Catalysing Growth in Small and GROWING BUSINESSES in Myanmar and Ghana Project

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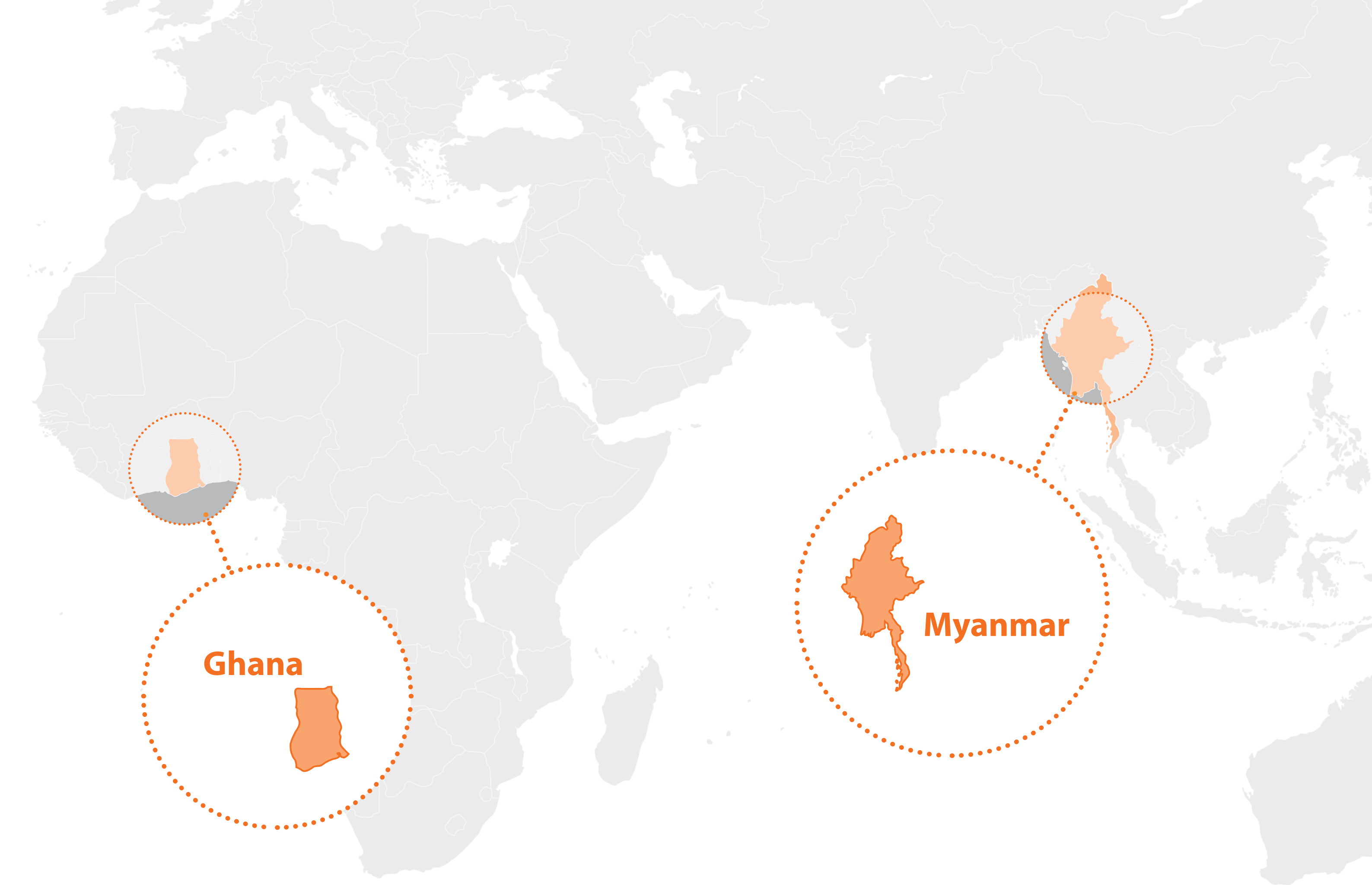


About this report

This impact brief is drawn from the final evaluation conducted by independent evaluation firm MCRIL and data collected during the project. The project's evidence and learning strategy and external evaluation designs were led by World Vision Australia (WVA) and VisionFund International (VFI) Small and Growing Businesses teams, with methodological insights from the Australian National University. Vincent Potier, Evidence Building Advisor, and Clay O'Brien, Financial Inclusion Advisor, from WVA, plus Richard Reynolds, Global Director Products and Innovation from VFI, and Michael Kellogg, consultant, provided technical input to this report. The report was reviewed by Elena Paleo, Country Impact Manager responsible for Myanmar, WVA, and Ivy Burke, Regional Programme Funding Manager – Asia, VFI.

The Catalysing Growth in Small and Growing Businesses in Myanmar and Ghana Project was supported by the Australian Government and implemented by WVA, VFI and its two microfinance institutions VisionFund Myanmar (VFM) and VisionFund Ghana (VFG).

EXECUTIVE SUMMARY

In developing countries, poor access to finance remains the single largest constraint to the growth of micro, small and medium enterprises (MSMEs). Across an economy, this dampens demand for labour, stifles the creation of new jobs and weakens prospects for national and regional trade and growth.

Small and growing businesses (SGBs) are a subset of MSMEs with significant potential and ambition to grow, thus providing an exponential return in terms of financial and social impact. The loans needed by SGBs are too large for most microfinance institutions (MFIs), yet too small for banks and other credit institutions who refuse such clients due to their perceived risk-return profile and the high costs of acquisition and servicing these clients. Women entrepreneurs face a myriad of additional barriers as compared to men associated with a lack of access to collateral, finance and capacity-building opportunities, discrimination around the ownership of assets and unequal opportunities to develop entrepreneurial capacity.

To address this gap, World Vision Australia and VisionFund International (VFI) partnered to deliver the Catalysing Growth in Small and Growing Businesses Project (aka, "Most Missing Middle" [MMM] project), through VFI's microfinance institutions, VisionFund Myanmar (VFM) and VisionFund Ghana (VFG), with a stated goal: "The SGB sector has increased growth potential through the development, testing and identification of an optimum business model that is effective, sustainable, scalable and inclusive." This project, funded by the Australian Government, was unique in that it tested and compared three different products combining large business loans, one-on-one business coaching and technical assistance (TA) for clients. This report looks at the impact each of these SGB finance products had on businesses' growth and the social impact generated, as well as the demand, feasibility and viability of the model.

Unfortunately, the project faced two major crises: the COVID-19 pandemic and the military takeover of the government in Myanmar, both of which severely impacted the project implementation and the SGBs targeted. Despite these challenges, the client SGBs demonstrated resilience and, with support from the continued lending of the MFIs, approximately one third of SGBs in Myanmar grew their sales even after the coup (with higher figures beforehand), while more than 40% experienced an increase in profitability at the end of the loan cycle. In Ghana, nearly 90% of SGBs grew their sales after COVID-19 hit, while 60% increased profits at the end of the loan cycle.

The coaching and training programs showed somewhat mixed results, with few measurable outcomes in business or employment growth showing any direct correlation to the amount of coaching received. On the other hand, client sentiment towards the coaching and training was more positive (especially in Myanmar), with a majority of the clients who participated in the coaching attributing any growth in profits and their own skills to the project.

The project goal of proving a sustainable business case for a product that couples SGB lending with coaching and training for this "most missing middle segment" remains a work in progress. Critically, the program showed a market need for SGBs that provide good employment and important services to their communities. Despite the crises, the results recorded with SGB clients and the financial sustainability of the SGB product achieved by VFM prior to the pandemic, with additional improvements made to the operational approach later on, do indicate that the project successfully developed a product that can be scaled-up. The project has also provided valuable insights to inform the process of building a sustainable loan plus coaching and training program to serve this market segment. World Vision Australia and VFI are continuing to explore opportunities to roll out the SGB product in other countries.

BACKGROUND AND CONTEXT

Small and medium enterprises (SMEs) are the backbone of economic growth. They are by far the largest employers in low-income countries (accounting for 78% of employment[1]), and are often responsible for creating stable jobs, raising incomes, making connections to regional and global markets, moving people out of poverty, and increasing access to critical goods and services for underserved communities. In recent years, development organisations have become increasingly aware that significant poverty reduction opportunities exist in supporting high-growth potential businesses who have the focus, ambition and business models necessary to achieve significant growth and create employment in poor communities. In fact, research suggests that for every $1 invested in these SGBs,[2] $13 of value is generated within the local economy, showing clear potential for generating economic development.[3]

Unfortunately, MSMEs face a US$5.2 trillion credit gap globally.[4] This acute credit market failure constitutes a "missing middle" of small businesses who have outgrown bottom-end microfinance and yet are still considered too high-risk by traditional financiers due to a lack of collateral, business formalisation and supporting regulatory environment. Emerging research further suggests that this need is most acute for enterprises seeking US$3,000-$50,000, with these businesses now referred to as the "most missing of the missing middle". [5,6] Accessing loans of this size is especially difficult for MSMEs led by women who often face a myriad of additional barriers such as a lack of access to collateral and markets, cultural and discriminatory barriers around their ownership of assets and role in society, and unequal opportunities to develop entrepreneurial capacity (such as access to training and networks) compared with their male counterparts.[7] As a result, women-owned businesses account for just 28% of business establishments, and 32% (US$1.7 trillion) of the MSME finance gap.[8]

In addition to this lack of access to credit, many SGBs struggle with limited knowledge or skills on how best to grow their businesses to a size that is commercially viable on a larger scale. Without support and advice, business owners may not have the soft or hard skills to expand with credit alone. In the developing world, SGBs typically lack access to the kind of technical advice and business management coaching that can play an important role in taking these small businesses to the next level.

One potential avenue for addressing this market failure is for MFIs to enter this market segment; however, there are very few MFIs working at any level of scale in this segment, due to the greater risks involved and need to develop different lending criteria (cashflow and balance sheet lending). Compounding this, investors also consider SGB funding at this level to be risky which limits the MFI's access to funding to support this segment. As such, MFIs interested in serving this market find it difficult to build a solid evidence-based business case to enter the market.

In 2018, World Vision Australia and VisionFund International partnered to deliver this 'Most Missing Middle' (MMM) project, through VFI's microfinance network organisations, VisionFund Myanmar (VFM) and VisionFund Ghana (VFG). The stated goal of the project is to **"increase the growth potential of SGBs through the development, testing and identification of an optimum business model that is effective, sustainable, scalable and inclusive."** By modelling and demonstrating a sustainable, replicable business model for providing SGBs with the financial and non-financial services they need to grow, the project aimed to catalyse future investment in the sector by encouraging other financial service providers (FSPs) and investors to enter this untapped market.

The project also aimed to measure whether tailored one-on-one business coaching and/or more direct TA for clients, addressed gaps in the growth-oriented business skills and knowledge within these SGBs, as well as to understand how such training can be sustained in the business model if it supports better outcomes for clients, their employees and their respective families, and if it improves the economic outcomes for all parties.

1 Innovations for Poverty Action, 2016, Small and Medium Enterprise Programs: Five Years in Review: 2011 – 2016.

2 SGBs are a subset of MSMEs and have been defined by ANDE as having 5-250 employees and harbouring significant potential and ambition to grow, thus providing an exponential return through scaling their operations in terms of financial and social impact. Aspen Network of Development Entrepreneurs (ANDE), Why SGBs: What are SGBs?, Accessed at https://www.andeglobal.org/why-sgbs/ on 07/6/2022.

3 Small Enterprise Assistance Fund (SEAF), "Impact Beyond Investment", Development Impact Report, 2011.

4 International Finance Corporation. 2017. MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small, and Medium Enterprises in Emerging Markets. https://openknowledge.worldbank.org/handle/10986/28881

5 Oxfam US, The Problem of Underinvestment in Women-Led Small and Growing Businesses in Latin America and the Caribbean: The Most Missing of the Missing Middle, 2014, pp19.

6 ANDE Issue Brief. 2019. "Gender Equality in the SGB Sector". Accessed at: https://www.andeglobal.org/wp-content/uploads/2021/02/Gender-Equality-in-the-SGB-Sector-EN.pdf

7 "The Role of Women Entrepreneurs in Micro, Small and Medium Enterprises (MSMEs), Pacific Business Review International Volume 7, issue 7, January 2015 accessed via http://www.pbr.co.in/2015/2015_month/Jan/11.pdf on 07/6/2022

8 IFC, 2017. MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small, and Medium Enterprises in Emerging Markets. Accessed at https://openknowledge.worldbank.org/handle/10986/28881

Figure 1: How the MMM project set out to achieve its goal

Project Goal The SGB sector has increased growth potential through the development, testing and identification of an optimum business model that is effective, sustainable, scalable and inclusive

Outcome 1
A tested 'optimum' business model is available to the market that is gender-inclusive, financially sustainable and commercially attractive

Outcome 2
SGBs have experienced sustainable business growth

Outcome 3
Learnings from the project informed the development of the optimum package and are shared externally

Facing Crises

Late in the second year of the project, the COVID-19 pandemic emerged. The resulting disruptions to health and economic activities (which continued through the remainder of the project) severely impacted both clients and the implementing institutions, with both countries reporting within the first six months of the pandemic that approximately 30% of SGB clients had to stop running their businesses for a time.

Near the end of the third project year, the pandemic crisis was compounded by a political crisis in Myanmar that led to major security issues, continued disruption to client businesses, relocation (disappearance) of some clients to avoid political violence, and restricted access to some areas. Soon thereafter, Myanmar faced a banking crisis that also restricted VFM's access to commercial funding sources, which, in turn, required VFM to reduce loan disbursements, focusing primarily on existing clients with smaller loans. Across the wider Myanmar economy, 80% of companies experienced a decline in sales, with an average reported sales decline of 59% by late 2021.[9]

Overall, these crises have negatively impacted both implementing institutions' financial sustainability, and lending and portfolio metrics, forcing numerous operational changes. The organisations did, however, adapt within these constraints so as to continue delivering the loans and coaching/TA as close as practically possible to the intended design.

9 World Bank Group. 2022. "Contending with Constraints." *Myanmar Economic Monitor*. Accessed at https://thedocs.worldbank.org/en/doc/c3299fac4f-879379513b05eaf0e2b084-0070012022/original/World-Bank-Myanmar-Economic-Monitor-Jan-22.pdf

Project Approach

The project took a quasi-experimental design approach that would allow for conclusions about the relative impacts of loans, and loans combined with coaching and training, on SGB growth and the social impact generated, as well as the demand, feasibility and viability of the model. The three loan variations tested are the following:

- Package A offered the loan only to clients, but no coaching or TA was offered.
- Package B offered the loan and coaching, but no TA.
- Package C offered the loan with both coaching and TA.

In Myanmar, a package was semi-randomly assigned to each one of 25 participating VisionFund branches spread across the country, using a complex statistical model that considered branch-related factors (e.g. clients' profile) together with geographic characteristics and disaster risks.

The Ghana program offered only the equivalent to Packages A and B due to the smaller scale of the program. As a result of the twin crises affecting Myanmar, VFM was able to offer Package C only in the last year of the project, which also affected the ability to measure the impact of the TA.

Furthermore, the project team, including World Vision Australia, VisionFund International and the two implementing MFIs, conducted annual reviews throughout the duration of the project. Using monitoring data and insights from the SGB manager, coaching managers and Loan Officers (LOs), the team reviewed achievements, lessons learnt, and identified course correction measures for the next year. Several iterations on project design resulted, both from these annual reviews, and as the crises brought restrictions that required changes to limit face-to-face contacts.

The approach to coaching in Myanmar, in particular, underwent several shifts, including a move to identify and focus coaching efforts on the entrepreneurs who demonstrated high vision and ambition for their businesses, as well as a willingness to be coached, as outlined in the figure below. Additionally, the delivery approach to coaching shifted away from the specialised LOs (who initially were responsible for the coaching) to coaching managers who delivered the coaching primarily by phone. The project reached a total of 1,936 clients and created or sustained around 11,000 jobs.

Figure 2: SGB Business Coaching Segmentation

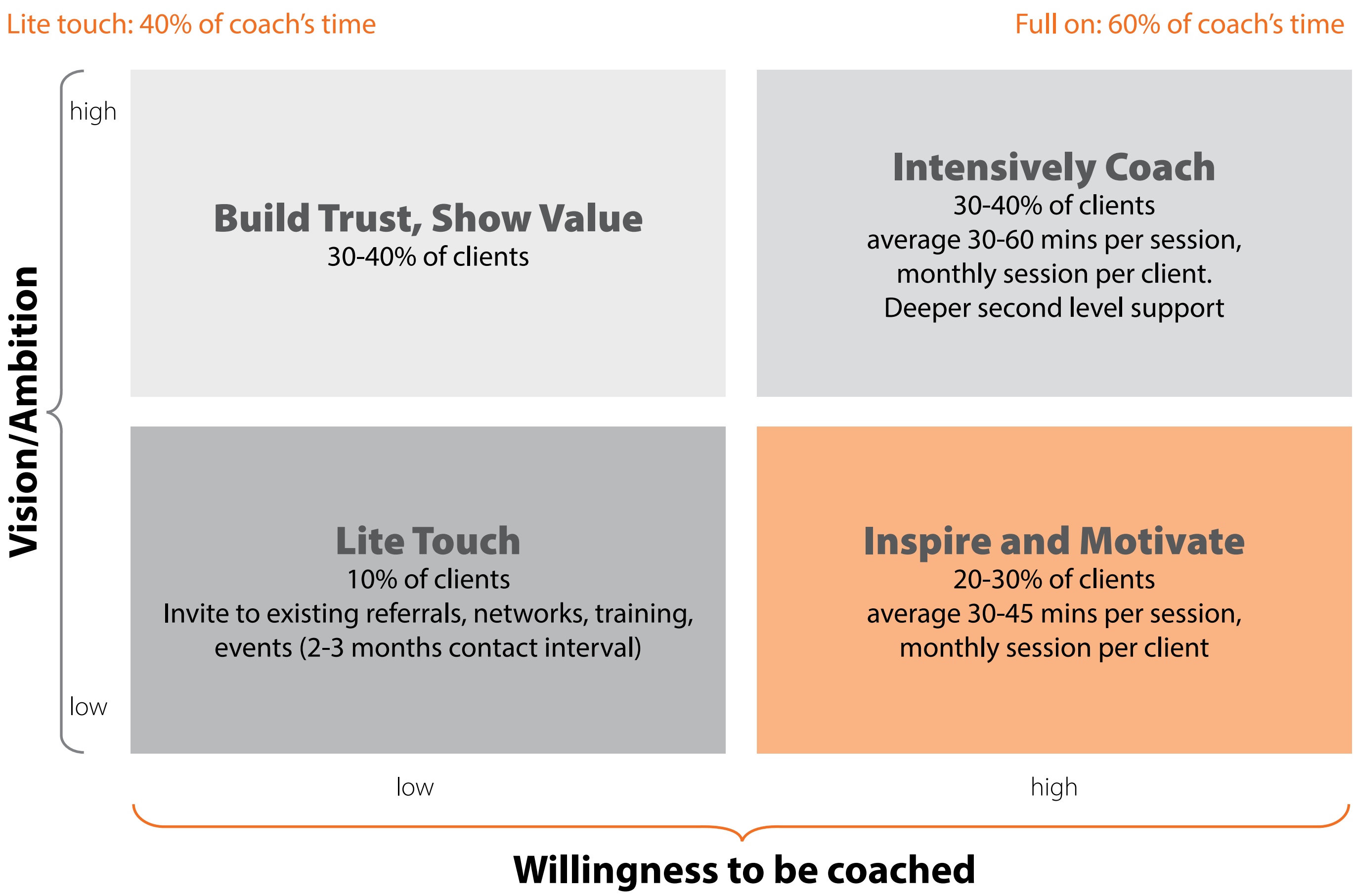


Figure 3: The Evolution of Lending and Coaching in Myanmar

SGB Coaching - version 1
Loan Officers (LOs) provided lending and coaching to clients and reported to SGB Manager, but LO client load was low and there was confusion in the reporting to and responsibilities of Branch Manager (BM) and SGB Manager

SGB Coaching - version 2
LOs direct reporting shifted to BM, but LOs then struggled to do coaching because of other tasks set by the BM

SGB Coaching - version 3
Started transition of coaching from LOs to a centralised coaching team via call centre, streamlined the SGB loan appraisal, and the SGB Manager shifted from loan operations to coaching and impact measurement/reporting

SGB Coaching - version 4
More LOs were trained to give SGB loans and SGB LOs took on more clients; SGB Manager focused on coaching, impact measurement and reporting of SGB

In addition to these project specific adjustments, both MFIs had to adapt to restrictions on movement due to the crises, modifying the operational approach to allow for more remote disbursement and repayment. VFM moved to a new loan processing system, allowing digital processing of loans and enabling digital payments using mobile money transfer during the final two years of the project. Similarly, VFG changed the mode of disbursement for most of the clients from cash to bank transfers.

PURPOSE AND SCOPE OF THE STUDY

The evaluation aimed to assess the extent to which the project has achieved its goal to **"increase the growth potential of SGBs through the development, testing and identification of an optimum business model that is effective, sustainable, scalable and inclusive."** It was assumed that to stimulate further investment the SGB program needed to prove its success in supporting SGB business growth and creating new job opportunities for SGB employees, as well as show commercial sustainability at the MFI level.

The principal objectives of the endline evaluation were:

1. To evaluate the effect of the SGB loans (SGB finance only) on (1) SGB clients, (2) their employees and (3) the local MFIs (VFM and VFG).
2. To evaluate whether a model combining coaching and finance delivers improved results for (1) SGB clients, (2) their employees and (3) the MFIs, as compared to a finance only solution.
3. To document promising practices, key lessons learned and recommendations that could apply to World Vision Australia programming, VFI subsidiaries worldwide and the microfinance industry.

Evaluation Method

The final project evaluation used both secondary and primary data and a mixed methods approach, including quantitative and qualitative methods for data collection. For analysis, clients were segregated according to their participation in coaching and technical assistance into four groups:

- Group 1: Clients who did not receive any coaching
- Group 2: Clients who started but did not complete coaching
- Group 3: Clients who completed at least 5 coaching sessions
- Group 4: Clients who completed both coaching and TA.

This allowed the survey to investigate any systematic differences between each group, to assess the impact of the coaching and TA.

Quantitative Methods

From the project's inception, the SGB project team collected detailed monitoring data on key project indicators from clients at the start and end of the loan using impact surveys and detailed loan tracking data. Although the project aimed to collect baseline and endline data for each and every disbursed loan, it could only be done for a proportion of them. This constituted the sample for the panel study and comprised 352 SGB clients in Myanmar and 71 SGB clients in Ghana. End-of-cycle surveys were also administered by VF Call Centre operators (independent from the SGB team) to consenting clients, measuring client satisfaction on loan features. This data was combined with detailed loan performance and financial data compiled monthly by the implementing MFIs (VFM and VFG), as well as detailed tracking of coaching sessions, updated as coaching occurred.

Additionally, the external evaluators undertook phone surveys on themes that were either not yet covered or needed verification, and where further clarification from the field was needed. A total of 303 SGB clients were surveyed at endline (in Myanmar only). SGB clients who had received a loan in the last two years (January 2020 onwards) and completed at least one loan cycle after January 2021 constituted the sampling frame. The survey was undertaken remotely due to COVID-19 and the political unrest which limited the enumerators' movements.

Qualitative Methods

In addition to two quantitative tools, the impact evaluators deployed qualitative data collection methods to respond to the evaluation questions and triangulate quantitative results. The qualitative tools included in-depth interviews (IDIs) with SGB clients (39), focus-group discussions (FGDs) with SGB employees (24), and key informant interviews (KIIs) with VF staff (20) and with other FSPs (5).

Limitations of the evaluation

A major limitation of this evaluation (and also the project outcomes) was the COVID-19 pandemic and, in the case of Myanmar, the military coup which has caused insecurity and economic decline. Branches were closed at different times, there were townships that evaluators could not visit, and evaluators were often unable to visit the clients, either because of COVID-19 restrictions or due to fear of speaking out in Myanmar. This lack of face-to-face interaction with clients and employees, which was worse in urban areas, reduced overall connection and the depth of the discussion.

Surveys involving the client SGB's employees faced significant limitations with many employers reluctant to let their employees participate. This was due to various reasons ranging from not wanting to lose productive hours, to fear that their employees may speak out against them, to not wanting their employees to know they had taken out a loan. As a result, this evaluation could not draw any conclusive evidence from the employees' survey as the sample size was too small and not adequately representative. However, the surveys completed do provide some observations and qualitative data.

Additionally, the impact of the crises on the financial performance of the participating MFIs significantly limits any conclusions regarding the identification of an optimum business model, particularly in the dimension of financial viability. The fact that neither country showed financial sustainability by project end should not be seen as proof of a business model failure, because the exogenous crises clearly had major detrimental effects. Conversely, attempting to adjust for impacts of the crises is impractical, as the impacts were pervasive and multi-faceted both on the SGBs and the MFIs, and therefore cannot be implemented with enough precision to address key questions remaining about the long-term viability of an SGB program as tested in this project.

KEY FINDINGS

What has been the impact of the SGB loans and services on sustainable business growth and employment?

SGB Growth

- The two countries showed somewhat different outcomes on business growth metrics across the project timeline, with clients in Ghana reporting a 23% increase in sales and a 23% increase in profitability, while in Myanmar sales and profitability hovered around the same value as before the loans. This is clearly related to the crises as both countries showed more favourable outcomes early in the project, i.e., before the COVID-19 pandemic (see Table 1 below). Ghana's lockdowns and impact from COVID-19 were less severe with businesses appearing to recover more quickly, as opposed to the twin crises in Myanmar (first the pandemic and then the ongoing political crisis), from which many businesses have struggled to recover.
- Prior to the pandemic, a majority of clients in both countries experienced an increase in sales (58% clients in Myanmar, 79% clients in Ghana). But once the pandemic started, the two countries evolved very differently. Ghana saw continued improvement (88% of clients increased sales). However, clients in Myanmar became less likely to increase their sales (39% clients post-COVID-19, and 33% post-coup).
- In both countries, male-led SGBs showed greater sales growth compared to female-led SGBs. In Myanmar, this was much more pronounced with male-led SGBs showing 36% growth on average versus an 18% decline for women-led SGBs across the project timeline; while in Ghana, male-led SGBs showed 25% growth versus 19% for female-led SGBs. The time interval analysis reveals that this gender difference was more pronounced in Myanmar: until the military takeover both male and female clients continued to increase their sales, although to a lesser extent for the latter. After the coup, the gap increased again, as female-led SGBs experienced declining sales, while male-led SGBs bounced backed, with average sales similar to pre-COVID-19 levels (see Figures 4 and 5 overleaf). This indicates that the different crises exacerbated pre-existing gender inequalities.
- Looking at profitability, a similar pattern was observed in both countries, with a narrow majority of clients increasing their profits (53% clients in Myanmar, 51% clients in Ghana). Once the pandemic started, Ghana saw continued improvement (73% clients increased profitability). However, only a few clients continued to increase their profitability in Myanmar (28% post-COVID-19 and 23% post-coup).
- When viewed through the lens of the ancillary coaching services provided, an inconsistent picture between countries emerges. In Ghana, Group 2 clients (clients who received incomplete coaching) and Group 3 clients (who completed coaching) experienced greater sales and profit growth as compared to the Group 1 clients (who received no coaching). In Myanmar, the SGBs in Groups 1 and 2 experienced a significant increase in sales and profit while Group 3 clients reported a significant drop in sales and profit.

Table 1: Annual average sales of SGBs (in '000 USD equivalent)[10]

	ALL	FEMALE CLIENTS	MALE CLIENTS	GROUP 1 CLIENTS	GROUP 2 CLIENTS	GROUP 3 CLIENTS
MYANMAR						
Baseline (at loan disbursement)						
Annual sales	150	162	132	147	160	141
Annual profit	25	26	24	25	25	24
Endline (after completing loan cycle)						
Annual sales	152	134	179	163	167	120
Change over loan cycle	**1%**	**-18%**	**36%**	**11%**	**5%**	**-15%**
Annual profit	26	24	28	26	33	16
Change over loan cycle	**4%**	**-7%**	**21%**	**6%**	**31%**	**-35%**
GHANA						
Baseline (at loan disbursement)						
Annual sales	83	77	88	66	98	72
Annual profit	13	12	13	11	12	14
Endline (after completing loan cycle)						
Annual sales	102	92	110	66	126	88
Change over loan cycle	**23%**	**19%**	**25%**	**0.4%**	**28%**	**22%**
Annual profit	16	14	18	11	17	16
Change over loan cycle	**23%**	**16%**	**38%**	**1%**	**42%**	**14%**

10 All figures on SGB growth (change in sales, profitability and employment) are based on the panel study.

Figure 4: Percentage of SGBs experiencing a change in sales in Myanmar*

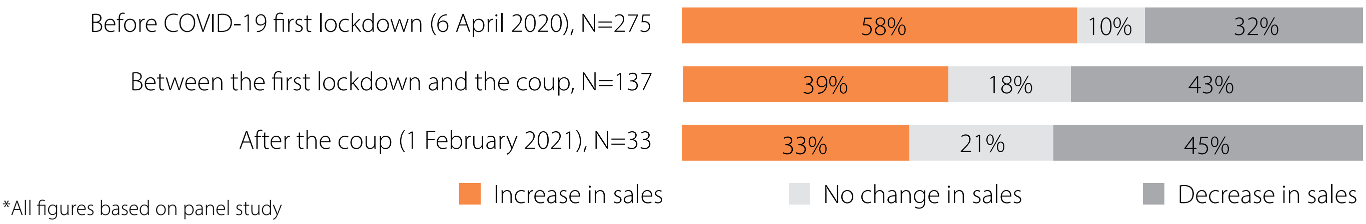
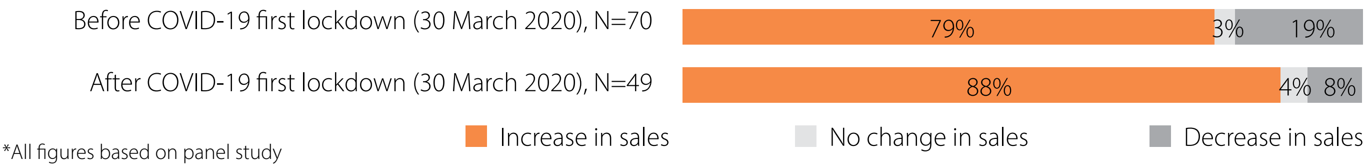


Figure 5: Percentage of SGBs experiencing a change in sales in Ghana*



Employment

- Around a quarter of all SGBs created jobs during a loan cycle in both countries, while SGBs in Myanmar were more likely to cut jobs (31%) as compared to Ghana (18%). Overall, there was a 12% increase in the total number of jobs per SGB at endline in Myanmar, and a 38% increase in Ghana.
- In both countries, both male- and female-led SGBs created jobs, but male-led SGBs created and maintained more jobs on average than female-led SGBs. However, male-led SGBs in both countries were also more likely to reduce the number of employees in their businesses. Male-led SGBs also employ more people overall in both countries as compared to female SGBs at both baseline and endline (see Table 2 below).
- In Myanmar, clients belonging to the various analysis groups (based on coaching and training) have been able to sustain an equal number of employees on average. Uncoached (Group 1) clients though, have shown less stability in employment, achieving both the largest average jobs gain from baseline to endline, but also a greater propensity to cut jobs (and so therefore when they create jobs, they create more than other groups).
- In Ghana, Group 2 clients (some coaching) are the most likely to create and maintain jobs on average, while Group 1 clients, like in Myanmar, are the most likely to cut jobs, although, unlike Myanmar, they are also less likely to add jobs and showed a net decline in jobs from baseline to endline.
- Overall, the jobs sustained through the project exceeded project goals, while the jobs created fell short of the initial project goals. Within the context of multiple crises and widespread job loss,[11] however, the jobs sustained and overall net job creation appears to be relatively positive.

Table 2: Employment by SGBs in Myanmar and Ghana (Baseline vs. Endline)

	ALL	FEMALE CLIENTS	MALE CLIENTS	GROUP 1 CLIENTS	GROUP 2 CLIENTS	GROUP 3 CLIENTS
MYANMAR						
Baseline (at loan disbursement)						
Average jobs supported per SGB	5.6	5.2	6.2	5.7	5.4	5.6
Endline (End of Loan Cycle)						
Average jobs supported per SGB	6.3	5.8	7.1	7.0	6.0	6.1
GHANA						
Baseline (at loan disbursement)						
Average jobs supported	3.0	1.3	4.4	3.0	4.2	1.7
Endline (End of Loan Cycle)						
Average jobs supported	4.1	1.7	6.2	2.7	6.8	1.9

11 International Labour Organization. 2022. "Employment in Myanmar in 2021: A rapid assessment". *ILO Brief.* Accessed at https://reliefweb.int/sites/reliefweb.int/files/resources/wcms_835900.pdf https://reliefweb.int/sites/reliefweb.int/files/resources/wcms_835900.pdf

Figure 6: Percentage of SGBs with changed number of employees during a loan cycle in Myanmar

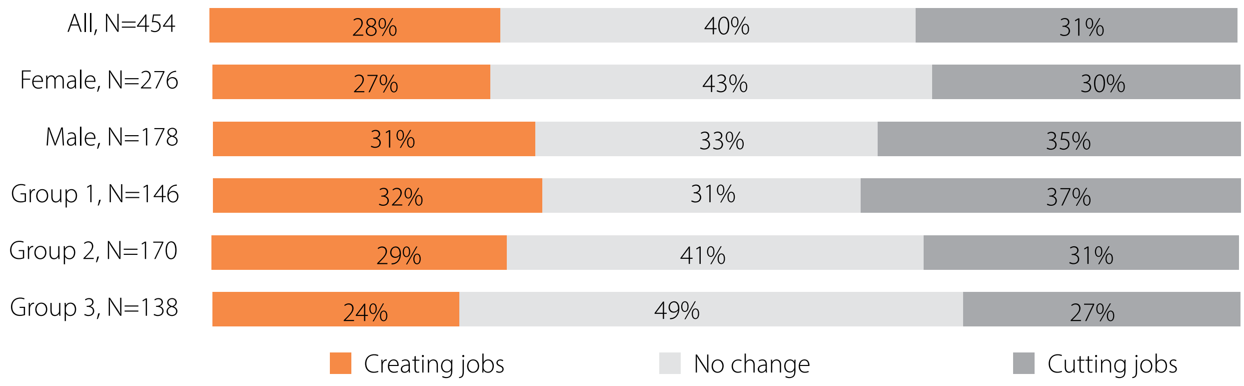
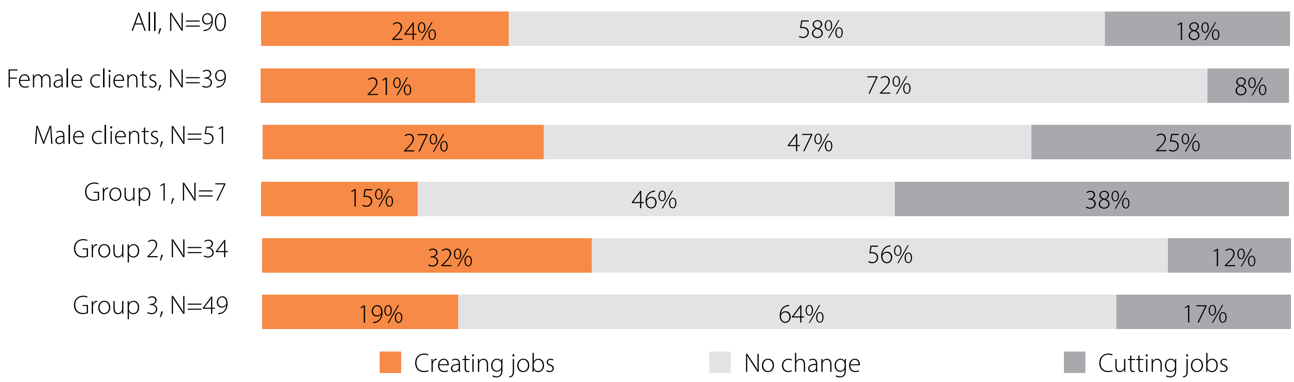


Figure 7: Percentage of SGBs with changed number of employees during a loan cycle in Ghana



What was the impact of the SGB loans and coaching on employment quality?

- Across both countries, the proportion of clients paying above the national minimum wage was about 75% at the start of their loans. In Myanmar, the proportion of clients paying above the national minimum wage increased from the baseline to 84%. Male-led SGBs were more likely to achieve this (90% versus 79% for female-led SGBs), while also showing greater improvement (from 78% to 90%). Differences between cohorts of clients based on levels of coaching did not reach a level of statistical significance. In Ghana, the dataset was too limited to draw any conclusions about changes to prevalence there.
- In both countries, more than seven out of ten SGBs paid nearly the same amount to their male and female employees for doing similar jobs. No statistically significant difference was observed between baseline and endline for this dataset, and likewise, no statistically significant differences were seen between male- and female-led SGBs, or cohorts with different levels of coaching.
- In Myanmar, about 60% of clients reported taking new measures to improve existing working conditions for their employees during the loan period, with little variation between client gender or participation in coaching and training. Only about 40% of their employees reported that their working conditions had improved (again with little variation based on client gender or participation in coaching/training). In Ghana, only about 30% of employees reported an improvement, with some differences between groups – Group 2 clients (some coaching) implemented the changes most often (37%), while Group 3 clients (completed coaching) made changes less frequently (20%).
- In Myanmar, about 90% of clients operating in the manufacturing sector invested in hazard reduction measures after taking the loan. In Ghana, the prevalence of hazard reduction measures was much lower overall (41%) and there was no correlation to industry types (though only 6% of clients operated in the manufacturing sector in Ghana, and 75% in the commerce sector where inherent risks are much lower). In Myanmar, there was no substantial difference between clients with different coaching levels, while in Ghana, hazard reduction measures were introduced by more Group 1 clients (33%) and the least by Group 3 clients (14%). There was no significant difference between male- and female-led SGBs in either country.
- FGDs and IDIs revealed that many good employer practices were in place before the SGB loans were given, and these mostly continued. Many clients in Myanmar also highlighted that their ability to maintain these good practices during the crises was due to the continuous availability of cash and the encouragement received from VFM. However, coaching and TA did not have any positive measurable effect on employment quality.

- Based on the limited employee survey data, none of the surveyed employees reported relying on external help to cover the health, food and education costs of their children, both before and after becoming an employee of the SGB. While this may call into question the effectiveness of reaching the most vulnerable members of society through this approach, it also highlights the benefits of the income stability provided by the SGBs to their employees, even during crises of such considerable magnitude.

How effective was the coaching and technical assistance for clients and the MFIs?

- In Myanmar, slightly less than half of the clients successfully completed the coaching offered, with male and female clients equally likely to complete the coaching package. In Ghana, about 30% of SGB clients completed the coaching, with males less likely to complete these coaching packages (26%), compared to females (35%).
- Among the clients who participated in coaching, 43% in Myanmar and 65% in Ghana reported applying new business competencies obtained from the coaching. Male- and female-led SGBs are equally likely to adopt these business learnings, while those who completed coaching (Group 3) are more likely to adopt the learnings (52%) than those who did not (Group 2, 38%). Notably, clients were much more likely to apply learnings in the first loan cycle, than in subsequent loan cycles.
- There were few positive correlations evident between achieving desired outcomes and the amount of coaching received. In fact, the data reveals that Group 2 clients (with incomplete coaching) were the most likely to grow their businesses and employment. Notably, these businesses were also larger from the start, perhaps suggesting that more mature businesses did not value the coaching enough to complete it. Conversely, this may also reflect that the clients who most actively used the coaching were, initially, smaller enterprises, more in need of coaching, as well as being more vulnerable when crises struck.
- In-depth interviews revealed that many clients felt that the coaching did not provide enough technical information or expertise, with many also expressing that they were "too busy" to spend the time with the coaches. These interviews also revealed a gap in some cases between the MFI's intention regarding coaching and the clients' perception that the coaching was a kind of monitoring check by the MFI. Some clients (as well as some coaches themselves) criticised the practical working knowledge of coaches in the specifics of their industries.
- Among the clients interviewed who participated in the detailed technical assistance (Group 4 - Myanmar only), most were able to recall TA sessions and credited it for the expansion of their network of buyers, sellers and guarantors. These clients specifically highlighted the sessions' networking benefits which allowed them to share challenges and brainstorm solutions with other SGB owners, and learn from each other's strategies to adapt their businesses.
- On the subject of resilience during crises, among the 124 clients surveyed in the endline client survey in Myanmar, an equal proportion said that the coaching sessions had helped them 'slightly' and 'very well' when it came to increasing resilience in the face of COVID-19 and the coup.
- There was no correlation seen between the amount of coaching and the client's loan quality (i.e. repayment rate) in either country, a critical component of product sustainability for MFIs.
- In Myanmar, the Net Promoter Score (NPS), which measures client loyalty and willingness to recommend an FSP to others, rose from -2 for all clients to +17 for clients with some coaching and +20 for clients with intensive coaching in Myanmar. In Ghana, however, the relationship is negatively correlated to coaching with all clients near 0, clients with no coaching rising to 20 and clients with some coaching falling to -80, and those who completed coaching at -33. It is not clear what caused this divergence between the countries' results, but it does highlight the potential for coaching to support (or detract from) client satisfaction and willingness to recommend the product to others, which are both key to the growth and sustainability of the product for the MFI.
- Among a sample of clients who were asked the reasons for renewals during the client survey, about 30% of Group 3 clients (those who completed coaching) said that they renewed their loans because the coaching helped to increase profits, while about half (46%) of the clients that completed TA (Group 4) said that the TA helped to increase their profits and was one of the many reasons for loan renewal.

How viable are the offered products and services that were developed by the project and which of the loan packages provides the optimum business model for MFIs?

Over the life of the project, neither country achieved operational self-sustainability (OSS), wherein all costs of the loan and services are paid through the income collected. However, much of this can be attributed to the impacts of the multiple crises, which caused late payments and loan losses to rise well above levels that could be sustained. The tables overleaf show the income and cost ratios of the two MFIs over the three key time periods. In the case of Myanmar, these are summarised as: pre-COVID, post-COVID, and post-coup.

Table 3: VisionFund Myanmar SGB Program Financial Results

Key Income/Cost Ratios	JAN 2019 TO FEB 2022 (FULL PROJECT)	JAN '19 TO MAR '20 (PRE-COVID)	APR '20 TO JAN '21 (POST-COVID)	FEB '21 TO FEB '22 (POST-COUP)
Operational Self-Sustainability (OSS)	63.2%	108.3%	74.8%	39.0%
Return on Portfolio (Yield - Expense Ratios)	-15.2%	2.4%	-7.3%	-30.8%
Portfolio Yield	24.9%	33.5%	28.0%	18.5%
Total Operating Expense Ratio	13.6%	19.2%	12.4%	11.1%
Direct OpEx Ratio	9.9%	15.3%	8.8%	7.5%
HO Cost Allocation Ratio	3.7%	3.9%	3.6%	3.6%
Financial Cost Ratio (FCR)	12.3%	10.8%	12.2%	13.7%
Impairment Ratio (net of recoveries)	14.3%	1.1%	10.7%	24.5%
	28 Feb 2022	31 Mar 2020	31 Jan 2021	28 Feb 2022
Portfolio at risk > 30days	59.0%	0.2%	15.0%	59.0%
Loan Loss Rate	1.2%	0.0%	0.0%	1.2%

- In Myanmar, the SGB program had achieved sustainability (108% OSS) before the COVID-19 crisis struck. However, the rise in Portfolio at Risk[12] (PAR) following the first COVID-19 lockdowns increased provisioning costs and decreased yield to the extent that sustainability turned negative, even as the MFI reduced operating costs significantly. The continued deterioration in the loan quality following the coup further eroded profitability in the last phase of the project.
- The operational shift from LOs specialising in SGBs to those dealing with other lending activities in the branch, accompanied by the shift to coaching managers covering the majority of coaching, led to a significant reduction in the operating expense ratio that benefited profitability. In a more stable operating environment this would most likely have led to consistent profitability.

Table 4: VisionFund Ghana SGB Program Financial Results

Key Income/Cost Ratios	JAN 2019 TO FEB 2022 (FULL PROJECT)	JAN '19 TO MAR '20 (PRE-COVID)	APR '20 TO JAN '21 (POST-COVID)	FEB '21 TO FEB '22 (LAST YEAR)
Operational Self-Sustainability (OSS)	83.4%	84.8%	71.0%	89.3%
Return on Portfolio (Yield - Expense Ratios)	-13.9%	-15.4%	-22.2%	-10.2%
Portfolio Yield	68.2%	71.8%	60.2%	69.1%
Total Operating Expense Ratio (OER	50.1%	52.0%	45.6%	50.6%
Direct OpEx Ratio	35.3%	35.7%	38.4%	33.3%
HO Cost Allocation Ratio	14.7%	16.3%	7.3%	17.2%
Financial Cost Ratio (FCR)	20.4%	22.7%	25.1%	15.9%
Impairment Ratio (net of recoveries)	11.6%	12.5%	11.7%	12.8%
	28 Feb 2022	31 Mar 2020	31 Jan 2021	28 Feb 2022
Portfolio at risk > 30days	20.7%	28.5%	28.2%	20.7%
Loan Loss Rate	24.2%	0.0%	0.0%	24.2%

- In Ghana, the program never achieved sustainability. Even prior to COVID-19, Ghana struggled with late payments and loan losses, which continued through COVID. The loan quality did improve during the final year of the project, but deteriorated again in the final months as a currency depreciation negatively affected a large cohort of cross-border trading clients. This loan loss cost has challenged sustainability throughout, and also highlighted the likely higher risk of lending to SGBs (as compared to microfinance clients).
- Operational costs are much higher in Ghana, where both the SGB project and the MFI as a whole, lack the scale of the Myanmar team, and loan sizes are smaller (due, in part,

12 The loan Portfolio at Risk (PAR) is the value of the outstanding balance of all loans in arrears (principal), expressed as a percentage rate of the total loan portfolio currently outstanding. PAR30 is loan portfolio at risk with 30 days overdue or more.

to regulator limits). Commercial funding costs are also high in Ghana, highlighting the importance of access to low-cost capital to fund this more price-sensitive segment of the market (as compared to microfinance).

- Cost of Coaching: In Myanmar, following the shift to coaching managers based centrally, the cost of this coaching team added about 2% to the cost of the loan (that is to say 2% of the portfolio, or +2% to the operating expense ratio). In Ghana, where the coaching continued to be administered by the LOs in the field, these LOs recorded an average of 6 hours per month (or about 5% of their time dedicated to coaching). It is important to remember that these average costs in both countries are spread across the entire portfolio of SGB clients, where only about 30% of clients actually utilised coaching at any given time. Nonetheless, at this level, the cost would appear to be significant, but likely manageable in a portfolio with good loan quality. Furthermore, the evaluation indicated that coaching plays a positive role in client retention and loyalty.

Overall, the project cannot determine with certainty what combinations of lending, coaching and training are sustainable and optimal because the outside factors (i.e. COVID-19 and the coup) had such a large impact on the financial results. The results, however, do highlight some critical learning including the importance of achieving scale and efficient operations, access to low-cost commercial funds, and perhaps most importantly, excellent loan underwriting.

To what extent has the project been gender inclusive?

- In both countries, 58% of all loans were provided to female-led SGBs. In Ghana, male-led SGBs received larger first loan amounts, but the difference narrowed in subsequent cycles. In Myanmar, the opposite occurred, with loan size comparable in the first loan cycle, but widening in favour of male-led SGBs in subsequent cycles.
- In both countries, male-led SGBs were typically larger enterprises, with more employees at baseline and also more employees added during the loan term. In both countries, more male employment was supported, on average, regardless of the gender of the SGB owner.
- In Myanmar, more than 75% of female clients indicated during the client survey that they ‘mostly’ managed the business and handled the main decisions. A majority (70%) stated that the loans helped to increase their personal savings through increased profits, with half saying they had been able to purchase assets for the household. This in turn, had led to an improvement in their confidence levels and social interaction skills. In Ghana, women also emphasised an improvement in their confidence and negotiation skills. They also highlighted that, through increased profits, they were able to increase their share of the household income which gave them the voice and empowerment they needed.

To what extent has the project been able to catalyse systemic change in the small business financing sector in Myanmar?

- Key informant interviews with major competitors found little evidence of impact on the small business financing sector in Myanmar as the MFIs (LOLC, Dawn, Hana, KB and PACT Microfinance) that were interviewed professed no knowledge of VFM’s SGB product and the services it offered.
- Two other FSPs in Myanmar were found to offer guidance on business practices, marketing and branding to clients, but claim their launch of these services was not inspired by VFM.
- Within this context, where many FSPs were focused on adapting operations and managing loan quality to meet two major crises, it is unlikely that they would be interested in innovative new approaches that may also carry additional risk. Accordingly, it is difficult to draw any conclusions regarding the project’s potential to catalyse systemic change.

CONCLUSIONS

This was an innovative pilot project designed to increase the growth potential of SGBs through the development, testing and identification of an optimum business model that is effective, sustainable, scalable and inclusive. To that end, the project achieved mixed results, some of which showed promising indications of SGB and employment growth, but with notable gaps in the impact of coaching on these outcomes and major challenges with the sustainability of the program.

Unfortunately, unforeseen crises, namely the COVID-19 pandemic and the coup in Myanmar, disrupted promising initial progress in business and employment growth of the client SGBs and the sustainability of the products for the MFIs. However, these crises did provide a test of resilience and the loans do appear to have helped businesses to survive the crises and maintain employment throughout this period. Approximately one third of SGBs in Myanmar grew their sales even after the coup (with higher figures beforehand), while more than 40% experienced an increase in profitability at the end of the loan cycle. In Ghana, nearly 90% of SGBs grew their sales after COVID-19 hit, while 60% increased profits at the end of the loan cycle. Furthermore, the client SGBs were able to retain most of their employees and, on average, increase employment during a period of severe disruption that led to mass job losses across the wider economies. Overall, 82% of clients thought their business would be worse off without the loan.

The loan size and terms did appear well-matched to the clients' needs, reaching a segment that had not previously been able to access adequate financial services, including female-led SGBs who made up a majority of the clients. Some 85% of clients received a formal loan for the first time. Amongst the 15% who had received business loans from other FSPs earlier, two-thirds found the project loans to be larger than those offered by other MFIs. It therefore appears that the SGB loan product targeted "the missing middle" who could not receive loans from other FSPs, while the tailored coaching sessions and group-based technical assistance further differentiated the product from the other competitive offerings on the market.

The non-financial service components (coaching and technical assistance) introduced on the premise that many SGBs need growth-oriented business skills to support their expansion, were valued by about 30% of surveyed clients who routinely accessed and reported benefits from coaching. There was, however, minimal positive correlation between the desired SGB outcomes and the amount of coaching received. Notably, many clients interviewed at endline perceived the coaching as monitoring checks to assess their ability to make timely repayments, and others expressed a desire for more technical skills building and/or direct advice and expertise rather than the coaching offered. This does point to some scope to improve the coaching program, to tailor it more to the needs of those clients who desire and need the coaching, which will only be a percentage.

The critical self-sustainability objective of the project faced more significant challenges, with neither of the implementing MFIs able to achieve sustainability through the period of the project. Clearly, the crises were a primary driver of this gap, with late payment and loan loss rates far above a sustainable level. Encouragingly, Myanmar had achieved a level of sustainability prior to the pandemic, pointing to a likely long-term sustainable model where a program that achieves adequate scale and good loan quality can support both the lending and coaching components. Further innovations developed during the project to improve efficiency in the delivery of the loans and coaching, should only improve this case. Unfortunately, critical questions about sustainability—in particular, the level of loan loss to be expected in a more stable situation—cannot be definitively answered due to the crises faced during the project.

On balance, the project has provided valuable insights on SGB lending and non-financial services to the "most missing middle" segment. Critically, the program showed a market need for SGBs that provide good employment and important services to their communities. The project has also provided valuable insights to inform the process of building a sustainable loan plus coaching and training program to serve this market segment. For example, there is some scope to improve the coaching program, to tailor it more to the needs of those clients who desire and need the coaching, particularly for women-led SGBs.

The next step for World Vision Australia and VFI is to take on the findings of the pilot and explore whether there are opportunities to roll out an improved product in other countries.

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