.

Financial Heuristics Content

Financial Heuristics Messages

The content that will be taught over the voice-recorded messages comprises of simple, easy-to-adopt, and easy-to-remember rules-of-thumb that address common financial management challenges of our target microentrepreneurs. Rules-of-thumb based messages attempt to bridge the intention-action gap by making the content taught easy to process, recall, and use. Microentrepreneurs are more likely to implement what they have learnt if the heuristics-based messages are sent at actionable moments, i.e., at the right time (for example, just at the start of a busy market day when sales are typically larger) and in the right place (while the clients are still at their business).

The topics that will be covered in the training include account separation, paying oneself a wage, and decision rules around supplier and customer credit. The broadcasted voice messages will be 1 to 3 minute long and will be sent once a week to the microentrepreneurs in the Treatment group for the duration of the intervention. The current curriculum takes 12 weeks to cover. The broadcasting of messages starts up to two weeks after the onboarding session. Table 1 describes the rules-of-thumb content currently used in the India phase 1 pilot along with its delivery schedule and duration.

Table 1: Financial Heuristics Content and Delivery Details

	Content	Delivery Schedule	Delivery Time
Onboarding	Introduction to cash separation concept and its visual aid/poster	Weeks 1-2	30-40 minutes
	Mobile message service introduction and demonstration		
Rule of Thumb Cash Separation 1	Keep two separate locations one for business and other for household cash	Week 3	2.5 minutes
Rule of Thumb Cash Separation 2	Paying self a salary - What goes in a business drawer	Week 4	2 minutes
Rule of Thumb Cash Separation 3	Check in about locations and determining salary level through the list of items that goes in household expenses - wishlist vs. actual	Week 5	2 minutes
Rule of Thumb Cash Separation 4	Do not mix cash from different drawers	Week 6	2 minutes
Rule of Thumb Trade Credit 1	Giving credit only for high margin goods, explanation with an example	Week 7	2 minutes
Reminder: Trade Credit 1	Reminder to start giving credit only for high margin goods	Week 8	1 minute
Rule of Thumb: Trade Credit 2	Collect credit dues within 5 days	Week 9	1.5 minutes
Reminder: Trade Credit 2	Reminder to collect credit dues within 5 days	Week 10	1 minute
Rule of Thumb: Trade Credit 3	Take a cash discount instead of purchase on credit	Week 11	2 minutes
Reminder: Trade Credit 3	Reminder to take a cash discount instead of purchase on credit	Week 12	1 minute

We will use the above rules-of-thumb for the scale-up pilots. In-depth interviews will be conducted with microentrepreneurs in the Philippines to ensure the relevance of the material to the Philippine microentrepreneur context and make any revisions, if necessary. The team will also refine the content of the financial heuristics training during the scale-up design phase, if necessary.

Onboarding Sessions

At the start of the pilot, we will provide participating microentrepreneurs in the Treatment group with a face-to-face onboarding session to get them familiarized with the functionality of the mobile platform. The session will also cover a brief introduction of the cash separation concept, which is one of the central themes of the financial heuristics training. To facilitate microentrepreneurs' understanding of cash separation, they will be provided with a poster (i.e., the visual aid) of the cash separation concept, which they could keep handy in their business. The poster also contains information on the phone number

microentrepreneurs can call on to ask questions, re-listen to previous messages, and receive answers to their business training questions. The onboarding session will last approximately 30-40 minutes. One of the goals of the scale-up project is to design these sessions as part of the regular check-ins MFI field staff has with their lending clients. That would entail training loan officers on how to deliver the onboarding sessions for the mobile phone-based financial heuristics tool.

Financial Heuristics Training

Delivery Mechanism

The intervention will use a mobile phone platform to deliver the financial heuristics training. The mobile phone platform provided by technology partner Awaaz.De uses the Interactive Voice Response (IVR) technology to interact with microentrepreneurs through the use of voice. This technology has two features: Announcements and Question-Answers. Dialing regular phone numbers, the mobile phone platform allows for people to interact with automated voice interfaces to browse, listen, and record audio content. The platform also has the functionality to send out SMS, organize subscribers into groups, and deliver automated surveys for data collection. It is also possible to track client usage in terms of whether or not the message was heard, the time and day the message was heard, and the length of the message heard.

More specifically, the registered mobile phone could be accessed to:

1. Listen to the broadcasted voice message: The platform will allow the research team to record rules-of-thumb based financial management messages that will be “pushed” out for microentrepreneurs to listen to.
2. Leave a question/comment: Microentrepreneurs will also be able to call in and record questions/comments using their mobile phone. The platform administrator can approve or reject an incoming question/comment. Then a financial expert calls to answer the approved question within a week’s time.
3. Listen to others’ answered questions/useful comments: Microentrepreneurs will also be able to listen to others’ answered questions or any useful comments. Only approved messages are made available to listen to.

Weekly messages are sent on Monday. If the microentrepreneur does not pick up the phone, three attempts per day at different times are made on Monday, Tuesday and Wednesday to contact them. There are two types of messages sent to microentrepreneurs: business management advice and reminders. The objective of reminder messages is to prompt businesses to complete the financial management actions taught in the previous week. Specific content and delivery features of the phone messages are already discussed in Table 1.

The technology provider Awaaz.De has already developed the platform for India. Messages will be developed and recorded in one or more local languages based on the make-up of the pilot sample. A unique mobile phone number will be provided to access messages in each language. Currently, in our Phase 1 pilot in India, the mobile phone platform is managed by the SEFC field staff. One objective for the scale-up project is to develop an effective and efficient strategy to hand over the management of the platform to the participating MFIs, or to a third-party provider. Creating an effective platform management system is crucial for the success of subsequent scale-up initiatives.

For the Philippines pilot, we are exploring whether Awaaz.De will be able to service the Philippines market. In parallel, we are in conversations with alternative technology providers. The financial heuristics content in the Philippines will be delivered in the local languages of the target population.

IV. Evaluation Strategy

We plan to evaluate the effectiveness of the mobile phone-based financial heuristics training by running randomized controlled trials for the interventions in India and the Philippines. The objective of the pilots is to measure the effectiveness of the mobile phone financial heuristics tool in improving the financial management practices of microentrepreneurs. To achieve this, we will compare financial management behaviors and business outcomes between a Treatment group which is going to receive the intervention, and a Control group, which will not receive any additional training besides the standard services offered by the partner MFI. As part of the evaluation, we will also assess the cost-effectiveness and viability of the financial heuristics product as a tool to support the business growth of microentrepreneurs and share-of-wallet for the participating MFIs.

Target Population

For the pilot, we will target microentrepreneurs who have outstanding loans with the partner MFI, and who have expressed interest in participating in the training program. In India, the target population will comprise of individual loan clients of the JanaOne individual loan product, unless requested otherwise by Janalakshmi. We will finalize the pilot locations based on further discussions with Janalakshmi. In the Philippines, we are currently in discussions with NWTF to determine the target population and locations for the pilot.

Randomization

We will conduct our evaluation in a selection of MFI branches (we refer to these branches as our “pilot” branches). We will choose these branches in further discussions with Janalakshmi and NWTF, based on

implementation feasibility and branch representativeness with respect to size and client performance metrics. Individual microentrepreneurs in our pilot branches will then be randomly assigned to a Treatment or Control group using random number generator based off the list of active loans per branch. We will randomize at the individual level since the intervention is delivered individually to each participant via his/her mobile phone. This will also maximize power for the evaluation.

1. *Control Group:* Microentrepreneurs in the control group will not receive any additional intervention besides the standard services offered by the partner MFI. They will participate in the baseline, midline and endline surveys.
2. *Treatment Group:* Microentrepreneurs will receive training through a mobile phone-based platform, which, in addition to the heuristics-based financial training, delivers reminders to prompt microentrepreneurs to complete the financial management actions covered in the previous week's training. They will also receive a brief training in how to use the mobile platform at the start of the intervention.

Sample Size

We are planning to evaluate the effectiveness of the tool with a sample of 2,000 participants in each country. We anticipate to have an even split between the participants between the Treatment and Control groups. We performed formal power calculations to confirm the soundness of this design. We used classical assumptions for power (80%) and significance (95%). The power calculations have determined that with a sample size of 1,000 microentrepreneur clients in each Treatment and Control arm, this design would allow us to detect an effect size of 0.126 standard deviations comparing Treatment to Control group. To achieve our sample size, we will reach out to 2,500 to 3,000 eligible microentrepreneurs to invite them to participate in the project, in order to get to 2,000 microentrepreneurs who express an interest in participating in the project. If more than 2,000 accept the invitation at any time, we will randomly select 2,000 of those to participate in the evaluation.

Evaluation Duration

The evaluation of the pilot will run for 12 months. We believe this period to be sufficient to assess the impact of training on any changes to entrepreneurial financial practices and actual business outcomes as well as to evaluate the cost-effectiveness of our intervention.

Analysis

We plan to evaluate the effectiveness of the pilot by comparing key outcome variables between the Control and Treatment groups at the midline and endline points of the evaluation. For the analysis, we will rely on survey data and administrative data provided by the microfinance institution.

Data Collection and Sources of Data

We are collecting data from two different sources: administrative data from partner MFIs and survey data from the pilot participants.

Administrative data:

We will obtain administrative data from Janalakshmi and NWTF at baseline and at 6 (midline) and 12 months after the baseline (i.e. at endline). This will include demographic variables for the entrepreneurs, data on their business, as well as the terms of their loan. Janalakshmi and NWTF use electronic data capture on all transactions, which would facilitate the ease of obtaining the data. We will also collect data on microentrepreneurs' loan repayment history, and any other products they have with the institution.

Survey data:

We will conduct detailed surveys with participants before we start the intervention (baseline) and at 6 months (midline) and 12 months (endline) after the start of the intervention in each country (Table 2). The surveys will be administrated by our in-country research partners, SEFC in India and IPA in the Philippines.

Table 2: Timeline for Baseline, Midline and Baseline Surveys

	Start Date	End Date	Data Collection Method
Baseline	3/1/2016	4/30/2016	Face to face interview
Midline	10/1/2016	10/31/2016	Phone interview
Endline	4/1/2017	5/31/2017	Face to face interview

The survey questionnaire contains detailed demographic questions, as well as questions on the microentrepreneurs' financial management behaviors (i.e. record keeping practices), and business outcomes (i.e., average weekly profit during bad, good, and average weeks). The baseline and endline surveys will be in-person surveys conducted by trained field staff from SEFC and IPA, and the midline survey will be conducted over the phone. For the list of variables to be collected at baseline, midline, and endline, please see Appendix B.

We will also conduct brief ongoing phone surveys of a random sub-sample of our users in Treatment group to gather information on their experience of using the mobile platform.

Plan for Measuring Impact

We define impact for the pilots as significant changes in the business and financial practices of the microentrepreneurs who receive the training. We will perform statistical analysis to measure the difference between the Treatment and Control groups on the key outcome indicators such as weekly profits, and a set of financial management behaviors.

With the evaluation, we will target a number of outcome variables. From our survey data, we will evaluate business and household financial outcomes: business sales, expenses, credit given, business profit, overall household income, holding of large assets such as livestock or household appliances and employment status of family members. We also plan to examine financial behaviors targeted by rules-of-thumb – physical separation of business and household accounts, keeping business accounts, and paying oneself a salary. From the administrative data provided by Janalakshmi and NWTF, we will evaluate any changes in savings balances, regularity of savings deposits, loan repayment rates, loan delinquency, as well as the frequency of follow-up loans, and take-up of other financial services.

Cost Effectiveness Analysis

Any further scale-up initiatives will depend on establishing a sustainable business model that can support the scale-up operations. Institutional partners will be committed to scaling up only if there are positive net returns on their investments – in terms of financial and staff resources, as well as changes to operations. We plan to quantify cost-effectiveness and return on investment to build the business case for the scale-up product.

Costs:

We will track the following costs of implementing the heuristics-based mobile training:

Cost of mobile platform: This will be split into a fixed cost and airtime charges to the technology partner. We will be able to calculate the average cost of the service as well as the marginal cost of adding an additional micro-entrepreneur to the service.

Cost of onboarding sessions: These costs will include Janalakshmi and NWTF's staff time, transportation, and microentrepreneur compensation for conducting onboarding sessions, as well as the production cost for the visual aid materials.

Staff time to run the mobile platform: To implement the scale up study, partner MFIs will have to allocate some dedicated staff time to operate and monitor the mobile platform. Results from the ongoing phase 1 pilot in India will help provide initial estimates for this time.

Benefits:

Financial benefits to Janalakshmi and NWTF will be cost-savings and client retention.

Cost savings on servicing delinquent loans: Servicing delinquent loans is very costly in the microfinance industry as loan officers often visit delinquent customers daily until the repayment issue is resolved. We will calculate the cost savings in staff time and business losses from decreasing delinquency rates and loan write-offs.

Client retention: We plan to use data on client retention as well as take-up of financial products to measure the effect of the training in building trust in and brand loyalty with the microfinance institution.

Appendix B: Key Variable List

Variable List to be Collected at Baseline, Midline, and Endline			
Demographic	Financial	Business	Mobile Phone Usage
Name	Household Expenditure	Number of businesses managed in entire life	If have own mobile phone
Mobile number	Total expenditure of family in last month	For the last three businesses managed (latest being first), details about the type of business, year of establishment, and if still active	If not, if be able to attend/ receive a call on a mobile phone of any family members
Home address	Total business expenditure in last month	Business category	Number of mobile SIMS possessed
Business name	List of specific components of family's expenditure last month	If buy goods on credit from suppliers	Primary number to reach
Gender	Total household expense in last 12 months	Value of items bought on credit last month	Time slot preferred to receive recorded voice messages
If taken a loan from partner MFI	Household expenditure by component in past 3 months	Usual period in days of trade credit that is taken from suppliers on average	Any experience doing automated calls/ responses
Type of business	If taken any loan to fulfil any of these expenses	Usual period in days of trade credit taken from suppliers on average	Secondary contact number (<i>only in case business owner not reachable on primary mobile number</i>)
Type of housing	Savings	If get a discount when paying immediately, vs. paying later	Purpose/s of mobile phone used for
Number of rooms in the house	If has saving of any kind	Percentage discount gotten with immediate cash purchase	Purpose mobile phone mostly used for
Number of family members in the house	Saving method/s used	If sell products to own clients on credit	If willing to receive calls to get business advice
Education	Reason/s for saving	Percentage of sales sold to clients on credit	Language comfortable hearing messages
If this business is primary occupation	Type of investments undertaken	How make decision whether to sell to a customer on credit	
Other sources of income	Information about 3 Largest Loans in Past 12 Months	Usual credit period provided to buyers on average (in days)	
Number of major income earners in the family	Institution/Source from which loan taken	If offer a discount when people pay immediately	
Asset ownership	Loan amount	Is this business seasonal	
	Interest rate	Number of people employed including himself/herself to work in business	
	Outstanding balance	Number of hours worked by himself/herself for the business on average per week	
	Loan tenure	If take money out of the business for personal needs	
	Month and year of getting loan	If and in what way (in-kind/cash) take money out of the business	
	Purpose of loan	How often take cash out of the business for personal consumption	
	Period of the year when usually in need of money	Where usually keep the revenues from sales -- If have a physical place where keep the cash from business safe (before taking it to the bank)	
	If any reserves set aside for any unforeseen events	If business makes an extra profit what is done usually with the money	
	If in need of significant amount of money (say Rs. 50,000 in India) urgently for business/ family, who will be approached	If keep books (on paper or through a software)	
	Financial Situation	What is reported in books	
	Description of spending on ordinary bills and daily needs of household in last 2 months (Less than average, Average, More than average)	Business Financial Details	
	Household's ability to cope with ordinary bills and daily consumer items (With Lot/Some/No difficulty)	Total income from business last year	
	Financial situation scale (1 being the most difficult period and 10 being the most stable situation)	Average sales as per week of sale in Good sales week/ Regular sales week/ Bad sales week	
	If worried about money any time in the last 2 months	Average sales reached on a monthly basis in Good month/Regular month/ Bad month	
		Average profit (%) for business for the last year	



**FINANCIAL HEURISTICS SCALE UP PROJECT
GRANT NO: AID-OAA-F-14-00022
MILESTONE 2 REPORT**



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Financial Heuristics Scale-Up Project: Milestone 2 Report

Introduction

This report is the second milestone deliverable for DIV grant AID-OAA-F-14-00022 (Financial Heuristics Scale-Up Project). The report is structured as follows: Section One reports on the general status of the project so far and presents the updated Key Performance Indicator (KPI) dashboard. Section Two outlines the structured selection and due diligence processes we used in finalizing our five partners for the Financial Heuristics scale up project. Section Three provides details about the terms of partnership for each partner, roles and responsibilities, partnership period and the status on contract signing. Section Four discusses the key activities on the project until the next DIV deliverable for this grant (due on March 1, 2016).

Section One: General Status of the Project and KPI Dashboard

The work to date on DIV grant AID-OAA-F-14-00022 consists of the following key activities:

- 1) *Creating an implementation plan, intervention design and evaluation strategy:* We developed a high-level project implementation plan, highlighting the key phases (preparation, implementation, evaluation) of the Financial Heuristics scale-up project. We completed initial drafts of the intervention design and evaluation strategy. Our intervention design focuses on developing a scalable version of the mobile phone-based financial heuristics training, with the support of microfinance institutions (MFIs). We will evaluate the effectiveness of this training tool on the financial management behaviors of the clients of these institutions with two randomized controlled trials (RCTs), conducted with the help of evaluation firms.¹
- 2) *Finalizing ideas42's partners for the scale up project in India and the Philippines:* During our first site visits to India and the Philippines in May 2015, we visited the two microfinance institutions we had shortlisted as potential partners for the scale up project – Janalakshmi in India and Negros Women for Tomorrow Foundation (NWTF) in the Philippines. The objective for the site visits was to perform on-site due diligence of the MFI's operations, and confirm their capacity and willingness for participating in the scale up project. We also met with the organizations we had shortlisted as evaluation partners for the project – Innovations for Poverty Action (IPA) in the Philippines and the Institute for Financial Management Research (IFMR) in India to initiate our partnership with them on pilot evaluation. After the site visits, the MFIs and evaluation firms confirmed their interest in partnering with us on the Financial Heuristics scale up project.

¹ The milestone one report outlining the implementation plan, intervention design, and evaluation strategy is already submitted to DIV in March, 2015.

During our India site visit, we got feedback from the team currently managing the technology platform as part of the ongoing mobile phone-based financial management training pilot in India. Based on this feedback, we developed a technology specification document to customize and build the next iteration of the training platform. We then launched a Request for Proposal (RFP) process to select the most suitable technology partner to provide and manage a technology platform for the scale up project. Based on the careful review of the proposals received and following a rigorous evaluation process, we have selected engageSPARK as a technology partner for the Financial Heuristics scale up project.

- 3) *Conducting our first round of qualitative interviews with clients of partner MFIs:* In the Philippines, we conducted qualitative interviews with 16 NWTF clients to learn more about their business and financial management practices and assess the relevance of already developed financial heuristics content for India to the needs of NWTF’s clients.

In India, we conducted user experience interviews with 12 Janalakshmi clients who are currently participating in the ongoing pilot and receiving the mobile phone-based financial heuristics training. In those interviews, we obtained useful user feedback on the content delivery, timing and usefulness of the currently piloted rules of thumb.

An updated project tracking sheet with key milestones and timelines is presented in Appendix A. An updated KPI dashboard for this project is presented in the table below.

Table 1: Project KPI Dashboard

2	Award date + 12 months: Sep 1, 2015	<p>This milestone requirement is considered fulfilled when the following actions have occurred and the deliverables and/or associated narrative have been submitted to the AOR for review/concurrence:</p> <ul style="list-style-type: none"> • <i>MOUs with partner institutions finalized.</i> <ul style="list-style-type: none"> - Janalakshmi – Contract signed - NWTF – Contract signed - IPA – Contract is being finalized - IFMR – Contract is being finalized - engageSPARK – Contract is being finalized • <i>Deliverable is a summary report on the MOU process.</i> <ul style="list-style-type: none"> - Report Attached. 	\$136,475.10
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Section Two: Partner Selection Process

This section provides a brief introduction of our selected partners for the Financial Heuristics scale up project. Furthermore, it outlines the key steps undertaken in signing on these organizations as partners for the project. The five partners working with us on this project are as follows:

- Two Microfinance Institutions as implementation partners
 - a. Janalakshmi in India
 - b. Negros Women for Tomorrow Foundation (NWTF) in the Philippines
- Two evaluation partners
 - a. Institute for Financial Management and Research (IFMR-LEAD) in India
 - b. Innovations for Poverty Action (IPA) in the Philippines
- Technology partner
 - a. engageSPARK

Implementation Partners

We are partnering with two MFIs to develop and embed the scale up training product in their operations and work together to execute and evaluate the Financial Heuristics scale up pilots in India and the Philippines.

Janalakshmi

In India, we will partner with Janalakshmi, a world-leading microfinance institution based in Bangalore, which serves mainly the urban underserved across India. ideas42 has an ongoing partnership with Janalakshmi where we are currently testing Phase One of the mobile phone-based financial management training intervention with Janalakshmi's clients. Janalakshmi has proven to be a very responsive and engaged partner so far.

During our first site visit in May, we met with the executive team of the Jana Urban Services for the Transformation Pvt. Ltd. (JUST) to propose a partnership on the next phase of the Financial Heuristics project. The proposal was enthusiastically received – Janalakshmi expressed its interest to be our key innovation partner in India for the scale up of this high-profile technology-based financial management training tool. At Janalakshmi, we are primarily liaising with JUST, a 100% owned subsidiary of the Jana Urban Foundation, which provides non-financial services to Janalakshmi customers. In addition, we will work with Janalakshmi Financial Services for retrieving the administrative data on their clients participating in the pilot. Janalakshmi has requested quarterly reports on progress and outcome metrics throughout the project duration, which we will be happy to provide. We have already signed a formal partnership contract with Janalakshmi.

Negros Women for Tomorrow Foundation

In the Philippines, we will partner with NWTF, a non-government organization, headquartered in Bacolod City, committed to the fight against poverty by providing Grameen-based micro-financing and

developmental services to the marginalized urban and rural poor of Central Philippines. ideas42 issued a Request for Expression of Interest in 2013 for potential partnership on the Financial Heuristics scale up project. The shortlisted applicants were evaluated on the basis of the following key criteria: suitability of target clients, implementation capacity, data retrieval capabilities and management buy-in. We selected NWTF based on its suitability in each of the above areas. The Philippines offers a great opportunity for scale up of the Financial Heuristics training across its MFI sector, as it has a strong microfinance industry and a large population of microenterprises.

During our first site visit to NWTF in May 2015, the idea42 team met with NWTF's board of directors, executive team, operations staff, and field staff (i.e. loan officers). Overall, we were greeted with great excitement about the project, and the prospect of using mobile phones to extend non-financial services to NWTF's clients. Discussions with the NWTF team provided us with an in-depth understanding of NWTF's operations and the functions of its various departments. It also gave us a better understanding of NWTF's touch points with its lending customers and the business advisory services and trainings offered to NWTF customers. For the scale up project, we will partner with NWTF's Clients Services Department to manage the technology platform and deliver the Financial Heuristics training to selected NWTF clients during the pilot intervention. Furthermore, we will partner with NWTF's Research and Development Department, with an extensive experience in executing new product development projects, on other logistics related to the pilot evaluation such as selecting the target clients and branches for the pilot, retrieving administrative data on clients, etc. We have already signed our partnership contract with NWTF.

Evaluation Partners

We will partner with local evaluation firms in India and the Philippines to manage the day-to-day activities on the project while it is in the field and to lead the pilot evaluation.

IFMR-LEAD, India

We will partner with IFMR-LEAD, a non-profit research organization in Chennai to assist with fieldwork and on-the-ground implementation of the project. IFMR-LEAD's professional research staff and academic leadership have extensive experience in running randomized controlled trials with microentrepreneurs in India.

IPA, Philippines

We will partner with IPA's local office in the Philippines to assist with the fieldwork and on the ground implementation of the scale-up project in the Philippines. IPA has been one of the leaders in randomized evaluations in the last ten years since its inception. Currently, in the Philippines, IPA has various evaluations underway in the fields of microfinance, remittances, land reforms, and governance.

During our first site visits to India and the Philippines, we met with country directors from IPA and IFMR to discuss the structure of engagement, roles and responsibilities, and to get their final buy-in on the scale up project. In addition, over the month of July, we agreed upon the project budget, staffing and

timelines for the pilot intervention. Currently we are in the process of finalizing our partnership contracts with both of these partners

Technology Partner

For the scale up project, we will work with a technology partner to develop the technology features necessary for the mobile phone-based financial heuristics training. Since much of the success of the Financial Heuristics project rides on the technology platform, we wanted to be absolutely sure that we have made the right choice on the technology partner.

We used an RFP process to select the most competent technology partner to work with us on this project. We requested proposals from five shortlisted technology companies: Awaaz.De, engageSPARK, Exotel, IBM, and Votomobile. We received proposals from Awaaz.De, engageSPARK, and Votomobile, which we evaluated based on a careful review of proposals, follow-up calls with these companies, and conducting extensive reference checks. Our final evaluation was based on assessing the technical capabilities, ease of usage, cost considerations, and opportunities for scale. Using our thorough evaluation process, we finally selected engageSPARK as it outperformed all the other shortlisted companies with its easy to use, yet robust Interactive Voice Response (IVR) based technology platform offering all the desired features at the lowest cost.

Based out of Cebu City in the Philippines, engageSPARK is a not-for-profit social enterprise that offers a self-service platform designed for non-technical people to leverage the power of mobile phones to engage effectively with the beneficiaries. Its technology platform allows to create two way voice and SMS campaigns and offers an easy to use and cost-effective tool for building and launching interactive Voice and SMS campaigns in over 200 countries.

We believe that engageSPARK offers a technology solution that is relatively easy to scale. Since engageSPARK platform is cheaper and more user-friendly, it has more likelihood of adoption by MFIs (particularly after this grant when MFIs will need to pay for the mobile phone-based distribution of the training themselves). Currently, we are in the process of finalizing our partnership agreement with engageSPARK.

Section Three: Details of Contracts and MOUs

This section provides a brief overview of contracts at ideas42 and the terms of partnership for each partner on the Financial Heuristics scale up project in terms of roles and responsibilities, partnership period and the status on contract signing.

Contracts at ideas42 have two components:

1. Participant Agreement: Defining purpose and scope of work
2. Terms and Conditions: An exhibit to the Participant Agreement defining legal terms and conditions of the contract

Microfinance Institutions

The partnership period for both Janalakshmi and NWTF, on the Financial Heuristics scale up work, will be from September 2015 to August 2017. In terms of roles and responsibilities, the two MFIs will assist in selecting the target client population for user-testing and pilot implementation and evaluation. In addition, MFIs will provide contact information and administrative data on the clients participating in the pilot. The MFIs will also be responsible for conducting onboarding sessions with clients in the pilot and operating the technology platform for sending out heuristics-based training messages to the target clients at a pre-defined schedule. We have finalized and signed our partnership agreements with both MFI partners.

Evaluation Partners

Our engagement with the evaluation partners will be from September 2015 to June 2017. The evaluation partners will liaison between ideas42, MFI, and the technology partner and will be responsible for the day-to-day management of the project in the field, which includes interviewing clients, user testing the technology platform and training content, hiring field staff, ensuring smooth running of the technology platform, etc. These partners will conduct the pilot evaluation, i.e., prepare and conduct baseline, midline, and endline surveys and manage the related field work logistics. Moreover, they will compile and clean the field data, run summary statistics, and provide timely progress reports. We are currently finalizing the partnership agreements and expect to sign the contracts with both IFMR and IPA by mid- September, 2015.

Technology Partner

Our partnership with engageSPARK will be from September 2015 to December 2016. The key responsibility of engageSPARK will be to offer its IVR based technology platform to effectively deliver the Financial Heuristics training messages to microentrepreneurs. engageSPARK has already developed a technology platform that allows pushing of voice or text messages to participants in multiple languages while offering easy downloading of user activity data.

For the Financial Heuristics scale up work, engageSPARK will customize its platform to include features such as automation, content library, and a broadcasting summary dashboard. The automation functionality will allow automatic scheduling of messages to participants along with automatic follow-ups if the participants do not pick up the call on the first try. Access to content library would allow for storage of pre-recorded messages on the platform itself that could be routinely updated. engageSPARK will also build a user friendly dashboard that will allow for real time access to key data such as number of clients picking up calls on the first attempt, average length of the message listened to, etc. The dashboard will help for easy monitoring of training broadcasting. engageSPARK will also assist in conducting in country tech pre-pilots to test the functioning of the platform. Furthermore, it will train the MFI staff operating the platform and provide operating and troubleshooting support throughout the project duration. We are currently finalizing details of our contract agreement with engageSPARK and expect to sign the contract by mid-September, 2015.

Section Four: Next Steps

The Financial Heuristics scale up project is moving along according to our initial timelines. We anticipate that we will be able to deliver all the proposed activities for the next milestone deliverable due on March 1, 2016 as per the contract for Grant AID-OAA-F-14-00022. To achieve that, we plan to focus on the following activities:

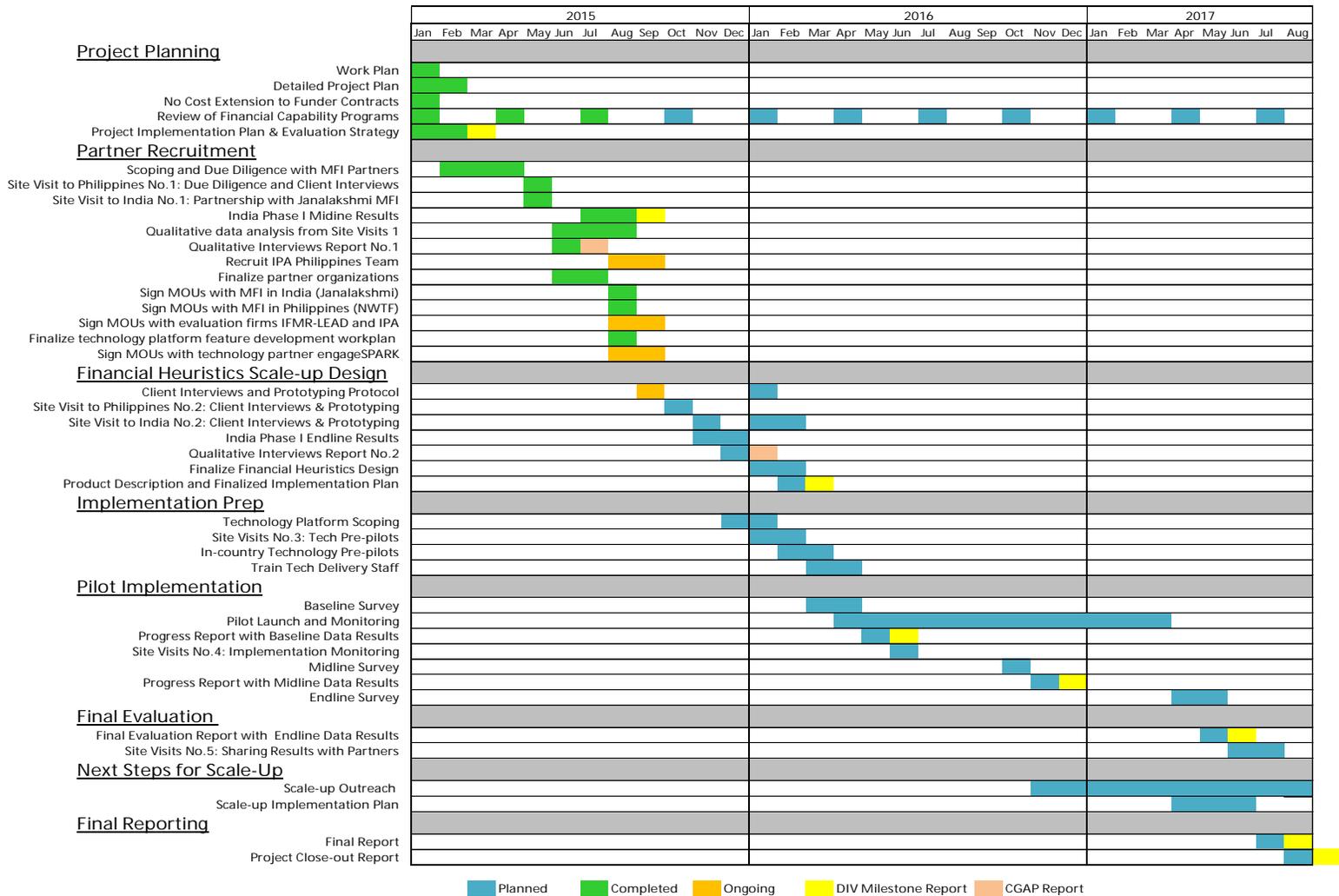
Finalize content for the Financial Heuristics scale up training: Based on the qualitative findings from the interviews from our first site visits to India and the Philippines, we have selected a few topics we would like to do a deeper qualitative dive-in on, such as paying oneself a salary, inventory management and sourcing of goods. On our next site visits in October and November 2015, we will do follow-up interviews with potential clients to get a more nuanced understanding on how to best structure the content on these topics so it better serves the business and financial decision making needs of our target customers.

Development of tech platform features: Our team will work with engageSPARK to finalize the functionality and features of the technology platform we will use for the mobile-based delivery of the content. engageSPARK will customize its platform to include features such as automation, content library, and a broadcasting summary dashboard. We will run tech pre-pilots to check the functionality of the platform and its ease of use.

User test the content to obtain user feedback: We will also conduct user testing with a group of MFI clients to assess the optimal delivery format of training messages in terms of content, length, timing, and structure of message delivery. Findings from the second round of interviews and user testing will help us finalize the Financial Heuristics scale up training tool (length, duration, and content of calls) so it fits the needs and context in which our target clients are operating. The feedback from tech and user testing pre-pilots will help us develop a behaviorally informed financial management training tool with optimal features in terms of content, message length and format, and delivery schedule.

Finalize RCT experimental design and implementation plan for the intervention: With the help of our MFIs and evaluation partners, we will finalize the experimental design for the RCT evaluation in terms of finalizing the target population, branch selection for running the pilot, and selecting the sample of clients to be part of the evaluation. In terms of implementation logistics, we will work on developing the onboarding protocol for clients participating in the training, training the staff who will be managing the platform and ironing out the content delivery schedule.

Appendix A: Financial Heuristics Scale-Up Project Tracking Sheet



Planned Completed Ongoing DIV Milestone Report CGAP Report