

Mercy Corps Indonesia



# **EMPOWERING INDONESIAN WOMEN'S ECONOMY THROUGH DIGITAL FINANCIAL INCLUSION**

Lessons from MFS and SWEET Programs  
for Women Micro-Entrepreneurs in East Java





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## PUBLICATION DATE

This document was published in January 2021 and is available for public access through [mercy corps.or.id](http://mercy corps.or.id)

The lessons learned document from series of financial literacy program for women entrepreneurs in East Java was supported by ExxonMobil Foundation.

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# EXECUTIVE SUMMARY

Acceleration of innovation is needed to achieve financial inclusion that could reach all segments of the population. While Indonesia's financial inclusion has made strides in recent years, gaps and inequalities persist. The 2019 National Financial Literacy Survey (SNLIK) shows the level of financial inclusion in Indonesia reaching an index of 76.1%, with a higher index for men (77.2%) than women (75.15%). The survey also reveals a large disparity between urban (83.60%) and rural (68.49%) areas.

Women, especially in rural areas, face many challenges in accessing and using formal financial services. These are attributed to: the lack of trust in formal financial institutions, the lack of access to information and knowledge about financial products and services, social and cultural barriers, areas underserved by financial institutions, perceived high costs, or lack of interest among formal financial institutions to serve this segment. In reality, women need financial services that allow them to save, make transactions, and get access to finance. Women entrepreneurs or business owners, specifically, have a greater tendency to reinvest their savings into their business.

Mercy Corps Indonesia (MCI)—supported by the ExxonMobil Foundation and in collaboration with various national and international partner organizations, research institutions, a survey institution, and a formal financial institution—implemented financial inclusion programs, namely the Mobile Financial Services for Female Entrepreneurs (MFS) program and the Scaling-up Women

Entrepreneurs Empowerment Training (SWEET) program in the 2015–2020 period. These programs were implemented as an effort to accelerate financial inclusion through innovative solutions, which specifically aimed to increase access and use of savings accounts and investment among women micro-entrepreneurs. As a result, they would see an increase in income, be more economically empowered, and develop better well-being for their families and the surrounding community.

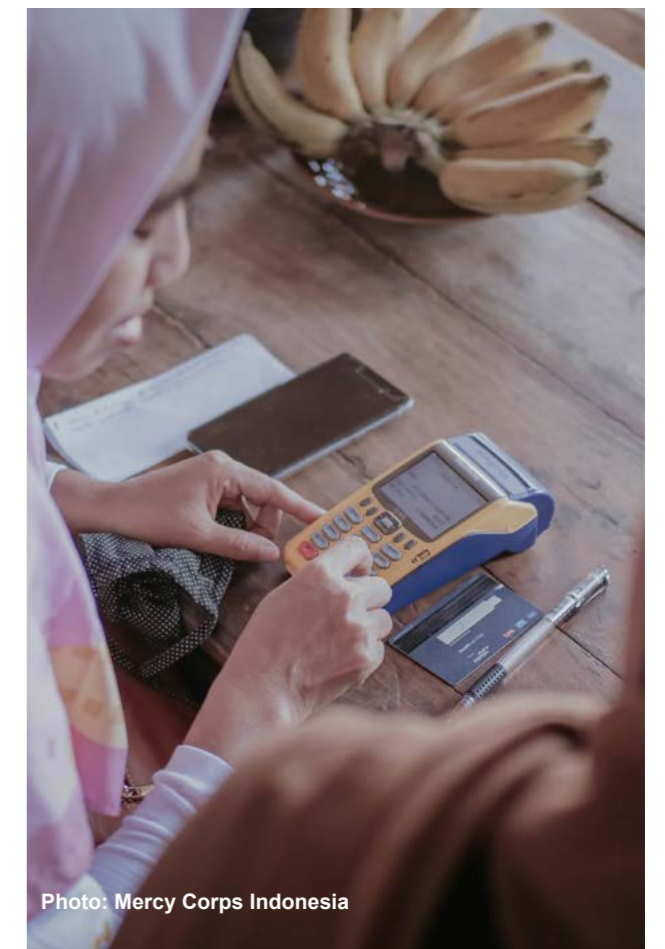
















Photo: Mercy Corps Indonesia



Table 1: Comparisons Between MFS and SWEET Programs

Component(s)	Mobile Financial Services (MFS) for Female Entrepreneurs	Scaling-up Women Entrepreneurs Empowerment Training (SWEET)
 Objective(s)	To identify a cost-effective and sustainable approach to the implementation of branchless banking that would increase savings and investment among women entrepreneurs. As savings and investment increase, their income would also rise.	To expand the knowledge and skills of women entrepreneurs in business and household financial management, help them understand the various financial products, and encourage them to actively access digital financial services to increase business profits and family well-being.  Program objectives: 1. To ensure that 1,500 women entrepreneurs could differentiate and prioritize their household and business financial needs. 2. To support 1,500 women entrepreneurs in developing saving habits, and to connect them to branchless banking agents.
 Implementation period	2016-2018 (34 months).	2018-2019 (14 months).
 Location(s)	5 districts in East Java: Ngawi, Bojonegoro, Tuban, Lamongan, and Gresik.	3 districts in East Java: Ngawi, Bojonegoro, and Tuban.
 Number of villages	400 villages.	78 villages.
 Partners in program implementation	Center for Global Development (CGD) as a research coordinator, Abdul Latif Jameel Poverty Action Lab (J-PAL) for research implementation, SurveyMETER for survey implementation, and a partner bank for recruiting branchless banking agents.	Branchless banking agents and a partner bank.
 Program design method or approach	Randomized control trial (RCT).	A program design with a participatory approach that involved and focused on women entrepreneurs, and behavioral insights to encourage behavior change. Impact assessment using quantitative (surveys) and qualitative methods (focus group discussions and in-depth interviews).
<b>Supply side: Banking agents</b>		
 Number of agents	401 agents.	44 agents.
 Number of trainers	33 trainers for branchless banking agents.	1 master trainer.
 Facilitation of agent recruitment process	Yes, 401 new agents were successfully recruited, with 1 agent in each village for the intervention program.	No, but previously recruited agents from the MFS program were empowered further.
 Facilitation of agent training	Yes, 401 new agents were given training to provide branchless banking services.	Yes, 44 agents were given a refresher training to recall the materials that had been previously given earlier when first becoming an agent.

Component(s)	Mobile Financial Services (MFS) for Female Entrepreneurs	Scaling-up Women Entrepreneurs Empowerment Training (SWEET)
<b>Demand side: Women entrepreneurs</b>		
 Number of women as participants	2.086 Women entrepreneurs	1.602 Women entrepreneurs
 Method of participant selection	Randomized according to the RCT methodology. Illiterate participants were included.	Not randomized, but must fulfill certain criteria such as participants must not be illiterate and were not MFS participants.
 Number of trainers	49 trainers for financial literacy training.	22 trainers for financial literacy training.
 Number of participants in each training group	4-7 participants.	10-15 participants.
 Activity components	4 sessions that included 1 training session and 3 mentoring sessions.	4 sessions that included 1 training session and 3 mentoring sessions, including a meeting with agents in one of the mentoring sessions.
 Facilitation of direct meetings with banking agents	No, but participants were given information about the identity of the local agents and their location.	Yes, in addition to being given information about the identity of the local agents and their location, participants were also connected with these agents directly.
 Meeting duration	Training (3 hours) and mentoring (1-1.5 hours).	Training (2.5 hours), mentoring (1.5-2 hours), and meeting with agents (1 hour).
 Training materials	Financial management, saving, financial planning and bookkeeping, business financial management, and introduction to financial digital service products (SMS banking).	Saving, managing expenses, building wealth.
 Training tools for participants	SMS reminder; financial planning form; financial planning revision sample form; daily/weekly income, savings and expense forms; monthly income, savings, and expense forms; and business cash flow planning sample form.	SMS reminder, savings envelope, savings calendar, commitment to saving, daily savings target, expense record sheet, and gamification.
 Practical skills	Practice using SMS banking, practice creating financial plans and cash flow projections, and practice financial record keeping.	Practice saving every day, practice opening a savings account through branchless banking agents, and practice recording daily expenses.

There are lessons learned from these financial inclusion programs that intended to bring women closer to the formal financial system. Through innovations that aim to find solutions to the various challenges faced by women micro-entrepreneurs in rural areas, the following main lessons are presented as a summary of data-oriented learning, empirical evidence, and highlights from program implementation. The lessons learned are divided into two sections, namely lessons from the supply side (Laku Pandai or branchless banking agents) and demand side (women entrepreneurs).

### Supply-Side Lessons: Branchless Banking Agents

#### Lesson 1: A robust agent management strategy involving digital solutions is necessary

A branchless banking agent management strategy that aligns with the overall approach of the bank is needed to manage agents optimally in finding and serving customers. This alignment is demonstrated by how the bank manages its agents' operations, especially concerning various aspects that include: policies, resource allocation, information systems, incentives, and agent monitoring. The alignment of these strategies influences how agents provide services to their customers. Branchless banking services in the form of digital-based savings products are closely linked to work units that handle information systems and technology infrastructure. Integrated and efficient information and technology systems allow the bank to provide quality services to both agents and customers. The bank also needs to help build customer trust in agents because their main customers belong to segments of the population whose members do not have a banking account (unbanked) or are minimally served by formal financial institutions (under-banked). Therefore, with reliable information systems and technology, and digitization of processes both upstream and downstream, both the bank and agents can provide faster and more accessible services to customers.

#### Lesson 2: Do not emphasize financial criteria as the main component of agent selection

Quantitative indicators (for example, the scale of business and available liquidity) should not be the primary reference point for agent selection. These indicators alone do not suffice as there are certain characteristics required for agents to carry out their duties properly apart from the size of their business and how much business income they earn. For example, an individual who has a large business and high levels of liquidity but lacks the motivation to become an agent is more likely to not be able to carry out his or her duties as an agent effectively. High motivation, the ability to think creatively and positively, and the ability to face challenges are significant characteristics for an agent. There are at least three aspects that need to be considered when choosing the right agent, namely: 1. Agent literacy, a necessary trait for agents to be able to read and write when serving customers; 2. Trusted by the public, because adoption of digital banking services currently remains a challenge, thus building public trust in agents to overcome this issue is critical; and 3. Have extensive social connections, because agents with broad social connections often have a larger number of potential customers.

#### Lesson 3: Strengthening the agent distribution network through operational support

Agent productivity is closely connected to the support provided by the bank, which helps maintain service quality. Agents often need support both in the early days of becoming an agent and afterwards. Support in the early days after the recruitment process includes training and mentoring, imparting knowledge of financial products and services to agents, and helping them master the use of the agent system. Support through agent monitoring, whether done face-to-face or virtually, plays a critical role in maintaining consistent and reliable customer service, including solving problems experienced by agents. The support for the agent's operational system includes



Photo: Mercy Corps Indonesia

agent web clients, EDC machines, and liquidity management. In short, adequate support would assist agents in providing reliable services to customers, thus improving agent quality and strengthening the agent distribution network.

#### Lesson 4: There is non-material motivation beyond financial incentives that serves as a driving factor for agents

Most agents could not generate a significant profit from carrying out their activities as agents. That is because not all of them had many customers, and a low number of customers led to a smaller number of transactions conducted by agents. However, there lay non-material motivations that kept them afloat to provide services to their customers, one of which was social behavior. Agents with social motivation are driven to help the surrounding community to save more easily. This illustrates that financial incentives are not the only driving force for agents. Such non-material motivation serves as a significant asset for the sustainability of the agent network; this needs strengthening through the bank's support so that agents can carry out their duties properly. To maintain the sustainability of agents, especially of the agents who have not attained a large volume of transactions, a humanistic approach and consistent support would help maintain their non-material motivation. That can be put into practice by having regular meetings between agents and the partner bank.

### Demand-Side Lessons: Women Entrepreneurs

#### Lesson 5: Start with a thorough understanding of the needs and aspirations of women in the program design process

There are differences in the design process between the MFS and SWEET programs. The MFS program did not use the participatory approach on the women entrepreneurs, whereas the SWEET program applied such approach. The MFS program design was made with references based on the results of the previous study, while SWEET's training program applied a participatory process that directly involved women entrepreneurs.<sup>1</sup> A participatory approach was used to gain a comprehensive understanding of the needs and aspirations of women toward formal financial products and services. This approach was carried out through a needs assessment at the beginning of the program. The needs assessment was conducted by involving the active participation of women to get input on training materials, and by building empathy to understand the needs and aspirations of these women more comprehensively. As a response to various existing needs and aspirations, the program was designed accordingly with training materials that would help encourage women entrepreneurs to make the desired behavioral changes so that they would start adopting digital





Photo: Mercy Corps Indonesia

financial services. This included fostering a saving habit and encouraging them to open a branchless banking account. To address the issue with trust, the program was also designed to build confidence among women micro-entrepreneurs in agents. By having a thorough understanding of their needs, the training design could effectively accommodate the various aspirations of these women.

**Lesson 6: Interventions informed by behavioral insights are needed to encourage women to open a savings account through agents**

The training program was designed not only to increase the financial literacy of women entrepreneurs but also to help them gain access to the formal financial system. This was done through various interventions informed by behavioral insights to encourage saving habits, through the facilitation of one-on-one meetings between the entrepreneurs and agents, and through technical training related to digital-based financial services. Lessons learned show that these stages needed to be completed as an important sequential process to encourage account openings and provide the tools for women to adopt digital-based financial services.

There were three interventions in the training program that aimed to encourage women to open a savings account through branchless banking agents, and also to provide them with the knowledge to expedite the adoption process. First, the training module used behavioral insights and included various “nudging” tools that aimed to encourage positive behavior change. Second, the program included an intervention that facilitated meetings between the women entrepreneurs and agents to build mutual trust and speed up the opening of branchless banking accounts.<sup>2</sup> Third, materials related to digital financial products and technical exercises were laid out iteratively to bolster confidence and technical understanding among women participants. This would encourage the adoption of branchless banking accounts and lead the women entrepreneurs into becoming active users.

**Lesson 7: Relevant use case is the main factor for women to be active users**

After becoming a customer, it is critical that women entrepreneurs start performing transactions using their savings account. A relevant use case for women entrepreneurs

would likely encourage them to perform repeat transactions and use their account more actively. Such cases are closely tied to the circulation of money among women micro-entrepreneurs that often happens within a short time frame. For example, the women participants found it easier to save small amounts of money every day as opposed to large amounts every month. Therefore, financial service providers need to serve products that suit the needs of certain segments, including women micro-entrepreneurs. Digital savings accounts do not have a minimum deposit limit, making it easier for customers to save even small amounts. Besides, reliable and accessible services are also needed to assist women in conducting essential transactions. If they have access to reliable services, it is more likely for them to repeat a transaction at a later time.

**Lesson 8: The importance of the quality of trainers to maintain the consistency of good quality training**

The quality of trainers often determines the quality of the training. Therefore, it is necessary to maintain the quality of training by increasing the capacity of trainers, and applying a robust monitoring and evaluation system. In this program, it was a prerequisite for trainers to have a comprehensive understanding of training materials. They were also equipped with tools such as manuals to help provide participants with detailed information and standardized procedures (or standard operating procedures). The presence of a robust monitoring and evaluation system is vital for maintaining the quality of trainers effectively, especially in large-scale programs involving many trainers and thousands of participants. The monitoring process was carried out in different forms that included direct mentoring from the field team, filling in activity report forms, and taking part regularly in meetings between the field time and all trainers.

**Lesson 9: A context-sensitive approach is needed to ensure women’s participation in all training activities**

The participation of women entrepreneurs as training participants was a prerequisite that must be satisfied for the project implementation to run smoothly. Therefore, an approach that considered the local context of the community was needed to ensure that the women entrepreneurs could complete all training activities in the program. An approach that considered such context includes sending out training invitation letters signed by the local village head, and requesting permission from the participant’s husband or family members to smoothen her participation in the training.

Furthermore, other approaches were also used to help participants complete their training. The gamification technique, for instance, was applied to make training more interactive and make participants become more motivated. This was conducted by assigning points and giving appreciation for the achievements of participants who practiced their financial management skills.

There was also flexibility in training time according to the participants’ availability and commitment. Besides, there were also standard procedures to ensure participants could attend these training activities. These procedures include requesting confirmation of attendance via telephone and even picking up participants to the training venue if needed. They were all done to ensure that the women entrepreneurs could attend all training sessions.

<sup>1</sup> A Roadmap for Promoting Women’s Economic Empowerment, ExxonMobil Foundation and United Nations Foundation, 2013.

<sup>2</sup> Branchless banking is the delivery of banking services and/or other financial services that are performed not through office networks, but through cooperation with other parties; and that require support of information technology (Financial Services Authority Regulation Number 19/POJK.03/2014).





Photo: Rico Setiawan

# 1 INTRODUCTION



Financial inclusion is one of the primary drivers for alleviating poverty, improving well-being, and achieving inclusive development. Financial inclusion enables convenient access to the formal financial system in everyday life. People can build their assets, protect their finances, invest for their future; and open up economic opportunities to improve well-being and quality of life.

Indonesia has achieved an increase in the financial inclusion index in recent years. Data shows a rise in the index from 67.8% in 2016 to 76.19% in 2019 based on the 2019 National Financial Literacy Survey (SNLIK) conducted by the Financial Services Authority (OJK). The 2019 SNLIK data also reveals a higher financial inclusion index for men (77.24%) than women (75.15%), and a large disparity between urban (83.60%) and rural areas (68.49%).

Despite improvements in access to the formal financial system in Indonesia, there remain gaps that require attention. Women living in rural areas face considerable challenges in accessing formal financial services due to many factors, such as lack of trust in financial institutions, lack of access to information and knowledge about financial products and services, social and cultural barriers, areas underserved by financial institutions, perceived high costs, or lack of interest among formal financial institutions to serve this segment.

Innovations within business models and technology continue to develop to accelerate financial inclusion. One of these innovations is the formation of branchless banking agents known as Laku Pandai, which provide products and services to groups untouched by formal financial institutions. This opens up opportunities to close the gap in financial access, especially for women in rural areas. By introducing and providing them with information about Laku Pandai and its products and services, these women can learn the benefits of branchless banking and meet their daily financial needs.

From the end of 2015 to 2020, Mercy Corps Indonesia (MCI)—supported by the ExxonMobil Foundation and in collaboration with various national and international partner organizations, research institutions, a survey institution, and a formal financial institution—implemented financial inclusion programs, namely the Mobile Financial Services for Female Entrepreneurs (MFS) program and the Scaling-up Women Entrepreneurs Empowerment Training (SWEET) program. These programs acted as an effort to encourage financial inclusion in Indonesia, especially for women micro-entrepreneurs in rural areas. The purpose of implementing these financial inclusion programs was primarily to increase access for women entrepreneurs to formal financial services through branchless banking agents.

This document summarizes the main lessons learned from findings and observations on the implementation of both the MFS and SWEET programs, which are divided into four chapters. The first chapter provides a fundamental overview of why the programs were implemented. The second chapter provides detailed information on the programs, including details on their implementation. The third chapter discusses lessons learned from the supply side, which involves branchless banking agents; whereas the fourth chapter delves into the demand side, which involves women micro-entrepreneurs. The document closes with the fifth chapter that offers recommendations, which could serve as invaluable input for other parties, including those that intend to implement similar programs.



Photo: Mercy Corps Indonesia

## PROGRAM BACKGROUND

Women need financial services to save, perform transactions, and get access to credit. Some of the most common practices include keeping money at home, taking part in arisan groups (or rotating and savings groups/ROSCA), or engaging in other informal savings mechanisms. A study shows that women business owners have a greater tendency to reinvest their savings into their business after considering other priorities.<sup>3</sup> To encourage women's economic empowerment through financial inclusion, MCI implemented programs that aimed to support women entrepreneurs in gaining access to formal digital savings. This would lead to increased business investment, increased income for women entrepreneurs, and improved well-being of their families.

The formation of branchless banking agents as one of the latest innovations in expanding access to banking services in Indonesia serves as an alternative option to encourage financial inclusion for individuals with no bank account (unbanked), especially for those who live far from the nearest bank. Agents play a significant role in introducing people in the local community to digital savings products and encouraging them to adopt and use these products. Agents are also instrumental in building customer trust in formal financial services.

However, expanding access to financial services alone is not enough to speed up financial inclusion. That is because unbanked segments of the population, including women micro-entrepreneurs in rural areas, tend to have limited financial knowledge and digital literacy. Therefore, these groups need to be provided with financial literacy training, besides access to formal financial services, to optimize the impact of the use of available financial products and services through branchless banking agents.



Photo: Mercy Corps Indonesia

The availability of financial access points alone does not guarantee financial inclusion. The development of digital technology and the formation of branchless banking agents have been able to make access to financial services faster, cheaper, and easier to adopt. Financial literacy remains an essential requirement for applicable financial inclusion. Women entrepreneurs with a good level of financial literacy can better manage their personal or household finances and reap the benefits of financial products to develop their businesses, and build a financially secure future according to their needs.

<sup>3</sup> *A Roadmap for Promoting Women's Economic Empowerment*, ExxonMobil Foundation and United Nations Foundation, 2013.





Photo: Rico Setiawan

# 2

## DESIGN OF THE MFS AND SWEET PROGRAMS FOR WOMEN ENTREPRENEURS



A series of financial inclusion programs for women entrepreneurs took place for four years, from 2016 to 2019. The series comprised two programs, namely: (1) the Mobile Financial Services for Female Entrepreneurs (MFS) program, and (2) the Scaling-up Women Entrepreneurs Empowerment Training (SWEET) program. Overall, the two programs shared the same goal of increasing access to and use of savings and investment for women entrepreneurs, which would then increase the income and economic independence of women entrepreneurs, and the wellbeing of their families. Despite having the same goal, both the MFS and SWEET programs used different approaches in their implementation.



Photo: Mercy Corps Indonesia

## Mobile Financial Services for Female Entrepreneurs (MFS) Program

Mercy Corps Indonesia (MCI) implemented the first financial inclusion program, namely the Mobile Financial Services for Female Entrepreneurs (MFS) program, for almost three years (2016–2018) in 400 villages in five different districts in the province of East Java. The primary aim of the MFS program was to identify cost-effective and sustainable solutions that could optimize the role of banking agents in boosting the number of savings account holders, especially among women entrepreneurs.

### Randomized controlled trial (RCT) in MFS's program design

The design of the MFS program focuses on the RCT method, which is considered the gold standard for measuring the impact of interventions, as the process used during implementing RCT allows for unbiased impact evaluation. That is because other factors outside the program intervention are minimized or controlled.

The principle of the RCT method is to divide participants randomly into either a treatment group (receiving the intervention) or a control group (receiving no intervention). Observations are then conducted identically during the program implementation regardless of the treatments. At the end of the program, the comparative analysis of the different results of the two groups provide data documenting the impact of the intervention program.

The imposing number of limitations due to the nature of the RCT method—including complying with the distribution of participants based on random assignment, minimizing other factors outside the intervention itself, and achieving a minimum sample size requirement—affected the design of the implementation of the MFS program. As such, MCI, in collaboration with program partners, addressed all the potential issues and ensured that program implementation fully complied with the RCT principle.

### Box 1. Randomized Controlled Trial (RCT) Design

**The randomized controlled trial (RCT) is the method used to examine the impact of demand-side and supply-side interventions undertaken in the Mobile Financial Services for Female Entrepreneurs (MFS) program.**

By using this method, the program measured the impact of the intervention by comparing two groups: the group that receives intervention (treatment group) and the group that does not receive any intervention (control group). Respondents are randomly selected to enter one of the two groups. With random selection, the two groups should be the same. In other words, there should be no differences between the two groups, both in terms of clearly identified characteristics (age or level of education), and other characteristics that are more difficult to identify (motivation or social influence from the surrounding environment). The only difference between the two groups is that one group receives an intervention, while the other does not.

Hence, any results showing a significant difference between the two groups after program implementation are due to the intervention itself and not chance. The RCT procedure is strictly implemented to ensure that all respondents in the treatment group receive the same intervention, and all respondents in the control group do not receive any. That eliminates other factors that might affect the results of the program impact evaluation.

#### Supply-side interventions (branchless banking agents)

Supply-side interventions aim to determine whether the treatment group (agents with higher incentives) perform better than the control group (agents with lower incentives), or if there is no difference in performance between the treatment group and the control group.

To determine this, the program randomly assigned 400 agents in equal numbers into both groups. Agent training and agent mentoring were part of the RCT design in the MFS program. Both activities were performed to ensure that each agent showed the same knowledge and skills regarding branchless banking services and the importance of serving women entrepreneurs. Thus, any significant differences in results between the two groups would be caused by the intervention itself and not by the differences in knowledge and training.

#### Demand-side interventions (women entrepreneurs)

Demand-side interventions aim to test the effectiveness of financial literacy training on the rate of account openings, the amount of savings, and the business performance of women entrepreneurs. In the treatment group, women entrepreneurs received financial literacy training. Meanwhile, the control group did not receive any.

The intervention selected 400 villages and randomly assigned seven women entrepreneurs into one of the groups in each location (four received training, while the other three did not). With the RCT method, a significant difference in results in terms of account openings and business performance of women entrepreneurs between the two groups would be attributed to the financial literacy training intervention, and not to other factors.



## Program intervention

The MFS program examined interventions from both the supply and demand side, and later tested the success of these interventions in increasing account openings among women entrepreneurs through branchless banking agents. The supply-side intervention targeted agents, whereas the demand-side intervention targeted women entrepreneurs.

For the supply-side intervention, MCI assisted in the recruitment process under the authority of the bank, and provided training and help to branchless banking agents. For the demand-side intervention, however, MCI provided training and mentoring on financial literacy and business management to women entrepreneurs. Under the RCT method, both agents and women entrepreneurs were randomly assigned to one of two groups, namely: the control group (not receiving any training and mentoring) or the treatment group (receiving training and mentoring).

## Program locations

The MFS program was implemented in 400 villages in five districts in East Java, namely: Ngawi, Bojonegoro, Tuban, Lamongan, and Gresik. Initially, the program had only covered three districts: Ngawi, Bojonegoro, and Tuban

However, there had been difficulties during the early stages of program implementation, specifically with the agent recruitment process that could not be carried out in just any village. The selected villages must meet several criteria as part of the RCT protocol. As a result, MCI later expanded the program to two other districts in East Java, namely Lamongan and Gresik.

Criteria for selecting villages as program locations in the MFS program:

- No available branchless banking services in the village—either from the partner bank or other banks—to ensure that there were no other interventions outside the intervention program.
- Access to the internet that serves as the main infrastructure for digital financial services.
- Safe living conditions in the village and no potential for communal conflict, thus minimizing disturbances that could affect program implementation.
- Availability of the partner bank’s debtors who have the potential to become agents.
- Not located in disaster-prone areas.



Photo: Mercy Corps Indonesia

East Java is the second most populated province in Indonesia after West Java, with a population of 39,886,288 in 2020. Access to formal financial services remains a major challenge in East Java. Recent data show that the level of account ownership in East Java is at 42.2% of the adult population, the lowest in Java. It is also lower than the national average of 55.7%.

Mercy Corps Indonesia implemented financial inclusion programs in five districts in East Java Province, namely Ngawi, Bojonegoro, Tuban, Lamongan, and Gresik.

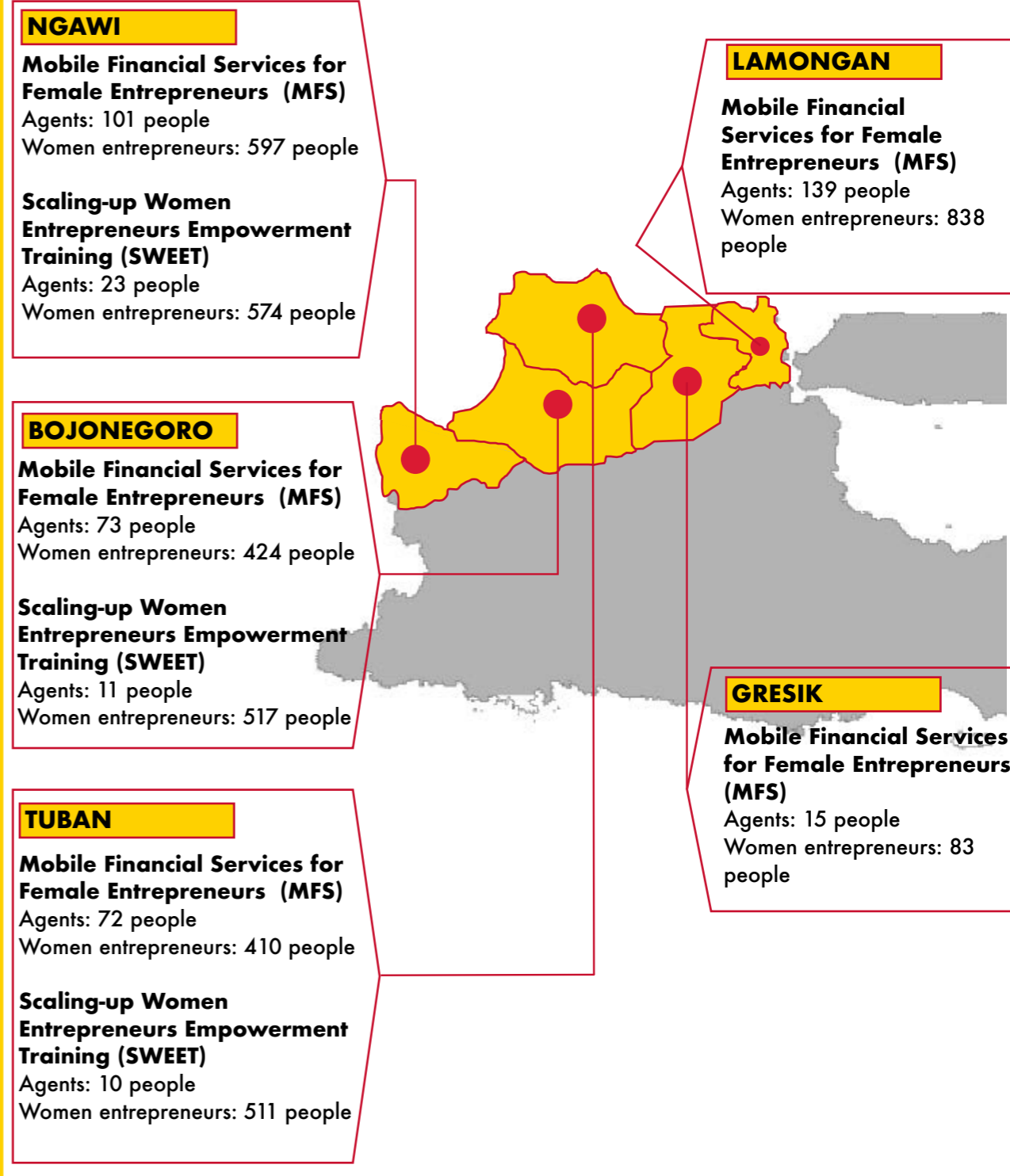


Figure 2.1: Program Location





Photo: Mercy Corps Indonesia

### Program implementation partners

In implementing the MFS program, MCI collaborated with several partners, namely the Center for Global Development (CGD) acting as the research coordinator, Abdul Latif Jameel Poverty Action Lab (J-PAL) for research implementation, SurveyMETER for survey implementation, and a partner bank for the recruitment of branchless banking agents.

In addition, MCI had field teams tasked with coordinating the implementation of interventions in their respective location. Three teams, one in each district, served in Ngawi, Bojonegoro, and Tuban; and another one worked across the two districts of Lamongan and Gresik. Each team comprised a coordinator and several staff members who had tasks related to agent recruitment, agent training, and training for women entrepreneurs.

For the recruitment and capacity building of trainers (for both agents and women entrepreneurs), MCI had a special team that handled the implementation of the training, mentoring, and monitoring process. These trainers were given training in advance (Training of Trainers) according to the RCT method to ensure that they possessed the capacity to carry out their duties in delivering training materials, and helping agents and women entrepreneurs.

### MFS's program activities

Activities performed during the three years of the implementation of the MFS program are grouped and simplified into several crucial stages as shown in Figure 2.2. These activities were designed and implemented to comply with the RCT method. The following section describes each of these major activities.



Figure 2.2: Series of Activities in the MFS Program

### 1. RCT Pilot in the MFS Program

The pilots were small-scale trials of RCT implementation, which aimed to test the feasibility and adequacy of the intervention instrument to be used during the MFS program. These pilots might maximize the success of RCT implementation through the provision of information on the effectiveness of the existing intervention design—that included training of trainers, recruiting

agents, and training and mentoring—by identifying potential issues, and by making improvements to the intervention design before large-scale program implementation.

The results of the RCT pilot became a critical component in ensuring the successful implementation of RCT in the MFS program. For the RCT pilot, MCI also communicated the RCT protocols that the field teams involved in the intervention implementation must follow, to ensure they understood and comply with these protocols. Four pilots were conducted, which comprised:

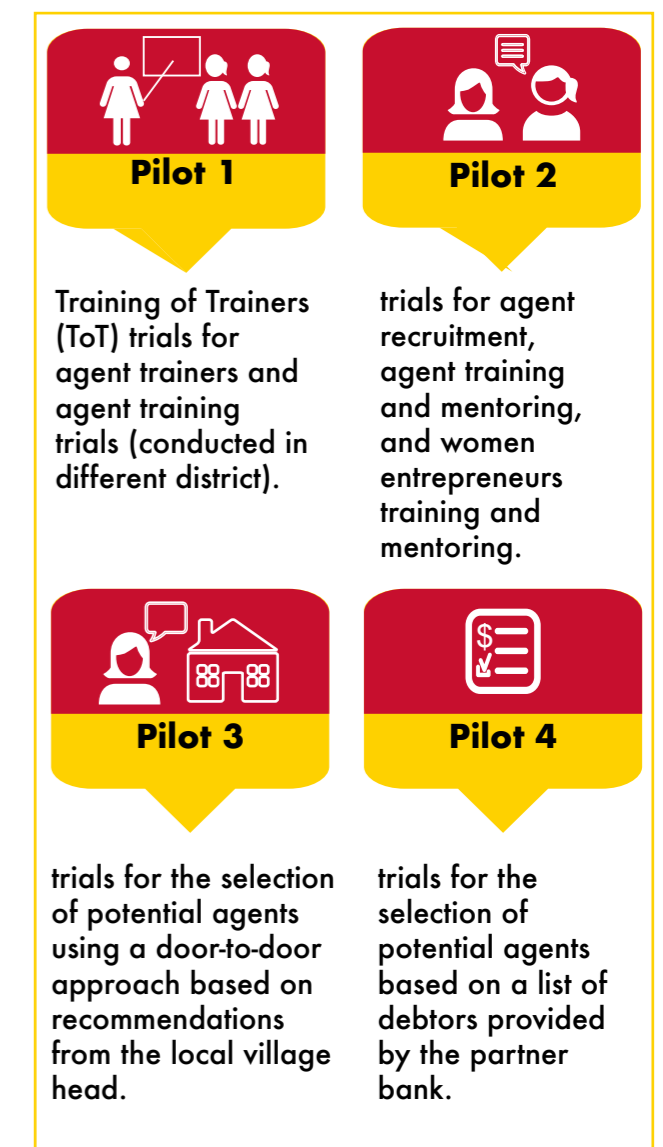


Figure 2.3: Pilot in the MFS Program



## 2. Recruiting branchless banking agents

The agent recruitment process had a target intake of 400 new agents from 400 selected villages, so that there would be one agent in each village. During the process, MCI must meet the requirements of the RCT model, one of which was that the village must not already have a branchless banking agent, either from the partner bank or other banks. Through the intervention carried out during the MFS program, namely the recruitment of agents, every village that previously did not have an agent later had one.

As explained before, the agent recruitment process was initially carried out in three districts in East Java, namely Ngawi, Bojonegoro, and Tuban. However, various obstacles were encountered in meeting the target of recruiting 400 new agents in the three districts within the stipulated time frame. The limited number of villages with potential agents who met the program criteria posed a crucial challenge. In addition, potential agents often refused to continue the recruitment process for various reasons, including not getting permission from

their spouse, being too busy with their current business, assuming it was difficult to find customers, and feeling becoming an agent was a complicated and time-consuming process. This led MCI to expand program implementation and recruitment of agents to two other districts, namely Lamongan and Gresik. As a result, the number of districts where the MFS program was implemented rose to five.

Recruitment criteria for becoming an agent:

- Shows an interest in becoming an agent.
- Owns a business in the same village where he/she lives.
- Business has a physical presence (shop or kiosk).
- Has the means to provide services as an agent (laptop/smartphone and an internet connection).
- Has no plans to move out of the village at least for a year.

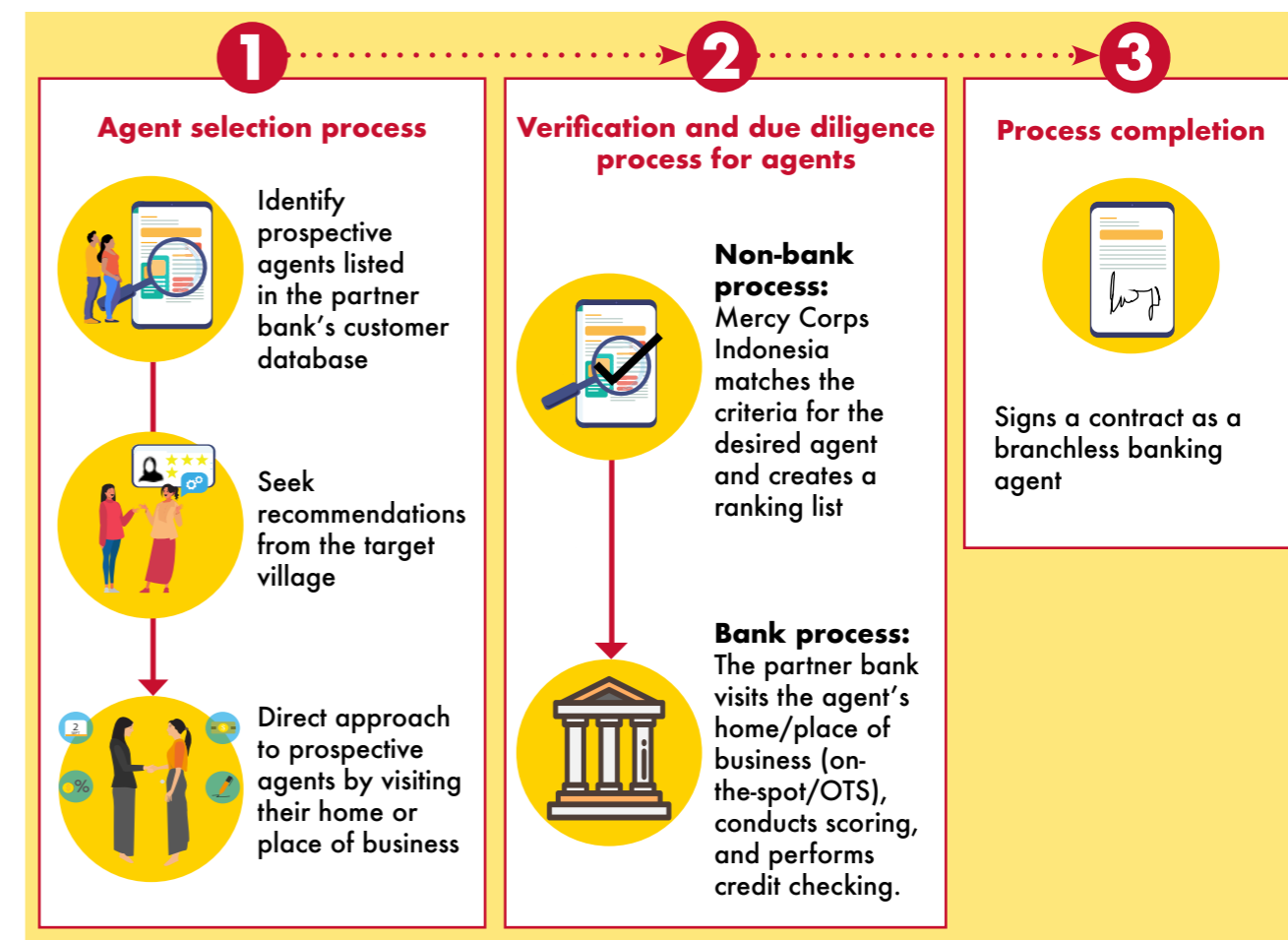


Figure 2.4: Agent Recruitment Process in the MFS Program

## 3. Training and mentoring

### Training of Trainers (ToT) for trainers of branchless banking agents and trainers of women entrepreneurs

The intervention was delivered through the provision of training and mentoring for both agents (supply side) and women entrepreneurs (demand side). As it was required to have trainers to provide training and mentoring for both groups, MCI stepped forward to select and recruit trainers so that the intervention had the intended effect. Before carrying out their duties, the selected trainers must attend training-of-trainers sessions to ensure that they were qualified and held to the same standards in delivering training materials to the agents and women entrepreneurs. This would guarantee that all training participants in the MFS program would receive the same information and delivery methods according to established standards. Such standardization was one of the provisions in the RCT method.

### Supply-side interventions: training and mentoring of branchless banking agents

To ensure that branchless banking agents showed the same standard of knowledge and skills, MCI provided training and mentoring to 401 newly recruited agents. Agent training and mentoring were conducted sequentially as soon as the agent was recruited.

Agent training was given individually (one-on-one) and carried out at the agent's residence or the agent's place of business. Each agent received one training session and three mentoring sessions, so there were four meeting sessions in total. Each training session was around 2–2.5 hours long, while each mentoring session lasted about 1.5–2 hours.

The training materials delivered to agents included features and benefits of using branchless banking products, the role of branchless banking agents, instructions for using the agent software online, identifying target markets, marketing strategies, tips for



Photo: Mercy Corps Indonesia



recruiting customers, and the advantages of promoting branchless banking services to women customers. During the mentoring sessions, agents also reviewed and put into practice materials that they had received during training, and took part in discussions regarding the obstacles and issues faced by agents. During the implementation of training and mentoring sessions for agents, it was not uncommon for technical problems to occur, such as agent web clients experiencing an outage, rendering them inaccessible; and an unstable internet connection, which hindered the learning process for agents.

#### **Demand-side interventions: training and mentoring of women entrepreneurs**

In the 400 selected villages with newly recruited branchless banking agents, MCI selected seven women entrepreneurs from each village, and randomly assigned each person to two different groups: three people in the group that would not receive any training and mentoring (control) and four people in the group that would receive training and mentoring (treatment). Besides those who were included in both the control and treatment groups, MCI added three more women to meet the target number of women entrepreneurs who would receive financial literacy and business management training. For the record, these additional women participants were not included in the RCT analysis that followed. The requirement of randomly assigning participants into either the control group or the treatment group was satisfied under the RCT method.

The financial literacy and business management training for women entrepreneurs could only be conducted after agents in the village had already attended training and taken part in at least one mentoring session. This ensured that agents possessed the knowledge and skills to provide financial services to customers. Training and mentoring for women entrepreneurs were performed across four meeting sessions that consisted of one training session and three mentoring sessions. During the mentoring session, participants were given the opportunity to discuss and put into practice materials that they had received in

the training session. The training session lasted for 3–4 hours, while the duration of each mentoring session was around 1.5–2 hours.

Training materials for women entrepreneurs included understanding the importance of saving, basic introduction to USSD (Unstructured Supplementary Service Data), instructions for opening a branchless banking account, and introduction to digital financial services that were accessible through branchless banking agents. In addition, training materials also covered general financial management (recording income and expenditure, setting priorities, financial planning), and business finance management (basic bookkeeping, cash flow planning, recording expenditure).

#### **4. Monitoring of agents and women entrepreneurs**

MCI monitored newly recruited agents and women entrepreneurs who had participated in training activities. This was done to find out how the agents could start operating independently, and to track their progress and the difficulties they faced. For women entrepreneurs, monitoring was mainly carried out to find out whether they had visited branchless banking agents in their respective village.



Photo: Mercy Corps Indonesia

#### **Box 2. Survey: Baseline, Midline, and Endline**

Survey implementation serves as one of the principal components in any impact evaluation. Surveys are conducted to collect primary data from all program participants to evaluate the impact of the intervention on participants. According to the RCT method, the timing of the survey is critical. There are three surveys that fall at different implementation times: before the intervention program (baseline survey), during the intervention program (midline survey), and after the completion of the intervention program (endline survey).

Baseline surveys were conducted at the start of the program to collect information related to participants before interventions were carried out. At this stage, participants did not know whether they would be included in the group that did not receive the intervention (control group) or in the group that did (treatment group).

Midline surveys were conducted to collect data after the intervention program had started within a certain period, to draw an initial comparison between the control group and the treatment group, and to see changes in the key indicators measured since the baseline surveys. In the MFS program, midline surveys were conducted within 2 to 12 months after the start of the intervention program in 200 villages out of 400 villages.

Endline surveys, or often called follow-up surveys, were conducted after the program intervention ended. With an endline survey comparing outcomes between the control and treatment groups, the impact of these interventions could then be measured.



Photo: Mercy Corps Indonesia

#### **Results of the MFS program implementation**

The main outputs of the implementation of the MFS program comprised:

- Recruitment and training of 401 agents spread across 400 villages in five districts in East Java. This means that, through the MFS program, there are new formal financial service points in 400 villages where previously there were no branchless banking services.
- Delivering financial literacy and business management training and mentoring for 2,352 women micro-entrepreneurs.



### Box 3. Challenges in Program Implementation

#### Implications of randomized control trial (RCT)

One advantage of an RCT design is its power to show causal inference from intervention programs accurately. In order to minimize the occurrence of bias that can reduce the accuracy of the analysis results in the program, it is necessary to maintain consistency in both the control and treatment group, and ensure that the characteristics and treatment between the two groups are equivalent. This had implications for the implementation of the MFS program on site.

One prerequisite that must be fulfilled within the RCT design was that branchless banking agents who became participants must be agents who had just been recruited by the partner bank in order to minimize bias due to other factors. For example, if there were an agent who had been recruited by the bank long before the MFS program began, there would be a possibility that he or she had lost the motivation to work as an agent for lack of customers, or because he or she encountered technical problems when engaging in customer transactions. If this went on for a long time, the agent's motivation and performance would be adversely affected. This condition would leave open the possibility that the experience and mindset of an agent, who had been recruited before the program started, could affect the impact of the program. By requiring that an agent in the MFS program must be a recent recruit, the same condition could be maintained for all agents, namely that they did not have prior experience operating as an agent. Thus, later analysis would show the resulting impact was caused by the intervention itself, and not by other factors such as prior and different experiences of being an agent.

Therefore, the bank must be able to recruit 400 new agents as required in the study design with a limited target time of three months, although it was ultimately adjusted to a year. However, this figure was far above the target of the partner bank where the number of agents that the bank can recruit in one district is up to 40 agents in a year. Achieving such a high recruitment target was difficult because the bank had limited resources, and it was difficult for the bank to add resources in a brief window of time, especially to meet the recruitment target of agents with a much larger number than usual. This situation prompted MCI to become involved in the agent recruitment process.

The MFS program was committed to supporting the bank's efforts in fulfilling the number of agents needed by assisting in the recruitment process. With available resources, the MCI team took part in the recruitment process so they could meet the target number of agents within the agreed time frame. The MCI team helped the bank select villages by conducting a location survey to find 400 villages that met the criteria according to the RCT design and conduct an early assessment of candidate agents who would be recruited in these villages.

One of the biggest implications was the expansion of the program area coverage, which initially had only covered three districts and later expanded to five. Expanding the coverage posed a challenge both logistically and operationally because it also carried implications for the implementation of interventions in the program, including both training and mentoring for agents and women entrepreneurs.

#### The challenge of internet access in rural areas

During the program, one of the biggest challenges faced was the lack of uniformity of

access to reliable and affordable internet connectivity in rural areas. Access to stable and affordable internet connectivity was needed to ensure that agents and customers could reliably use digital-based financial services. This issue affected a range of activities from the agent selection process, to the training of agents, to the training of women entrepreneurs, and to the point of time where agents and customers started making transactions.

Good internet connectivity was an important factor in selecting villages for the program. This served as a prerequisite when choosing an agent in the village. Villages with no network coverage or had poor internet connectivity could not be selected for the program. From all the villages surveyed, the MCI field team

identified 1,337 villages that had met the criteria for internet service coverage with at least 3G/H+ signal quality.

The quality of internet connectivity affected program activities that involved agents. Not all training for agents and women entrepreneurs could be carried out optimally because of the poor connectivity. This caused introductory sessions on financial products and services to branchless banking agents, as an important element of training, to be delayed or not implemented on site. As soon as they started operating, agents increasingly used the internet either for demonstrating their services to prospective customers or servicing customer transactions. Agents needed stable internet connectivity to work properly.



Photo: Mercy Corps Indonesia



## Scaling-up Women Entrepreneurs Empowerment Training (SWEET) Program

As the second program, MCI implemented the Scaling-up Women Entrepreneurs Empowerment Training (SWEET) program for one year in the 2018–2019 period. The SWEET program was a continuation of the MFS program and was carried out after the MFS program evaluation had been completed. The primary aim of the SWEET program was to expand financial literacy and business management training to reach more women entrepreneurs and encourage behavior change, so they could save more frequently through agents. In addition, the SWEET program also aimed to increase the scale of the impact of agents who had been previously recruited and trained in the MFS program, by facilitating the empowerment of agents to find new customers.

### Behavioral insights approach to the SWEET program

Unlike the MFS program, which used RCT in the program implementation, the SWEET program applied behavioral insights in designing interventions to program participants. Through these interventions, the SWEET program focused on encouraging changes in the behavior of women entrepreneurs to adopt digital financial services gradually, starting with encouraging saving habits, and later with opening accounts through agents.

### Program intervention

Demand-side interventions in the SWEET program included training and mentoring sessions for women entrepreneurs that used behavioral insights. The training session lasted for about 2.5 hours, while the duration of each mentoring session was around 1.5–2 hours. In addition, the SWEET program implemented supply-side interventions by facilitating meeting

between agents and women entrepreneurs. This was done to empower agents, so they could provide information on various types of financial products and services available through branchless banking, respond directly to questions from women entrepreneurs, and assist women entrepreneurs in opening accounts. It was hoped that direct interaction and communication would build confidence of women entrepreneurs in branchless banking agents and their financial products and services, thus encouraging women entrepreneurs to become customers.



### Program locations

The SWEET program was implemented in 78 villages spread across three districts in the province of East Java, namely Ngawi, Bojonegoro, and Tuban. The villages selected for the program were villages that previously took part in the MFS program, as they had branchless banking agents who had already been recruited during the implementation of the latter program.

### Program implementation partners

In running the SWEET program, MCI collaborated with a partner bank as the proprietor and manager of the branchless banking agent network. MCI also had a field team whose task was to map the location of villages where agents and women entrepreneurs live, so that interactions could run optimally. This team was also responsible for conducting the initial and final surveys. Meanwhile, another specific team was responsible for implementing training, mentoring, monitoring, recruiting, and training of trainers before they were assigned to deliver the training materials to women entrepreneurs. In addition, a third party conducted the needs assessment and data collection for program impact assessment, focus group discussions (FGD), and in-depth interviews (IDI).

### SWEET's program activities

Activities carried out during the implementation of the SWEET program are grouped into several stages as shown in Figure 2.5.

The following section describes each of these principal activities.

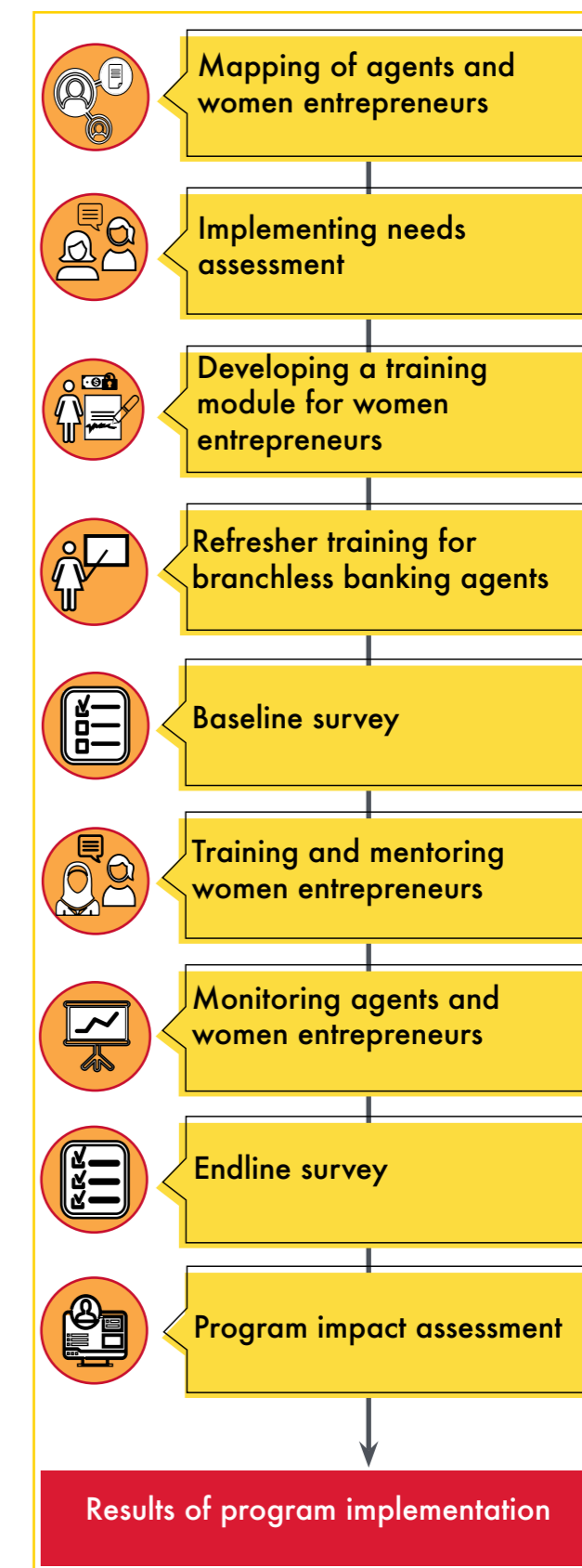


Figure 2.5: Series of Activities in the SWEET Program



## 1. Mapping of branchless banking agents and women entrepreneurs

The Mapping process was carried out in the early stages of the SWEET program, including the mapping of program locations. The locations were determined by the availability of active agents recruited during the MFS program. The next process was to map the women entrepreneurs in each village, and who had never been a participant in any MCI programs. The selection process of women entrepreneurs was also carried out in consultation with various relevant institutions at the village, sub-district, and district levels. The list of women entrepreneurs identified as potential participants was then randomly selected with the criteria of having a cell phone (at least one cell phone in each household) and willing to take part in the training. The proximity of the women entrepreneurs to the active agents was a major consideration when mapping the program locations.

## 2. Needs assessment and developing a training module for women entrepreneurs

A needs assessment was conducted before MCI developed a training module for women entrepreneurs in the SWEET program. The analysis of the needs assessment provided a clearer picture of the saving behavior and financial management skills of these women entrepreneurs, of the need for savings products for women entrepreneurs, and of financial products and services available to them before implementing the SWEET program.

The results of the needs assessment showed: (1) The main reason these women entrepreneurs saved had to do with fulfilling household needs which had been done irregularly, (2) most women entrepreneurs lacked digital literacy; for example, they used their smartphones only for making calls, and receiving and sending messages, (3) most women entrepreneurs had savings but only a few saved through branchless



Photo: Mercy Corps Indonesia

banking agents, and (4) several women entrepreneurs had not separated their business and household finances, and experienced difficulties in balancing priorities between business and household needs. The intervention design for the targeted behavior change in the SWEET program was based on the findings from the needs assessment and used a behavioral insights approach.

Specifically, the content of the training module for women entrepreneurs in the SWEET program emphasized the aspects of consistent behavior change, and aimed to enhance basic business financial management skills for

women entrepreneurs. The module was also equipped with tools that inspired or nudged women entrepreneurs to develop these habits. This training module was tested before the actual training to ensure that the materials and language contained within were easy to apply and met the needs and expectations of women entrepreneurs.

## 3. Refresher training for branchless banking agents

The SWEET program aimed to empower previously recruited agents by retraining them through a refresher program to recall

the material given in the MFS program. These agents were also given information updates regarding how to use the latest technology, products, and services that had been developed by the partner bank. It was hoped that these agents could provide all the information and access to women entrepreneurs who needed them to use the various financial services available through branchless banking.



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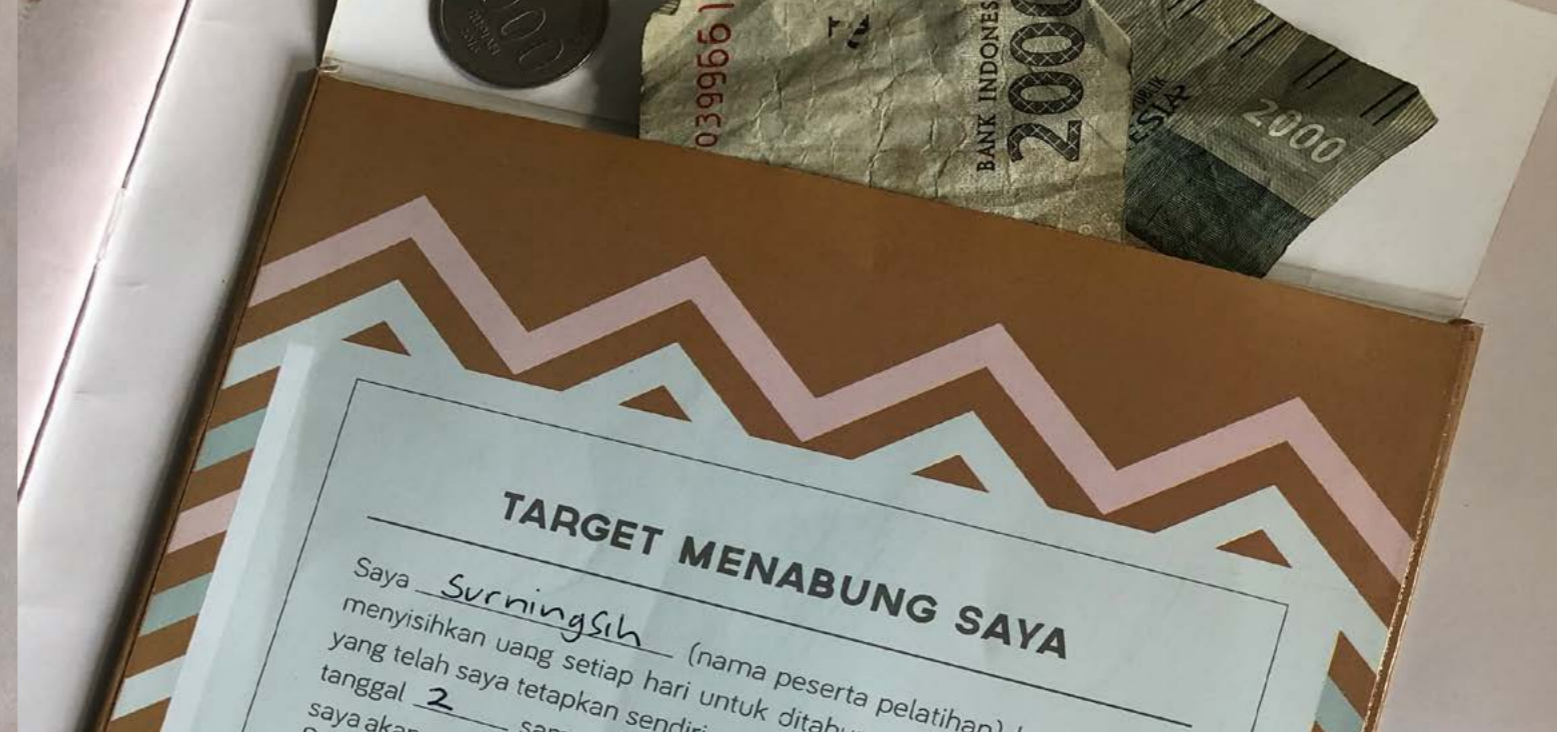
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Photo: Mercy Corps Indonesia



#### Box 4. Behavioral Insights to Encourage Saving Habits

Are humans inherently rational in making decisions?

The reality is, not really. A variety of other factors can influence human decisions, such as intuition, emotions, or simply following others. Recognizing the fact that humans do not always decide rationally, an approach called behavioral insights is used to better understand the various factors that influence human behavior.

Behavioral insights combine knowledge from various fields of science, including behavioral economics, psychology, cognitive science, and social science. With this approach, we can get a better understanding of human behavior, which allows us to design programs more effectively.

In many countries, the use of behavioral insights has exploded in the last decade. OECD data shows that there are currently 202 institutions around the world that use behavioral insights for the formulation of public policies, which cover various development sectors, including financial inclusion.

In the SWEET program, training for women entrepreneurs was designed using behavioral insights. The training modules were equipped with various assistive tools, which encouraged (or “nudged”) in helping women entrepreneurs practice their saving habits.

There are four basic principles in behavior insights, namely: make it easy, attractive, social, and timely; or often abbreviated as EAST (East, Attractive, Social, and Timely). Nudging tools in the SWEET program modules comprised:

##### 1. Commitment to save

As part of their commitment to saving, participants were asked to write a target amount of money that they would pledge to save each day to the best of their ability. The commitment was then signed by the participant, and by other women entrepreneurs in the same group who would serve as witnesses.

One principle used in behavioral insights is to nurture positive social relationships. By making a public commitment during training, and with the help of strong social bonds in a particular group, it was hoped that the probability of women entrepreneurs honoring their commitment to saving would increase.

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a particular group, it was hoped that the probability of women entrepreneurs honoring their commitment to saving would increase.

In addition, the commitment also specified the starting and ending dates of the saving period, which were adjusted to the length of the training time interval (around 6 weeks). The principle of timeliness was also used in this case, where women entrepreneurs were cognizant of the targeted saving period and that they could plan more efficiently.

##### 2. Savings envelope

The module provided an envelope that was affixed to the back page that was more easily noticeable, ensuring that participants would bring it to the training meetings. This would allow women to save more efficiently every day, thus confirming the principle of making it easy.

##### 3. Savings calendar

In the module, right next to the savings envelope was a savings calendar. The participants used the calendar to mark the days on which they saved their money. In addition, a gamification strategy was also applied, where participants who met all of their daily savings targets within the timeframe between training meetings would receive a star sticker as an award at each subsequent meeting.

Participants who had met their daily savings target by the end of the training period would then receive a trophy sticker as an award for being a “champion” in building their daily saving habits. At the end of the program, Mercy Corps Indonesia expressed appreciation to participants who had become “champions”.

The savings calendar applied the principle of making it timely. A calendar that had been marked each time they saved a portion of their income served as a reminder for participants to save and withdraw consistently, through gamification in the form of giving stickers and awards for their success when they met their daily savings target during the training period.

In addition, to help encourage women entrepreneurs to adopt other good financial management practices, the training module was also equipped with recording sheets for them to record their daily expenses for households and businesses. This was intended for them to practice separating financial management for daily household needs from that for business purposes. This exercise started out simple, with a focus on recording expenses first.

\*Behavioural Insights Team  
[https://www.bi.team/wp-content/uploads/2015/07/BIT-Publication-EAST\\_FA\\_WEB.pdf](https://www.bi.team/wp-content/uploads/2015/07/BIT-Publication-EAST_FA_WEB.pdf)



#### 4. Training and mentoring of women entrepreneurs

Training activities for women entrepreneurs were carried out across four meeting sessions: one training session and three mentoring sessions. Each training group comprised 10–15 women entrepreneurs who lived close together in one village. Such proximity with one another should encourage high participation in each subsequent training activity.

These participants received basic financial management training (saving plans and goals, managing expenditure and risk, and building wealth), and an introduction to financial products and services that could be accessed through branchless banking agents. Participants were also encouraged to put training materials into practice. For example, they were encouraged to save regularly—even if in small amounts—and fall into that habit, and also to record both business and household expenses.

Mentoring sessions were given after participants finished their training. These sessions provided wider opportunities for participants to discuss with trainers and other women entrepreneurs in their groups, especially regarding practices to encourage behavior change, such as demonstrating a firm commitment to saving daily and recording expenses regularly. During one of the mentoring sessions, women entrepreneurs were also facilitated to meet with the branchless banking agent in their village.

#### 5. Monitoring training and mentoring results

After all training and mentoring sessions had ended, MCI monitored every agent and group of women entrepreneurs who had taken part in these activities by visiting their homes or businesses. For women entrepreneurs, monitoring was carried out to see how much they developed their financial management skills and saving behavior, and to record the

number of women entrepreneurs who opened a branchless banking account. In addition, MCI also monitored the activities of branchless banking agents who took part in the training and mentoring sessions in the SWEET program.

This type of monitoring also aimed to provide technical support for women entrepreneurs and agents in putting all materials learned during training and mentoring sessions into practice. Monitoring was also conducted for three months after these sessions ended.

#### 6. Program impact assessment

The last stage of the SWEET program implementation was the impact assessment, which provided a clearer picture, particularly of the impact of the SWEET program on the saving behavior and business financial management skills of women entrepreneurs. In addition, this assessment also aimed to dig deeper into the profiles of women entrepreneurs in three districts—namely Ngawi,

Bojonegoro, and Tuban—in terms of both knowledge and skills in accessing financial services, of the demands or needs of these women entrepreneurs, of palpable constraints and gaps related to building saving habits, and of managing business finances after the program intervention.

The methodologies used for the impact assessment of the SWEET program were both quantitative (survey questionnaire) and qualitative (focus group discussion and in-depth interviews). The implementation of data collection for impact assessment was ultimately done virtually as the COVID-19 pandemic led the Indonesian government to impose restrictions on travel and gatherings.

#### Results of the SWEET program implementation

The main outputs of the implementation of the SWEET program comprised:

- Financial literacy and business management training for 1,602 women micro-entrepreneurs, of which 95% improved their financial management skills and 53.22% opened a branchless banking account.
- Empowering agents by providing refresher training for 44 agents and connecting them with women entrepreneurs so that these agents could promote and provide information regarding branchless financial services, and get new customers.



Photo: Mercy Corps Indonesia





Photo: Mercy Corps Indonesia

# 3

## LESSONS FROM THE SUPPLY SIDE: BRANCHLESS BANKING AGENTS



## Lesson 1: A robust agent management strategy involving digital solutions is necessary

For optimal management, banks need to implement strategies for their branchless banking agents that are in line with their general policies. This alignment is demonstrated by how banks manage their agents. Agent management is interrelated with various aspects, which include: policies, resource allocation, information systems, incentives, and agent monitoring.

As large institutions, banks generally have a layered organizational structure, which is indicated by the division of work units based on their function and also area coverage. Banking products, including branchless banking services, would be closely associated with various department units in a bank. These units play a very important role in supporting the agents' activities. Also, these units that take on direct responsibility for agent management would work optimally with adequate allocation of resources, starting from the agent recruitment process, to agent training, and to agent monitoring.

Furthermore, branchless banking services in the form of digital-based savings products are closely linked with work units that directly manage information systems and technology infrastructure. Integrated and efficient information and technology systems allow banks to provide quality services to both agents and customers. This aspect requires more attention, as agents also provide services to especially vulnerable groups of consumers, most of which do not have a banking account (unbanked) or have been minimally served by formal financial institutions (under-banked). These groups need a reliable system for them to gain financial experience and build their trust in opening a bank account and conduct transactions through these institutions.

Unreliable information and technology systems, because of failed transactions and disruption

to the agent system, would exert a negative impact on agent experience in customer service, which would also affect customer experience. A slow system recovery would also have a negative impact on both agents and customers. Agents may lose motivation while customers may also lose their trust, which may have a negative impact on the reputation of the agent and the bank in question. These technical constraints need proper mitigation. Otherwise, they would lead to a reduction, or even loss of consumer confidence in the branchless banking program in the long term.

Furthermore, seamless customer experience plays a significant role in building trust in agents, including when opening an account. Although with the simplified application form and requirements for opening an account, banks would still face additional challenges if the location of the agent is far from the nearest branch office. This is because the bank would still have to send its officers to gather all the account opening applications from the agent, and later process them at the branch office. A bank clerk has a responsibility not only to a single agent but also to several agents. If the agent is located far away, the bank clerk needs more time to collect these applications, which are then processed by the bank at the branch office. Without sufficient resources to process these applications, some customers would experience a longer wait for up to two weeks just for opening an account. Digitizing these processes both upstream and downstream is one of the potential solutions to overcome the bank's limited allocation of resources, so that customers would enjoy a faster and easier banking experience with branchless banking agents, from opening an account to making transactions.



Photo: Mercy Corps Indonesia

### Box 5. Digitizing the Agent Registration Process

That afternoon, Ms. Sri appeared to be serving customers at her grocery store in Sekarjati village, Ngawi district. She is one of the agents recruited to take part in the MFS program. Agent application forms have been submitted two weeks earlier to the bank officer for processing. If the application is approved, then she can get access to the agent web client and attend training.

The bank officer said that Ms. Sri's application to become a new agent has not been approved by the bank's regional office located outside Ngawi district. Bank officers bring these forms from the branch office in Ngawi to the bank's regional office, a trip that takes about an hour. To get access to the agent web client, Ms. Sri like other agents needs approval from the head of the regional office.

This time-consuming process has forced Ms. Sri to wait for more than two weeks to get approval; only then can she gain access to the agent web client and start attending the training. It is clear that she wants to be able to start serving customers immediately.

The reason for the delay is due to manual paperwork and inefficient processes that are still prevalent, especially concerning documents that require a signature. Besides needing a larger workforce and more time to deliver these documents, they also have to be signed wet by the head of the bank's regional office. Under ideal conditions, this process should take less than a week. However, any delay to the process of sending these documents could lengthen the process of granting access to new agents such as Ms. Sri. There is also another possibility where the documents, after being sent, cannot be signed immediately for various other reasons.



## Lesson 2: Do not emphasize financial criteria as the main component of agent selection

Choosing the right agent is the key to building a successful agent network and also determines the productivity level of the agent. It is not just the agent's quantitative characteristics (such as financial background, monthly income, and area of business) that are assessed, but also other traits, such as whether he or she is highly motivated, can think creatively and positively, and be able to face challenges. Quantitative indicators alone do not suffice as there are certain characteristics required for agents to carry out their duties properly. These characteristics are necessary since agents would have to invest their time in building relationships with customers. For example, an individual who has a large business and high levels of liquidity but lacks the motivation to become an agent is more likely to not be able to carry out his or her duties as an agent effectively.

Recruiting the right agents requires a selection process that weighs the character of the candidates. A proper selection process helps identify an appropriate agent profile to provide financial services to people who do not have access to formal financial services. A valuable lesson is that agent selection should consider at least the following three aspects apart from the business profile, namely: 1. Agent literacy, 2. Trusted by the public; and 3. Have extensive social connections.

**Agent literacy.** Agents would have to read and write when serving customers. For this reason, agents must have good literacy skills to provide optimal customer service. Agents who speak the local language also gain an advantage. Education level and age are factors that may affect literacy skills.

**Trusted by the public.** Agents often face challenges when marketing digital savings products to prospective customers. Rejection may occur because of low levels of public trust in agents and in the digital aspect of these financial products and services itself. Agents must endeavor to persuade them to

open an account or conduct transactions. Digital financial services are still uncommon, especially in rural areas. Customers who previously used passbooks switched to using an ATM or cellphone for transactions. Also, those who used to receive written receipts switched to SMS notifications. Hence, more effort from agents is needed to convince the public to adopt digital banking services through agents, and a high level of public trust is required to realize this process.

**Extensive social connections.** Agents with broad social connections would also have a larger number of potential customers. The results of the MFS program show that in order to find an agent who is more likely to recruit customers, the bank must select an agent with good social connections. Agents need to recruit their first customers immediately from the start of operations. Agents would be more confident in offering digital financial products to customers, and customers would also find it easier to trust agents with whom they have built previous relationships. Most agents offer their financial services to their family and friends, which is quite an effective strategy for them to get their first customers. Building a network of trustworthy agents with extensive social connections would have a positive impact on customer retention.

Besides, the main business profile of the agent would also influence his or her motivation in providing services to customers. However, quantitative indicators should not be the key reference point for agent selection. For example, a large-scale business does not necessarily see this agent-based service model to generate a significant profit. On the other hand, businesses that are too small would face their challenges in terms of liquidity management. Liquidity becomes a critical issue as agents must manage sufficient amounts of cash to serve their customers and, of course, for their primary business. The bank must therefore be able to ensure how much value-added benefit these prospective agents could derive from this agent-based service model, compared to the primary business they have previously owned. Therefore, the bank must handpick agents by developing a personal



Photo: Mercy Corps Indonesia

approach in the agent recruitment process. The MFS program applied this approach to get to know and understand prospective agents better. This qualitative approach would be useful to determine their perception of the job as agents. This information would also be applicable for the bank to recruit agents who genuinely see the added value of this agent system to their primary business.

Most recruited agents under the MFS program own a convenience store or a food stall at home. However, this business profile cannot be a powerful projection of the number of customers an agent would have. Agents who run a busy convenience store or a mobile top-up shop and serve many customers are not necessarily productive. The business owner profile is a better determining factor than the business profile itself. In the MFS program, there were 322 agents, each of which had at least one customer. Agents who had success with gaining customers had the following characteristics:

- **Older adults.** This could be because of the amount of work experience of older agents in running their principal business that has been operational for much longer, making it easier to convince others to become their customers compared to younger agents. In Javanese culture, there is also a tendency to put more trust in older people as they are more seasoned by life's experiences.

- **Ample time to work as agents.** Agents who have a large enough business and have little help tend not to have much time to assume their role as agents, especially when offering savings products to prospective customers. Agents who have ample time to carry out their duties as agents will have higher opportunities to serve their customers and find new ones.
- **Owning a laptop.** Agents who own laptops usually possess good technical skills in operating technological devices. That helps give agents the confidence to provide digital-based financial services using cell phones, as they already have the set of skills in using more complex devices, namely laptops.
- **College graduates.** Agents with tertiary educational attainment tend to have higher levels of self-confidence. That would serve as an advantage and help agents in offering customers new products and earning the trust of prospective customers.





Photo: Mercy Corps Indonesia

## Box 6. The Right Agent, the Developing Agent

In a small village of Brenggolo, Bojonegoro district, about 30 minutes from the city center, Ms. Munirah always starts her business day by setting up her grocery store in the morning. The store is not very large and connected to her house. This 44-year-old mother sells various daily necessities to the people in her village. She has been running this business for a long time.

Ms. Munirah's interest in becoming an agent was based on her desire to help the people in her village save more easily. As part of the MFS program initiative, she was recruited as an agent. In mid-2017, she began providing services as a branchless banking agent in her village.

Realizing her wish to have many customers forming long lines at her shop proved to be challenging. At the start of its operation, Ms. Munirah admitted that it was difficult to offer branchless banking savings products to the villagers. Refusals were common, coupled with the lack of knowledge about branchless banking agents among them.

As an agent who took part in the MFS program, Ms. Munirah received a series of training provided by the partner bank and MCI. The training emphasized the importance of mastering the use of mobile applications and understanding the financial products available through branchless banking agents. The training also included materials related to basic marketing so that agents could develop an effective marketing strategy for branchless banking financial products.

Ms. Munirah then applied what she had learned during these training sessions. Little by little, she was able to persuade potential customers to open a savings account. Ms. Munirah's persistence resulted in more and more customers trusting the services she provides as an agent. As of now, approximately 50 people have become her customers.

**"They save in case they need money at some point in time. The amount of money they save is not much. My neighbors usually save around Rp5,000–Rp10,000, and some even save up to Rp200,000–Rp500,000, but that's very rare." - Ms. Munirah**

Currently, Ms. Munirah continues providing branchless banking services according to her initial motivation to help villagers save more easily. After more than a year since becoming an agent, she has served 1,049 cash deposits and 25 cash-out transactions. As an agent, Ms. Munirah also receives financial benefits in the form of commissions and bonuses from the bank, which are calculated based on the number of transactions made.

Choosing the right person to become an agent is not a simple matter. Applying a more personal approach in the selection process is needed to identify resilient and creative individuals like Ms. Munirah. Applying such an approach pays off, as a well-designed and well-targeted recruitment process, figuratively, shaves off half of the bank's duties in managing agents. The bank should invest in a better agent selection process to find quality agents and not just chase quantity.



### Lesson 3: Strengthening the agent distribution network through operational support

After proper and well-targeted agent recruitment, adequate operational support would determine agent productivity. The support needed by these agents encompasses training and monitoring. A properly designed training and implementation would enable agents to persuasively explain the products and services offered to prospective customers, operate the agent system smoothly, and to serve and handle complaints from customers effectively. In short, adequate operational support would assist agents in providing reliable services to customers, thus improving agent quality and strengthening the agent distribution network.

The results of the MFS program show that a single training session for agents was not enough and required a follow-up of additional mentoring sessions comprising three meetings. The training session, which was the first meeting, served as an introduction to branchless banking products and services, as well as to the agent system and how it worked. Next were three mentoring sessions that delved deeper into the technical details to ensure that agents could operate independently by the end of the program. The learning experience was an ongoing process which assisted agents in acquiring knowledge, in explaining financial products and services to customers in an easier way, and in mastering the use of the agent system when providing services to customers.

Digital-based financial products and services are relatively new in the market, which led to various problems on site. These problems were mainly operational problems that prevented agents from effectively serving their customers. For that reason, support after training and mentoring sessions was the key to the continued success of the agent's business. Agent monitoring, whether done face-to-face or digitally, was critical to maintaining reliable and consistent services from agents. Besides, this type of assistance included daily operational support for agents on how to use

an agent web client and an EDC machine, and perform liquidity management, all of which need to be supported continuously. Failure to provide such support would risk inconsistency, unreliability, or substandard service quality provided by agents.

In carrying out their duties, agents used cell phones or EDC machines that were connected to the agent system via an internet connection. There were various obstacles faced by agents on site, such as unstable internet connections, applications and websites that often experienced outages that rendered them inaccessible, transaction failures, and unreceived transaction notifications. As bank partners, these agents are at the forefront of providing services to customers. If there are technical problems experienced by a customer, the agent would be the first person to be asked for help, or the first person to respond to a customer complaint. Hence, reliable operational support for the agent system is needed to maintain exemplary customer service.

Also, agents must be able to manage liquidity to serve customers. Limited cash in hand would hinder transactions. Owning a business also does not mean good liquidity management, without which transactions would be difficult to complete and cash-outs impossible. Agents far from the nearest branch office or ATM would find it difficult to make deposits, which would negatively affect customer service. Data from the MFS program show that the average distance from where the agent was located in the village to the nearest branch office was 12.45 km. That presented a challenge for agents, and the bank must intensively monitor the liquidity needs of all agents, especially of those far away as many transactions require good liquidity management.



Photo: Mercy Corps Indonesia

#### Box 7. Businesses Grow Together with Branchless Banking Agents

In Sidomulyo village, Ngawi district, we met with Ms. Danik who was born and raised there. Ms. Danik, like most women living in rural areas, assumes a variety of roles: as a wife, mother of two children, and a seller in a market.

Learning that there was an opportunity to earn additional income and help people save money, Ms. Danik joined the branchless banking program. Initially, she looked for new customers by offering savings products to other sellers in the market who gradually showed interest. Her persistence paid off as she got 61 customers from the market.

Being an agent also came as a blessing to her business. Unexpectedly, her business income as a seller increased while she kept her task of going around to procure deposits from her customers. She became more and more recognized in the market and had a greater opportunity to sell her snacks to more customers.

**“Being an agent has made me well-known to many people, and now there are more opportunities for me to market and sell my products. This helps develop my business even more.” - Ms. Danik**

In providing services as an agent, Ms. Danik also faced a few obstacles, including having difficulty running agent web clients, handling customers who were not used to making transactions via cell phones, and dealing with an unstable internet connection. However, she did not give up and showed her commitment to continue serving her customers. For example, when a customer of hers had difficulty activating SMS banking, Ms. Danik, with a high commitment to helping her customers, did not hesitate to visit the bank office to find a solution to smoothen the process for her customers.

Ms. Danik's story is a portrait of how an agent tries to maintain the trust of its customers by providing the best service with all its might. Banks must continue providing ongoing support to agents to provide quality and consistent services to customers.



#### Lesson 4: There is non-material motivation beyond financial incentives that serves as a driving factor for agents

Most agents could not generate a significant profit from their branchless banking business because of a low number of customers, which led to a smaller number of transactions conducted by agents. Every agent received a profit based on commission from transactions and account openings. The amount of commission ranged from Rp1,000 to Rp5,000 per activity, depending on its type. If an agent cannot recruit a sufficiently large number of customers, it will be difficult for him or her to profit from the agent system. Thus, financial incentives cannot be the only force to drive agent performance in the long run.

Agents also spent a lot of money to begin their operations as there were initial investment costs (for electronic devices) and variable costs (for electricity, internet, phone credit, paper, and transportation costs) that they had to cover. These costs varied depending on how the agent operated and on the customer profile. For example, with the same number of customers, agents with locations closer to their customers had lower transportation costs than agents who were farther.

Besides certain conditions where gaining customers still posed a challenge, agents also faced a dilemma where significant financial benefits remained out of reach. On the other hand, agents must incur the variable costs for operations. Some agents creatively cross-sold their products to customers for an additional benefit. However, not all agents possess equal marketing skills and products that meet customer needs.

Furthermore, some customers expected their agent to come over to their homes and collect their deposits. That was an added challenge for agents who also had to allocate resources, including their time and energy for their primary business. As a result, some agents stayed knowing that they would reap a meagre profit, while others quit being an agent.

However, there was non-material motivation that kept agents afloat to provide services to their customers. These financial inclusion programs could identify agents who demonstrated social motivation and wanted to help provide easier access to saving for the surrounding community. This showed that financial incentives were not the only driving force for agents. Such motivation serves as a significant asset for the sustainability of the agent network, which needs to strengthen through bank support so that agents could carry out their duties properly.

Thus, financial incentives for agents should not be considered as the sole driving factor for agent performance. To maintain the sustainability of agents, especially of agents who have not attained a large volume of transactions, a humanistic approach and consistent support would help maintain their intrinsic motivation. That can be put into practice by having regular meetings between agents and the partner bank, either individually or in a group.



Photo: Mercy Corps Indonesia



Photo: Mercy Corps Indonesia

#### Box 8. Building a Community of Agents Through Regular Meetings

When carrying out their daily tasks of serving customers, agents cannot rely on the support of bank officers every time. Agents face complaints or even rejection in their job, which of course affects their motivation. They do not serve customers for only a month or two; in fact, customers need continuous service from agents in order to keep using financial products to meet their needs.

Banks have limited resources to routinely supervise agents directly. Long distances and a large number of agents can become a logistical challenge in the monitoring process. However, ignoring this can threaten the sustainability of their business. Agents still need attention from the bank to maintain their motivation in their operations.

Approximately a year after the MFS program started, the MCI team collaborated with program implementation partners and the partner bank to hold localized group meetings in each region. This was intended to improve the agent's performance by providing a refresher course on the agent system, and hearing complaints and challenges that these agents had encountered. These meetings were effective in terms of time since several agents could gather at once, and they also gave agents the opportunity to get to know each other. During the meeting, the bank could provide assistance for these agents and give them the opportunity to form a community that eventually became a support group.





Photo: Mercy Corps Indonesia

# 4

## LESSONS FROM THE DEMAND SIDE: WOMEN ENTREPRENEURS



## Lesson 5: Start with a thorough understanding of the needs and aspirations of women in the program design process

The design process for both the MFS and SWEET programs differed significantly: the MFS program did not apply a design approach from the perspective of women entrepreneurs, whereas in the SWEET program such an approach was applied. MFS's program design referred to a study conducted by the ExxonMobil Foundation and the United Nations Foundation.<sup>4</sup> While the SWEET program applied a training design with a participatory approach that focused on women entrepreneurs and was conducted to gain a comprehensive understanding of the needs and aspirations of these women toward formal financial products and services. Using this approach resulted in a higher positive response from women participants to the training materials, and made a significant difference to the outcome of the program, namely a high rate of account openings through branchless banking agents compared to the outcome of that without a participatory approach.

A participatory approach with a focus on the perspective of women entrepreneurs was carried out through a needs assessment at the beginning of the SWEET program but eschewed in the MFS program. This was mainly influenced by the partnership mechanism that involved several parties and the design of the randomized controlled trial (RCT) that research partners had determined. A survey of women entrepreneurs, which aimed to measure the impact of the program, was conducted by a survey implementing partner at the beginning (before the start of the program), in the middle, and at the end of the program. This was not done to understand the needs of women entrepreneurs before the start of the program, but to capture the existing conditions, which would then be compared over a certain period. The absence of a participatory approach in the design of the MFS program presented a challenge in its implementation. Participants found

the training materials quite heavy, as they were prepared based on existing standards for financial literacy without involving women entrepreneurs in the production process.

Learning from previous experiences, the SWEET program began the design process by involving women entrepreneurs through a needs assessment. The assessment was carried out by asking questions from a targeted perspective, namely women entrepreneurs who served as the focus of the program, and by building empathy to truly understand the needs and aspirations of these women entrepreneurs comprehensively. Armed with this understanding, the next stage was to design a program that could help provide solutions to the needs and accommodate the aspirations of women entrepreneurs who were program participants.

With this knowledge, the needs assessment was conducted in the SWEET program to answer various key questions, such as those related to saving behavior, desired savings products, and business and household financial management behavior. In addition, an important issue was raised after a consultation with these women entrepreneurs, which was about trust in branchless banking agents. As a response to various existing needs and aspirations, the program was designed accordingly with training materials that would help encourage women entrepreneurs to make behavioral changes needed so they would start adopting digital financial services. This included building a saving habit and opening an account through branchless banking agents. To address the issue with trust, the program was also designed to foster the trust of these women micro-entrepreneurs in agents who were in the same or the closest village. This proved to be effective in achieving program objectives, thanks to the high rate of account openings by the SWEET program participants through their respective branchless banking agents.

It is important to gather and understand all pieces of information related to the needs and aspirations of women micro-entrepreneurs as

these pieces serve as the basis for program design. By having a thorough understanding of these needs, the training module can be designed more effectively to accommodate the various aspirations of these women who are nothing but the focus of the program's objectives.

### Box 9. Implementation of the Needs Assessment in the SWEET Program

The needs assessment process was the initial stage of the SWEET program. The assessment aimed to provide an overview of the latest situation regarding saving behavior, existing service providers and savings products, and financial management among women entrepreneurs. Quantitative and qualitative data were collected to obtain an up-to-date picture of these women entrepreneurs. Some of the methods used for data collection included mini surveys, focus group discussions (FGD), and observations. Observations were made to confirm the quality and accuracy of the data that had been collected. Participants in the needs assessment process were women entrepreneurs who currently live in three districts where the SWEET program took place, namely Ngawi, Bojonegoro, and Tuban. The total number of women entrepreneurs involved in the process was 193 people.

The findings of the needs assessment show that the majority of women entrepreneurs earn irregular daily income from their business. They often save a small portion of this income (Rp2,000 to Rp10,000 per day or Rp5,000 to Rp10,000 per week), but it is not uncommon for them to spend their savings for household needs. A strategy was needed to encourage women entrepreneurs to save part of their income



Photo: Mercy Corps Indonesia

consistently, for example, by providing cash collection or delivery services that cannot be withdrawn until a certain time. Ease of access to savings (for example, narrowing the distance between the financial service provider and the customer's home or office location) is also a factor that encourages them to save. Moreover, the majority of women entrepreneurs were not aware of the digital financial services that are available and of the existence of branchless banking agents, even though both can make it easier for women entrepreneurs to access financial products that include savings. Another finding from the assessment reveals that some women entrepreneurs do not separate their business and household finances; as a result, household expenses are often mixed with business expenses. Various findings and recommendations from these women entrepreneurs during the needs assessment process were then compiled and became a valuable tool in determining the scope of intervention and training design for women entrepreneurs in the SWEET program.



## Lesson 6: Interventions informed by behavioral insights are needed to encourage women to open a savings account through agents

The training program was designed not only to increase the financial literacy of women entrepreneurs but also to help them gain access to the formal financial system. This was done through various interventions informed by behavioral insights to encourage saving habits, through the facilitation of one-on-one meetings between the entrepreneurs and agents, and through technical training related to digital-based financial services. It was learned that these stages needed to be completed as an important sequential process to encourage account openings and provide the tools for women to adopt digital-based financial services.

First, the training module was designed to include various tools that aimed to encourage positive behavior change. As the SWEET program contained specific objectives related to behavior change, the module was designed using behavioral insights. These tools consisted of: savings commitment strategies, savings calendars and envelopes, and expense tracking. These tools were integrated into the module to make it easier for participants to digest and functioned as a driver for behavior change. These “nudge” tools would assist women entrepreneurs in improving their behavior in financial management by applying real-life skills.

There had been a significant increase in the adoption of saving habits among the SWEET program participants. The number of people in the participant group that developed a daily saving habit (60%) was twice that in the non-participant group (30%).<sup>5</sup> Conventional training usually focuses more on imparting knowledge to participants, but cannot provide practical support regarding behavioral patterns that need to change.

**“Knowledge alone does not change the behavior of women entrepreneurs. Support is needed through nudge tools to help them change their habits by practicing financial management skills in their daily lives.”**



Photo: Mercy Corps Indonesia

## Box 10. Turns Out It's Easy to Save

Two women shared their experiences after taking part in the SWEET's training program.



Photo: Mercy Corps Indonesia

**Ms. Rita Wulandari**, is a 34-year-old burgeoning entrepreneur who currently owns a small-scale laundry business in her hometown of Ploso Lor in Ngawi district, East Java. After taking part in the financial literacy training, she learned new skills in taking control of her finances and saving money. Previously, she only thought that savings could only be done when there was extra cash or leftover money after covering living costs.

**“Saving is easy as long as we make the commitment and exercise discipline. Since the first day of training, I've been saving Rp10,000 [\$0.75] every day and making weekly deposits with a branchless banking agent. It used to be very difficult for me to save before I attended these training sessions. Despite having tried saving consistently, I always ended up spending the money on unexpected expenses,” Ms. Rita recounted.**

She even persuaded her husband, a tofu entrepreneur, to follow suit and make a firm commitment to start saving as well. To support her laundry business, her husband also opened a bank account through a branchless banking agent. Their goal is to own a property for her laundry business and maintain financial independence as the space that she is currently using belongs to her parents.



Photo: Mercy Corps Indonesia

**Ms. Antik**, a 33-year-old baker who owns a kiosk, also shared a similar story of her own experiences with financial literacy training that she attended in the same village. After the training ended, she has already met with a banking agent twice to save.

**“Since the bank agent is nearby, every time I go out to stock up on some goods for my store, I always stop by the agent's kiosk to put my savings. It's so easy thanks to the convenient location, the fact that I can save in small amounts, that there is no waiting line, and the process is simple and fast. I can also fix an appointment with the agent via WhatsApp in advance,” Ms. Antik said.**

Her diligence, coupled with the convenience of branchless banking, has allowed her to achieve a savings of over Rp1,000,000 [\$71] in a few months. Ms. Antik set a savings target as a step toward building an emergency fund and home repair. “With this amount of savings, any unexpected expenses will no longer interfere with my business,” she added.





Figure 4.1: Examples of Text Messages to Encourage Saving Habits

Second, the program included an intervention that facilitated meetings between the women entrepreneurs and agents to build mutual trust and speed up the opening of branchless banking accounts. Besides the issue of trust in digital financial services through agents—which are novel innovations—there were also behavioral factors that hampered the aim of the program. For instance, the MFS program did not facilitate any meetings between the women participants and agents. Although the former already received information about branchless banking agents during training—which covered financial products and services the agents provided, and the identity and location of these agents—the rate of account openings remained low. This revealed that the knowledge gained regarding the agents does not guarantee that participants would put that knowledge into practice and engage with them.

Apart from trust, there were also behavioral factors that came into play. These factors operated because of the lack of guidance

on planning follow-up steps within an agreed time frame, which usually resulted in the women entrepreneurs delaying visiting agents for various reasons, and they ended up not making that visit. With the facilitation of these meetings, women participants could build greater confidence in these agents and their digital-based financial products and services. These meetings would also help guide the participants through all the information they needed to know before deciding to open an account. The meetings proved to be effective in increasing the opening of branchless banking accounts by women entrepreneurs. As many as 53.22% of women entrepreneurs in the SWEET program opened a branchless banking account for the first time.

Meetings should be held after training by which women participants have already practiced their saving habits and gained a knowledge of the importance of saving at formal financial institutions or through branchless banking agents. With sufficient knowledge, training to save regularly, and mindset that saving is not

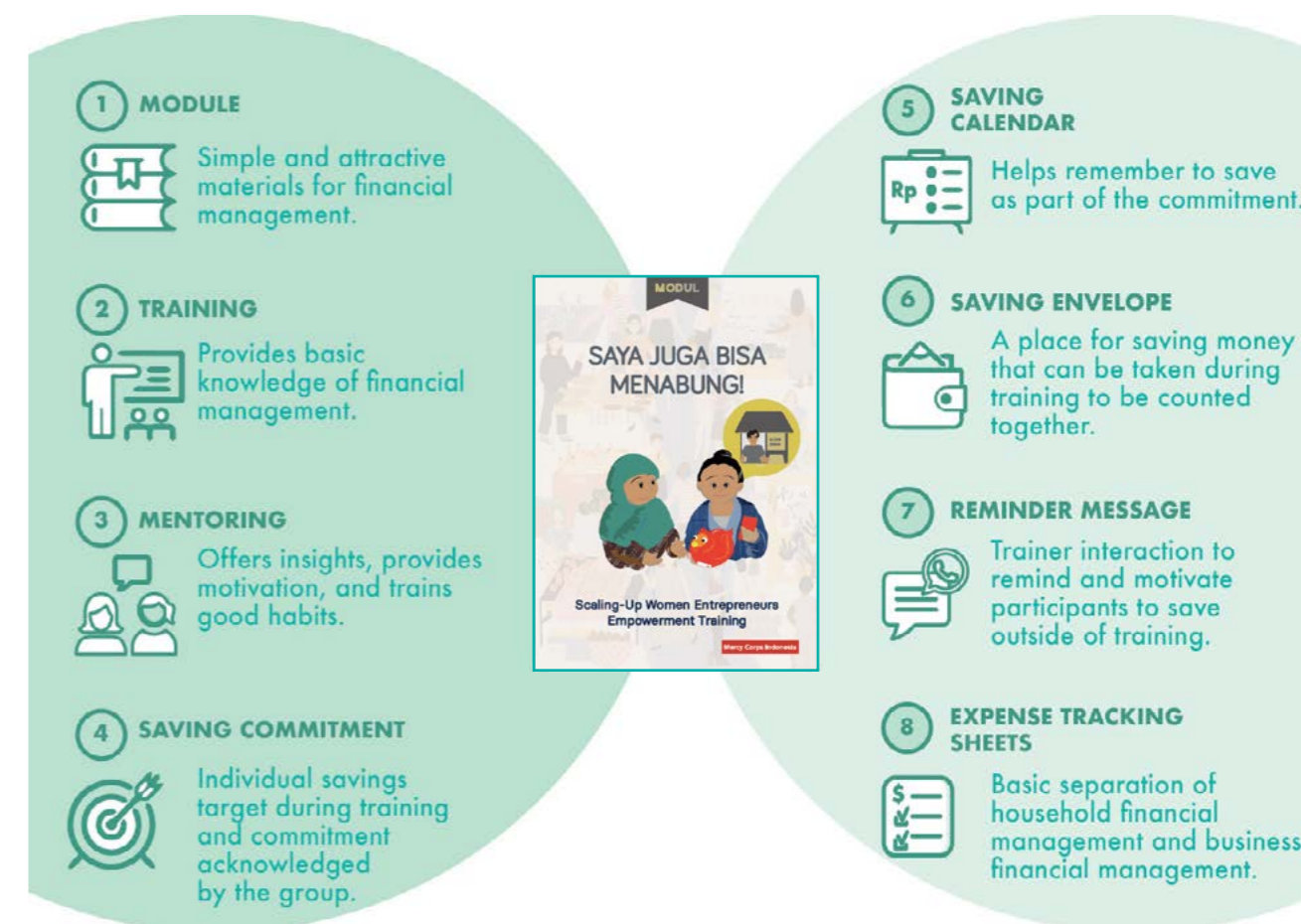


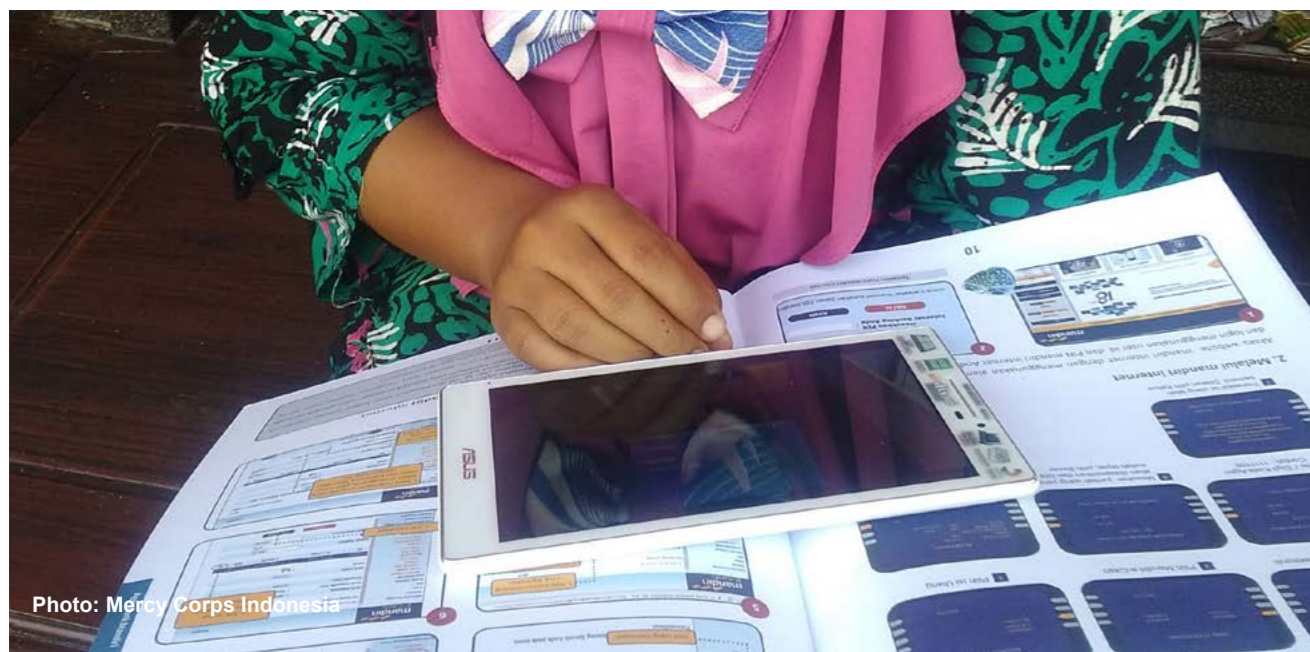
Figure 4.2: Training Module Instruments

only about depositing leftover money but also allocating it, women entrepreneurs are most likely to open a branchless banking account after they meet with an agent.

Third, it is necessary to provide materials related to digital-based financial products during training to assist women entrepreneurs in adopting branchless banking services. Currently, there remain barriers for women to access and use digital technology, mainly because of lower levels of digital literacy and technical skills than men, and lack of confidence in the technology. By laying out materials related to digital financial products and technical exercises iteratively, it is possible to bolster confidence and technical understanding among women taking part in the training. The MFS program unfortunately revealed low levels of account openings through branchless banking agents among

participants. To address this issue, the SWEET program focused on the account opening stage and did not touch on the technical knowledge related to digital financial products. It was learned from the SWEET program that if women were not equipped with this knowledge, when they later own a branchless banking account, they would highly depend on the agent. Even though it is still necessary to provide such knowledge, this should be done after the account opening process is carried out. This would help the account opening process among women entrepreneurs and lead them into becoming active users.





### Box 11. Enthusiasm for Learning SMS Banking

The following is an enlightening story from the SWEET program, a program that introduced digital financial products and services with no technical materials to participants. In Ngawi, 586 women entrepreneurs attended the SWEET program, of which over 76 percent later opened a digital savings account. They are served by branchless banking agents in their village. Some of these agents use EDC machines and the internet to serve their customers, whereas others only use the internet. At some point, some agents encountered an online banking outage where they could not access the system, thus affecting customer service. This problem could be circumvented by having customers register for SMS banking.

Responding to this, and at the request of enthusiastic women entrepreneurs who wanted to conduct transactions independently using SMS banking, the program team alongside the partner bank facilitated additional training that provided registration help and instructions on using SMS banking. Participants were brought to the bank's branch office and were guided through the registration process

using an ATM. Of the total 53 women entrepreneurs who received training, 48 successfully registered for the SMS banking service. Those that did not succeed reported several issues such as weak data connection for certain network operators and not carrying a cell phone because it was being used by their husband.

The lesson from this process is that training materials related to digital financial products need to be provided to assist women in adopting branchless banking services. However, it is also necessary to consider the portion of the materials and when they should be given. In-depth technical training can be given after women participants have opened a digital savings account. Such training would build confidence among them as branchless banking customers and provide them with the technical skills to use these digital financial products much more easily.

### Lesson 7: Relevant use case is the main factor for women to be active users

After becoming a customer, the next important stage is for women entrepreneurs to use their savings account consistently. Active account use would depend on the most relevant use case for these women entrepreneurs as customers. If there are transactions that accommodate and are relevant to their needs, they would likely return to conducting future transactions and stay as active users.

The need for such transactions is closely related to the circulation of money among women entrepreneurs. They own various types of businesses, but these businesses generally have a short cash flow cycle, ranging from daily to weekly. These women entrepreneurs need to manage their finances within a shorter time frame. For example, today's income is used for tomorrow's needs, and the cycle continues. Therefore, by turning to digital financial services, women entrepreneurs would find it easier to save small amounts of money every day, compared to saving large amounts every month.

Through these financial programs, women were encouraged to save and develop this saving habit every day, and make their deposits through branchless banking agents. Having a branchless banking account applies to the needs of these women micro-entrepreneurs because this type of account does not have a minimum deposit limit, thus making it easier for customers to save money in small amounts, even as low as Rp2,000. In the SWEET program, most women participants

set aside Rp2,000–Rp5,000 per day for savings. If a financial product has no suitable use, it would be difficult for women to make transactions as there is no need. Therefore, it is very important for financial service providers to serve products that suit the needs of certain segments, including women micro-entrepreneurs. In addition, reliable and accessible services are also needed to assist women in conducting the transactions they need. A customer's initial experience is crucial, as it could affect his or her perception of these services in the future. If women entrepreneurs have easy access to reliable services, it is more likely for them to make a repeat transaction at a later time. A bad initial experience would make customers think again and even dissuade them from making future transactions.

Branchless banking agents have the potential to provide easily accessible services because they are usually in the same village as these women entrepreneurs. Reliability in customer service would depend on both the agent's motivation and the support provided by the bank for the agent. Results from the implementation of these financial inclusion programs revealed that the women participants expected convenience, such as door-to-door service where an agent visits a customer's home and collects money to be deposited. This is not only due to the women's busy schedule where they had to manage both their business and household finances, but also the existence of microfinance institutions in their village that provided pickup services to their homes. The women participants expected branchless banking agents to do the same.



## Box 12. Able to Make Small Deposits Through Branchless Banking Agents

Based on findings on site, women micro-entrepreneurs exhibit different financial behavior from most bank customers. The former are able to save regularly, even small amounts of money (Rp2,000 to Rp10,000 per day or Rp5,000 to Rp10,000 per week).

Ms. Danik Sudarni (48 years), a branchless banking agent in Sidomulyo village, Ngawi district, has benefited from savings products that allow customers to save money in small amounts without a minimum deposit limit. Ms. Danik is a snack trader in the market, and while selling her goods, she also serves up to 61 customers who make regular savings deposits. Most of her customers are traders in the market who manage to set aside part of their income from trading. The amount that is set aside and saved also varies depending on the number of sales on that day.

Having a savings account without a minimum deposit limit and more easily accessible agents encourage these traders to make regular savings deposits, even in small amounts. Every day, Ms. Danik always goes around to visit customers and collect the daily savings that her customers set aside from trading in the market. This not only benefits traders, but also her as a branchless banking agent. The number of her customers has grown and she has the opportunity to meet more people to whom she can market her goods.

**“With an agent in our village, I don’t have to come to the bank whenever I want to save,”** said Ms. Hendang, who is currently one of Ms. Danik’s customers.

## Lesson 8: The importance of the quality of trainers to maintain the consistency of good quality training

Trainers play a strategic role in maintaining the quality of training; therefore, it is necessary to consider increasing the capacity of these trainers, as well as implementing a robust monitoring and evaluation system. This is especially so for large-scale training programs such as the MFS and SWEET programs. The quality of trainers is important to maintain the consistency of good quality training.

The quality of trainers is one of the key factors in the training’s success, because they are the ones who interact directly with women entrepreneurs. This process, of course, starts with the recruitment of trainers. Both the MFS and SWEET programs recruited experienced local trainers. They not only could provide

training for program participants but also provide excellent communication skills in building good relationships with participants. Trainers play a crucial role in the success of a training program, so it is a prerequisite for these trainers to have a comprehensive understanding of the materials in hand.

Training of Trainers (ToT) is specifically a type of training given intensively to trainers to increase their capacity, so they would have a comprehensive understanding of the program and training materials. In addition, trainers are also equipped with tools such as manuals to help provide participants with detailed instructions, and with standard operating procedures that need to be followed to ensure that participants could participate in training. This includes inviting participants to come to training, providing participants with training materials, and sending participants reminders to put what has been taught in training into



Photo: Mercy Corps Indonesia

practice in the convenience of their own homes.

The presence of a robust monitoring and evaluation system is vital for maintaining the quality of trainers effectively, especially in large-scale programs involving many trainers and thousands of participants. Monitoring and evaluation of trainer performance were carried out regularly to ensure that the quality of trainers was maintained. Monitoring trainers directly on site was carried out with the help of MCI’s field team that was present during training, especially at the first training session and the last mentoring session. As for other activities, mentoring for the trainers was done randomly or if certain conditions required special attention.

Monitoring was also carried out by filling out an activity report form according to standards set by MCI. Trainers were required to fill in the required information and report it after each training. This allowed the monitoring process to continue during the program. An evaluation was performed through regular meetings between the MCI field team and all trainers who worked in the same district. Intensive communication between both parties could reveal any obstacles encountered on site, which could be resolved immediately.



### Box 13. Process of Producing Quality Trainers

The quality of trainers also determines the quality of training for women entrepreneurs. The process of getting quality trainers starts from recruitment, to training of trainers, to monitoring and evaluation throughout the program to maintain their quality.

To recruit these trainers, in Bojonegoro district, the dissemination of information on trainer vacancies was carried out in coordination with the Government of Bojonegoro district and other related agencies. Information on vacancies was disseminated through various media, including through an announcement board belonging to the Industry and Manpower Office of Bojonegoro district, radio broadcasts belonging to the Government of Bojonegoro district, and also at local universities. Apart from prioritizing those who had previous experience in working as trainers, another important point of concern was their commitment to the work. Work commitment was crucial given the various challenges faced by trainers on site. They not only provided training materials but also needed to motivate women entrepreneurs and ensure that they participated in all training sessions. Besides recruiting experienced trainers, novice trainers who were less experienced but showed a strong work commitment were also recruited.

Ms. Titis Nur Jannah, a trainer at Bojonegoro was one of them. Claiming to be a shy person before, she showed much dedication as a trainer. By participating in the training of trainers (ToT) and going through the monitoring and evaluation system in place, Ms. Titis transformed into a qualified and confident trainer. "I still remember when I went through ToT.



Photo: Mercy Corps Indonesia

On the first day, I was provided with activity plans and achievement goals, and the next day I was asked to do a trial run to become a trainer. That immediately sent shivers down my spine as they announced it," she recalled. This motivated her and so she prepared for the trial run by reading the materials and practicing in front of a mirror while her child was taking a nap. "It was an amazing experience that I didn't have before. The change I felt was that I became less anxious, calmer, and more organized. This experience is useful knowledge for me and of course for the women participants," she concluded.

Unlike Ms. Titis, who had no previous experience, the trainers Ms. Sukarmijati and Ms. Widiarti from Ngawi said that they gained new experiences from the MFS and SWEET programs. Even though they have prior experience as a trainer, they felt they learned something from these programs. They also felt they improved their skills in research-based training that complied with predetermined standards, and these standards must be implemented for training in every village. The training also made them practice financial management skills daily by themselves.

### Lesson 9: A context-sensitive approach is needed to ensure women's participation in all training activities

The participation of women entrepreneurs as training participants was integral to the project implementation because its primary focus was on these women entrepreneurs themselves. An approach that considered the local context of the community was needed to ensure that the women entrepreneurs could complete all training activities. In addition, another humanistic approach was also implemented to motivate participants to complete the entire course of training.





Photo: Mercy Corps Indonesia

A specific approach was established that involved, among others, permission from the local authority and also from the closest family members. When inviting participants to the program, the village head signed the letter of invitation. Not only did this inform the participants that the village head had given signed permission, but it also encouraged them to take part in the program. As the village head is a respected figure in the community, the invitation letter almost acted as an “official assignment” for women entrepreneurs to attend training. In addition, the program also asked for permission from the participant’s husband or family, so it allowed her to take part in training more freely. The program also collaborated with local community leaders such as clerics, religious heads, PKK (Family Welfare Empowerment) administrators, and *arisan* or ROSCA leaders.

Other approaches could also be applied to ensure that participants stay motivated, one of which is gamification. In the SWEET program, participants who met their daily savings target and recorded their expenses would receive a star sticker on their savings calendar. If they received a star sticker for every meeting, they would get a trophy sticker showing that they “won” for practicing good financial management habits. At the end of the program, a token of appreciation was given to each participant who attended all the training sessions in full and who had already opened

a branchless banking account. Appreciation was given as non-monetary incentives, such as phone credit, of which the participants were not informed ahead of time.

To accommodate the limited time these women entrepreneurs had, the program provided time flexibility by determining training times based on the women’s availability and commitment. Commitment to complete the training was a key factor in the program’s success. Creating a training schedule based on the joint commitment of the participants while considering their time availability is a good practice to increase the level of participation. However, there should be a limit to this flexibility, specifically by restricting the time interval between sessions. For example, the program recommends a time interval of around two weeks from one training meeting to the next, to ensure that the program can be completed according to the target.

In addition, the program also established standard procedures for trainers to ensure participants can attend these activities. If a participant had not arrived at the scheduled time, then according to the procedure, the trainer would have to call the participant to ask for confirmation. If needed, the trainer could pick up participants from their homes and drive them to the training venue. This was done to ensure that the women entrepreneurs can attend all training activities to completion.



Photo: Mercy Corps Indonesia

### Box 14. From Women for Women: The Role of the Head of PKK in Extending the Impact of the Program

The program approach was to cooperate with leaders in the village where the program took place, including the Head of PKK (Family Welfare Empowerment), who is usually the wife of the village head. The support provided by the Head of PKK plays a role in mobilizing women in the village, and there have even been several initiatives launched after program implementation.

In Kartoharjo village, Ngawi district, the Head of PKK was also an additional participant in the program, and proposed additional classes so that more women in the village became more financially literate. In Pesen village, Bojonegoro district, the Head of PKK also gave full support and even actively coordinated training activities and reminded participants to attend. There have been initiatives at the sub-district level in Ngawi. The Head of PKK in Sine sub-district took the initiative to

continue the SWEET program that had already been completed in two villages at the sub-district, namely Ketanggung village and Sine village. At the Sine sub-district PKK plenary meeting on February 10, 2020, which was attended by women administrators and PKK members from 15 villages, a joint commitment was launched to start a saving habit with the slogan “**Village Movement to Save Rp2,000. Yes!**” This was done after the Head of PKK in Ketanggung village and Sine village saw the benefits the SWEET program brought to the villages, and wanted to expand the program to all villages in Sine sub-district. On that occasion, all participants made a commitment to save at least Rp2,000 every day, including the head of the sub-district and the secretary of the sub-district who also made the same pledge in writing.

<sup>4</sup> *A Roadmap for Promoting Women’s Economic Empowerment*, ExxonMobil Foundation and United Nations Foundation, 2013.

<sup>5</sup> *Impact Assessment Scaling-up Women Entrepreneurs Empowerment Training (SWEET): Evidence from Bojonegoro, Ngawi, Tuban*, Mercy Corps Indonesia, 2020.





Photo: Mercy Corps Indonesia

# 5

## RECOMMENDATIONS



The outcomes of financial inclusion programs implemented in East Java have shown that a combination of demand-side and supply-side interventions could open up access to formal financial services and increase financial inclusion. These interventions would then also contribute to and ultimately strengthen women's economic empowerment and community well-being.

Agents play an important role in financial inclusion, particularly in remote areas such as rural communities where access to formal financial services remains a challenge. Agents are at the forefront of providing formal financial services to these communities, and therefore must become an integral part of the banking business to build a network of financial services that these areas lack.

For women entrepreneurs, branchless banking agents and services in the village provide easy, inexpensive financial access and various financial benefits. Having access to and using financial products according to their needs will produce the expected results, one of which is the development of women-owned businesses.

Introducing branchless banking products and services, coupled with basic financial literacy training, could accelerate the process of bringing together the demand from women entrepreneurs and supply from agents. This is a crucial first step in accessing formal financial services, especially for the unbanked.

Apart from the demand-side and supply-side interventions, policy and infrastructure support is also needed, especially to overcome various technical challenges, including the long waiting time to open an account, which could take more than two weeks; and an unstable internet connection that was often encountered during the program implementation period. Support to address these challenges is essential and a prerequisite for accelerating financial inclusion, especially through digital financial services like branchless banking. Lack of policy support and infrastructure would pose difficulty in achieving the desired results from both the demand-side and supply-side interventions, as everything is interconnected.



Photo: Mercy Corps Indonesia



Stepping forward, the acceleration of financial inclusion among women requires joint contributions and synergy from all relevant stakeholders, including the government, regulators, financial service providers, and also development partners. Through innovation, Mercy Corps Indonesia is committed to continuously contribute to supporting the development of a sustainable agent network in providing services to the larger community, and increasing women's economic empowerment through financial inclusion.

### Recommendations:

1. Choose technology solutions carefully to replace or eliminate manual processes that do not add value to branchless banking services, both for customers and agents. It is good practice to identify whether each of these processes can be replaced by technology solutions so that it can save time and provide a seamless user experience. An example of this would be using digital signatures.
2. Operational support for agents can be provided with digital solutions combined with a humanistic approach to ensure effectiveness. For example, banks can provide special services for agents so that they can consult directly with the bank, and develop an information system that can monitor the liquidity

of these agents. With this support, agents would be able to maintain the sustainability of their operations.

3. Conduct agent meetings regularly to discuss various obstacles and success stories from agents, which can be held every few months. These meetings provide a space and opportunity for agents to learn from each other and facilitated by the managing bank so that they can improve their performance. The bank itself receives feedback that can be used as an invaluable tool to improve service quality for both agents and customers. These improvements will strengthen the relationship between the bank and the agents, and among the agents themselves. With continuous improvements, the bank and agents will be able to serve their customers better.
4. The purpose of training is not only to provide knowledge but also to have a changing impact on participants. Such an impact will occur after the participants willfully make the changes themselves with the knowledge gained from training. However, the provision of knowledge alone is not sufficient to change the behavior of the participants. Therefore, we need tools that can help them change their behavior or habits that have already been formed. These tools are not only complementary but also an important instrument that cannot be separated from the training. For behavioral change to occur as expected, training needs to be equipped with various

"nudging" tools that can be designed according to the needs of the participants.

5. Digital financial literacy training requires two different types of training, namely financial literacy training and digital literacy training. With regard to training aimed at encouraging participants to open a branchless banking account, it is best if these two types of training are conducted at different stages of time. The first stage is training that focuses on financial literacy. The next stage, which is digital literacy training, should only be given after the participants have opened a digital savings account. With digital literacy training, participants are provided with the technical knowledge to help and expedite the adoption process. If this training is given before they open an account, it is feared that the participants would be burdened with too much information and therefore afraid of digital technology that they have not yet mastered. In fact, this might prevent participants from opening an account. Gradually providing the two different types of training will be more effective in encouraging participants to open a branchless banking account.



## WHAT THEY SAY...



*"I've finally set up two different jars to save money from my two businesses—laundry and selling fruits—and I keep that separate from my household money. And during training, I was able to record daily business and household expenses that I hadn't previously done before."*

**Winarti, 31 years old, Sumurgung village.  
Business ventures: laundry and selling fresh fruits.**



*"I changed, I remember from the training... I really had to save money. I took a step back... and now I've started to set aside money regularly in a special wallet. I sometimes set aside Rp30.000 a day... I never had any financial management training before, and before joining this training, I never thought about saving."*

**Handi Sujati, 44 years old, Beji village. LPG (Liquid Propane Gas) reseller.**

*"While practicing recording our finances, I realized how fairly large my income was."*

**Wiwik, Bogoharjo village, Merakurak sub-district. Small shop owner.**



*"I now never underestimate the value of small change. By saving, you can develop a business."*

**Siti Magfirah, Laju Lor village, Singgahan sub-district. Small shop owner.**



*"Now when I get some money I save it right away, and not when there are leftovers."*

**Suprapti, Pongpongan village, Merakurak sub-district. Cowhide seller.**





## GLOSSARY

Laku Pandai or branchless banking agents	Agents are bank partners that provide financial services to last-mile customers.
Microfinance institutions	Non-bank financial institutions that engage in business activities and empower the surrounding communities, especially those in rural areas not served by banks.
Digital literacy	The ability to use information using digital technologies like the internet, social media, and other electronic devices or platforms.
Financial literacy	The ability to use a variety of financial skills such as financial management and investing.
EDC machines	Machines used to process banking transactions using various types of payment instruments such as ATM cards, credit cards, and QR codes.
Randomized controlled trial (RCT)	Type of approach in impact evaluation by assigning study participants to two different groups, namely the intervention group and the control group.
Branchless banking account	A basic savings account (no-fees/no-frills) that is served by branchless banking agents.
SMS banking	A banking service that is accessed via short messages from a cell phone.
Behavioral insights	An approach that combines insights from various fields that include psychology, economics, and cognitive science to influence the decision process.
Agent web client	A website or application used by branchless banking agents to facilitate transactions for customers.

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