

FINANCIAL EDUCATION FOR MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES IN ASIA



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FOREWORD

In 2015, the G20 Turkish presidency identified the support of small and medium enterprises (SMEs) as a cross-cutting subject to address ‘Inclusiveness, Implementation and Investment for Growth’. Their priorities included seeking ways of strengthening gender equality in employment, addressing youth unemployment, unlocking private sector investment for SMEs, and integrating SMEs in developing countries into global value chains.

To support this agenda, and in keeping with the OECD/INFE High-level Principles of National Strategies for Financial Education, the OECD International Network on Financial Education (OECD/INFE) created a dedicated working group to address the demand side needs of MSMEs and potential entrepreneurs. Such efforts complement existing OECD work on supply side issues relating to SMEs and micro-enterprises (MSMEs), which focuses particularly on financing, thus providing a fully comprehensive approach.

OECD/INFE work on this topic was further enhanced through a High-level Regional Seminar on Empowering MSMEs through Financial Literacy and Inclusion in June 2016 co-hosted by the OECD and the Indonesian Financial Services Authority (OJK), in Jakarta. The Seminar focused primarily on the demand-side needs of MSMEs in Indonesia in particular, and in Asia more generally.

The Seminar benefited from in-depth desk research and information supplied by OECD/INFE members through a stocktaking exercise, which forms the basis of this paper on Financial Education for MSMEs in Asia.

The paper was supported by the Japanese government and prepared by Elizabeth Ooi, Lecturer in Finance at the University of Western Australia, with expert input from Adele Atkinson and oversight by Flore-Anne Messy, both OECD. Editorial support within the OECD was provided by Pamela Duffin, Jennah Huxley and Edward Smiley.

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1. CONTEXT

This paper describes, and provides guidance on, policy and practice relating to financial education for micro, small and medium-sized enterprises (MSMEs) and potential entrepreneurs in Asia, with a particular focus on Indonesia.

1.1 Background and process

The Organisation for Economic Co-operation and Development (OECD) launched a global project on financial education in 2002 to address OECD governments' concerns about the increasing transfer of financial risks to individuals and the sophistication of financial products. The project operates under the auspices of the OECD Committee on Financial Markets (CMF) and the OECD Insurance and Private Pensions Committee (IPPC).

The OECD International Network on Financial Education (OECD/INFE) was created in 2008 to address financial education issues through dedicated data collection, policy analysis and dissemination. It now comprises public officials from 110 countries including many non-OECD global economies including Brazil, China, India, Indonesia, the Russian Federation and South Africa.¹

In 2014, the OECD/INFE Advisory Board and its Technical Committee agreed that the OECD/INFE should focus on financial education for owners of MSMEs and potential entrepreneurs. A working group with co-leaders from Indonesia and Turkey was subsequently established, and held its first meeting in Paris, France on 5 May 2015. A progress report was submitted to G20 leaders at their meeting in Antalya in September 2015.

The working group circulated a stocktake questionnaire to OECD/INFE members in September 2015. The questionnaire was designed to collect information about existing policy and practices relating to financial education for MSMEs and potential entrepreneurs. Questions also asked about the specific challenges faced at different stages of the business lifecycle. Information was collected on the following four areas:

1. General information on enterprises
2. Policy priorities and challenges for MSMEs and potential entrepreneurs
3. Strategic framework for the support of MSMEs and potential entrepreneurs
4. Practical support and guidance for MSMEs and potential entrepreneurs and lessons learned

¹ OECD/INFE publications and recommendations can be found at www.financial-education.org.

Responses were received in November 2015 from 21 OECD/INFE member countries. A draft report summarising all responses was prepared for the 5th meeting of the Technical Committee of the OECD/INFE in April 2016.

This regional research paper was commissioned to inform the preparation of the OJK-OECD High-level Regional Seminar on Empowering MSMEs through Financial Literacy and Inclusion, hosted in Jakarta by the Indonesian Financial Services Authority, Otoritas Jasa Keuangan (OJK) in June 2016, and supported by the Japanese government. It uses information from the stocktake questionnaire and discussion during the 3rd meeting of the Expert Group in Amsterdam, the Netherlands, as well as additional research on financial education programmes and initiatives offered in Asia. A draft intermediate paper was presented at the OJK-OECD High-level Regional Seminar, and discussed at the 7th OECD Asian Roundtable on Financial Literacy and Financial Inclusion held in Jakarta on 2nd June 2016. Feedback from these two events further informed revisions. The paper includes information about Bangladesh; China; Hong Kong, China; India; Indonesia; Japan; Malaysia and Singapore, and has a particular focus on Indonesia.²

This work complements the body of literature on SME financing by the OECD's CMF and Centre for Entrepreneurship, SMEs and Local Development (CFE). A complete listing of these publications and initiatives can be found in the OECD/INFE progress report on financial education for MSMEs and potential entrepreneurs, shared with G20 leaders in 2015.

1.2 Definition of financial education

The OECD definition of financial education is:

the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and through information, instruction and/or objective advice develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being (OECD, 2005).

The OECD/INFE Working Group has developed the following definition of financial education in the context of MSMEs and potential entrepreneurs:

Financial education for MSMEs and potential entrepreneurs takes into account different types of business and stages of enterprises, and refers to the process by which they:

- *recognise the interaction between personal and business finance;*
- *know where to go for help;*
- *improve their understanding of the financial landscape, products and concepts of relevance; and*
- *through information, instruction and/or objective advice, develop the skills, knowledge, attitudes and confidence to:*

² It is noted that not all countries provided responses to all questions in the stocktake questionnaire.

- *become more aware of financial opportunities and financial risks and opportunities;*
- *make informed business plans and related choices;*
- *manage their financial records, planning and risks effectively over the short and long term; and*
- *take other effective actions to maximise the potential of their business for the benefit of their enterprise and that of the wider economy.*

1.3 Definition of MSMEs and potential entrepreneurs

For the purpose of this paper, micro enterprises are defined as having no more than ten employees, small enterprises are those with up to fifty employees and medium-sized enterprises have no more than two hundred and fifty employees. Potential entrepreneurs are considered to be individuals with business ideas that are close to being taken to the market.

1.4 Structure of this paper

The paper presents findings from Asia and especially Indonesia. It is structured as follows:

- Section 2 explains the importance of MSMEs and entrepreneurship in Asia, definitions of enterprises in Asia and the various challenges they face.
- Section 3 describes financial education policies targeting MSMEs and potential entrepreneurs including policy responses to financial education needs, policy aims and the content of financial education programmes.
- Section 4 summarises practical approaches to providing financial education to MSMEs and potential entrepreneurs including the size, specific provisions, target audiences and delivery channels of programmes/initiatives. Examples of financial education programmes/initiatives as well as evaluated programmes are also discussed.
- Section 5 provides concluding remarks.

2. THE IMPORTANCE OF MSMEs AND POTENTIAL ENTREPRENEURS AND THE CHALLENGES THEY FACE

MSMEs are a key contributor to economic development in both developed and developing markets around the world. In the Asian region specifically, Asian Development Bank (ADB) statistics show that MSMEs account for 96% of total enterprises, employ 62% of the labour workforce and contribute an average of 42% of gross domestic product (GDP) (ADB, 2015).

In recognition of their obvious contribution to sustainable economic growth and development, the work of the OECD/INFE particularly aims to foster the establishment, growth and survival of MSMEs through the provision of financial education. This section discusses the importance of MSMEs and potential entrepreneurs in Asia, and particularly Indonesia; the definitions of enterprises; and the challenges faced by MSMEs and potential entrepreneurs.

2.1 Importance of MSMEs across Asia, including in Indonesia

While MSMEs are a significant segment of most Asian financial markets, they are a particularly important pillar of the Indonesian economy. World Bank/International Finance Corporation (IFC) statistics show that in 2010, the formal MSME density in Indonesia was 100 enterprises to 1000 people, far greater than the average of 31 MSMEs per 1000 people across the 132 economies covered in the database (Kushnir et al., 2010). Statistics from the Indonesian Ministry of Cooperatives and SMEs also state that in 2010, 99% of the total number of firms were MSMEs (Mourougane, 2012).³ Further, MSMEs employ 89% of the private sector's workforce (IFC, 2016).

The sector has made an increasing contribution to GDP each year (currently around 60%), even amidst a slowing Indonesian economy as a consequence of the global financial crisis (ADB, 2015). In comparison, the contribution to GDP of MSMEs and potential entrepreneurs in other nations has either remained steady or marginally increased (ADB, 2015).

Table 1 below provides a breakdown of the size of MSMEs in Indonesia, by total number of enterprises, percentage of GDP, number of employees and percentage of employment, as reported in the stocktake questionnaire.

³ The Indonesian Ministry of Cooperatives and SMEs is tasked with developing policies and coordination, monitoring and evaluation of MSMEs. Further details can be found at www.depkop.go.id/.

Table 1. Size of MSMEs in Indonesia: Responses to stocktake

	Number of enterprises	Percentage of GDP (2013, estimate)	Number of employees	Percentage of employment
Micro enterprises	3,220,563	36.90	6,039,855	53
Small enterprises	284,501	9.72	232,281	2
Medium enterprises	23,744*	13.72	5,132,150	45
All MSMEs	3,528,808	60.34	11,404,286	100

Source: Statistical Yearbook of Indonesia 2015, State Minister for Cooperatives, Small and Medium Enterprises.

Note: * Estimated figures in 2014.

Table 2 below summarises the compound annual growth rates of enterprises by size in Indonesia. Growth in the number of enterprises, which is driven by small and medium-sized enterprises, is greater than growth in corporate entities. Growth in the number of employees is also greater for small and medium-sized enterprises than corporates. The increasing contribution to GDP is also driven by small enterprises.

Table 2. Compound annual growth rates by enterprise type in Indonesia

	Number of enterprises	Number of employees	GDP (constant prices)
Micro enterprises	2.3%	3.8%	4.3%
Small enterprises	4.6%	12.2%	11.2%
Medium enterprises	6.0%	9.8%	6.0%
Corporates	1.7%	7.1%	6.6%

Source: Ministry of Cooperatives and SMEs, (IFC, 2016).

For comparison, tables 3 and 4 below provide a summary of the total number of enterprises and contribution to GDP by enterprise type respectively in three other Asian countries, as reported through the stocktake questionnaire. The total number of enterprises in Indonesia is approximately the same as in Japan. However, Indonesia's MSMEs provide a greater comparative contribution to GDP than in China, India and Japan.

Table 3. Total number of enterprises by enterprise type: Responses to stocktake

	China (million)	India ^a (million)	Japan ^b (million)
Micro enterprises	-	21	-
Small enterprises	-	0.11	3.336
Medium enterprises	-	0.3	0.570
All MSMEs	10.23	21.113	3.808
All companies	-	1.3	3.820

Source: ^a Government of India Ministry of Home Affairs 2001 Census, Government of India Ministry of Micro, Small and Medium Enterprises Annual Report 2014-2015. ^b Japanese 2014 Economic Census for Business Frame, www.e-stat.go.jp.

Note: No data was provided by Bangladesh and Hong Kong, China.

Table 4. Percentage of GDP by enterprise type: Responses to stocktake

	China	India ^a	Japan ^b
Micro enterprises	-	-	-
Small enterprises	-	-	16.1%
Medium enterprises	-	-	38.5%

All MSMEs	60%	37.54%	54.5%
All companies	-	-	-

Source: ^a Government of India Ministry of Home Affairs 2001 Census, Government of India Ministry of Micro, Small and Medium Enterprises Annual Report 2014-2015. ^b Japanese 2014 White Paper on Small and Medium Enterprises in Japan (recompiled from MIC, METI, 2012 Economic Census for Business Activity; Refer to www.chusho.meti.go.jp/pamflet/hakusyo/H26/download/2014hakusho_eng.pdf).

Note: No data was provided by Bangladesh and Hong Kong, China.

2.2 Definitions of enterprises in Asia

In Asia, definitions of enterprise size vary considerably. For example, ‘size’ can take into account the total number of employees, total sales and/or assets of the enterprise. It is also common for definitions to vary by sector, an approach which is not as widespread in other countries responding to the OECD/INFE stocktake questionnaire. Table 5 below summarises the various approaches to defining enterprise size in Asia, as reported through the stocktake questionnaire.

Table 5. Approach to defining enterprise size: Responses to stocktake

Country	Definition	Sector
Bangladesh	Based on income	Definition varies by sector (manufacturing/service)
China	Based on employees and sales income	Definition varies by sector
Hong Kong, China	Based on employees	
India	Not provided	Definitions vary by manufacturing and service sectors
Indonesia	Based on employees and net assets or annual sales. Definition of medium-sized also includes a measure of independence.	A wide variety of sectors are identified separately
Japan	Based on employees and capital	Variations by sector

Source: Stocktake questionnaire responses

2.3 Challenges faced by MSMEs and potential entrepreneurs in Asia

Despite their importance to national economies, MSMEs and potential entrepreneurs face supply and demand side challenges which can potentially impede their ability to establish, grow and ultimately survive. Overall, these challenges include both supply and demand side issues. Internally, challenges can be of a financial nature (i.e. lack of access to financial markets and resources, business acumen), non-financial (i.e. lack of skills, lack of understanding of technology) and/or administrative (i.e. coordination, assessment and monitoring) (Urata and Jigyodan, 2000). Externally, there may be disincentives due to difficulties in registering, paying tax and navigating legal systems. Challenges may also differ by life-stage, size of enterprise or sector of operation. Gender-specific challenges faced by women-owned enterprises can also be an issue, as discussed in section 4.4. Removal of these barriers is a priority for governments.

The stocktake questionnaire identified two main categories of challenge: (1) policy/business landscape restrictions and (2) managers/owners lack of general/business skills, knowledge and experience. Responses to the stocktake questions on policy/business landscape restrictions are summarised in Appendix Table A1. Responses to the stocktake questions on general and business/specific skills, knowledge and experience are summarised in Appendix Table A2.

In most Asian countries, with the exception of Indonesia, responses generally suggest that business landscape restrictions (such as regulatory barriers to start-up/growth of enterprises, structuring and providing incentives for investment in MSMEs, a lack of access to finance and financing options and a lack of support/guidance for MSMEs) primarily affect enterprises in the early-to-growth stages of the business life cycle.

In contrast to other Asian countries, **Indonesia** reported that the priority is to address concerns relating to the business landscape for enterprises in all business life stages. However, a potential hurdle is that the Enterprise Act No. 20 of 2008 regulates MSMEs only and thus specific concerns of potential entrepreneurs may not be addressed. Further, incentives are granted to commercial banks for providing credit or MSME financing, as described in Indonesia Central Bank Regulation No. 17/12/PBI/2015, but not specifically for loans to potential entrepreneurs.

In **China** concerns relating to regulatory barriers, incentives for investment, and lack of support and guidance for MSMEs primarily affect potential and new enterprises while a lack of finance and financing options were reported to be a challenge for enterprises in both early and growth stages.

In **India**, all examples of business landscape restrictions were reported to affect enterprises of all sizes, except mature enterprises.

Japan indicated that the low number of start-ups (possibly caused by a reliance on self-funding) is a priority to be addressed and is expected to be examined under the 2015 Revitalisation Strategy. It is likely that lack of financing and support/ guidance for MSMEs will also be addressed within this strategy.⁴

The second set of challenges commonly faced by MSMEs and potential entrepreneurs relates to deficiencies in general and business skills including a lack of individual financial literacy, financial exclusion, lack of awareness/knowledge of financing options, complexity of financing options, lack of general entrepreneurial skills and other business specific skills. As with business landscape restrictions, responses overall indicate that within the Asian region, most concerns relating to general and business skills are a challenge for enterprises in the early-to-mid phases of the business lifecycle.

In **Indonesia**, a lack of financial literacy is affecting enterprises in all stages whilst younger enterprises lack knowledge and financing options. There was little information provided for Indonesia's priorities/concerns in the way of business and entrepreneurial skills, though this may be due to a lack of data.

China reported that most challenges relating to general and business skills affect potential and new enterprises. Enterprises in the growth stage also face a lack of awareness/knowledge of financing options, which is a commonly acknowledged obstacle towards successful entrepreneurship.

In **India**, most concerns relating to general and business skills are a challenge primarily faced by potential entrepreneurs while growth companies primarily face challenges relating to a lack of individual financial literacy, financial exclusion and a lack of awareness/knowledge of financing options. Complexity of financing options was not considered to be a concern or priority to be addressed in India, though this may be due to a lack of data or less complex instruments.

⁴ Further details on Japan's 2015 Revitalization Strategy can be found at www.kantei.go.jp/jp/singi/keizaisaisei/pdf/souron_gaiyouen.pdf.

Japan indicated that a lack of individual financial literacy was a concern primarily affecting new enterprises. Financial exclusion, complexity of financing options and a lack of general entrepreneurial skills however were not reported to be a priority or challenge faced by enterprises of any size. This may be captured instead under business-specific skills where it was reported that a lack of management skills, such as accounting and finance, are a concern. Japan also reported that knowledge of business succession planning was lacking in mature enterprises.

3. FINANCIAL EDUCATION POLICIES TARGETING MSMEs AND POTENTIAL ENTREPRENEURS

This section describes the stocktake questionnaire responses on the strategic framework for the support of MSMEs and potential entrepreneurs in helping them to overcome the various challenges faced.

Section 3.1 describes the policy responses to financial education needs, the measurement of financial literacy levels of MSMEs and potential entrepreneurs and whether their financial needs are addressed in a National Strategy for Financial Education or other policy framework. Responses to the stocktake questionnaire are summarised in Appendix Table A3. Section 3.2 describes the policy aims (with responses summarised in Appendix Table A4) and section 3.3 discusses the content of financial education programmes (with responses summarised in Appendix Table A5). Responses on these topics are from the point of view of central banks and government agencies that completed the stocktake questionnaire.

3.1 Policy responses to financial education needs

Financial literacy levels of MSMEs and potential entrepreneurs are generally not comprehensively measured in the Asian region. Financial needs are addressed to some extent through either a national strategy or other policy framework. It may be that the needs of this group are determined from information provided by organisations who work with MSMEs and potential entrepreneurs or that their levels of financial literacy are inferred through financial literacy surveys of the population in general.

Compared to other Asian countries, in **Indonesia** financial literacy levels and needs of MSMEs are recognised in policy frameworks. For example, within the Indonesian National Strategy on Financial Literacy, which was launched in 2013, MSMEs are included in the list of target groups for financial education activities/initiatives together with youth, women and rural area workers.⁵ Activities within the national strategy include surveys which measure financial literacy levels of households and therefore cover MSMEs to some extent. A follow up to the first survey in 2013 is expected to be carried out in 2016. The Indonesian Chamber of Commerce and Industry, *Kadin Indonesia*, also addresses the needs of MSMEs. The financial education needs of this group are also addressed to some extent via other policy frameworks.

Bangladesh does not presently measure the financial literacy levels of MSMEs and potential entrepreneurs, though the Bangladesh Securities and Exchange Commission has recently formed a committee tasked with developing a national policy as part of the country's 10-Year Master Plan. As the target group of this policy is intended to be wide ranging, it is expected to reach MSMEs. It is also yet to be decided whether a policy framework outside of the national strategy will address the financial

⁵ The Indonesian National Strategy is coordinated by the Indonesian Financial Services Authority, *Otoritas Jasa Keuangan* (OJK).

education needs of MSMEs and potential entrepreneurs and how stakeholders will be involved within such a framework.

In **China**, the financial literacy levels of MSMEs and potential entrepreneurs are measured to some extent and their needs are addressed outside of the national strategy. For example, a consumer financial literacy survey is undertaken every two years by the [Consumer Financial Protection Bureau](#). The survey measures financial knowledge, attitudes and behaviours of MSMEs and potential entrepreneurs. The People's Bank of China also launched the Financial Literacy Education Month in 2014. Events were organised at colleges, villages, government agencies, workplaces and military camps in collaboration with financial sector organisations such as *China Union Pay* and the *Shanghai Gold Exchange*. As part of these events, MSMEs and potential entrepreneurs were targeted under the theme of 'financial knowledge in enterprises and institutions'.

India does not currently measure financial literacy levels of MSMEs and potential entrepreneurs nor does the National Strategy address the financial education needs of this group directly. Outside of the national strategy, banks hold financial literacy camps for a broad audience, within which MSMEs are included, on personal finance topics such as borrowing, saving and budgeting.

Japan does not currently measure financial literacy levels of MSMEs and potential entrepreneurs, which may be because the Japanese National Strategy does not explicitly target the financial education needs of this group. Potential entrepreneurs however are reached through the strategy's focus on improving the financial literacy of primary and secondary school students. Japan also has other frameworks outside of the national strategy which comprehensively address the financial needs of MSMEs and potential entrepreneurs. For example, under guidelines for supervision of financial institutions, major and regional banks are encouraged to provide consultation and advice for their clients, which can include MSMEs, and advice must be specific to their stage of the business lifecycle. In addition, an independent administrative agency, the Organization for Small and Medium Enterprises and Regional Innovation, JAPAN (SMRJ), supports SMEs in the areas of:

- Measures for start-ups and new business development via consultation and advice from experts.
- SME growth/development via responding to management issues at an advanced level in collaboration with local SME support organisations.
- SMEs with safety nets via a small-scale enterprise mutual aid system and business safety mutual relief system.
- Infrastructure for business owners looking to improve facilities or for new sites/spaces for business activities.⁶

3.2 Policy aims of financial education

Potential reasons for targeting the needs of MSMEs and potential entrepreneurs in national strategies and other policy frameworks are based on recognition of the role they play in the economy and the substantial barriers they face. For example, the purpose of targeting this group could be to increase economic stability, increase formal sector employment, raise tax revenues, or some

⁶ See www.smrj.go.jp/english.

combination. This targeted approach could help to overcome challenges such as accessing finance and generally encouraging sustainable entrepreneurship. As in the previous section's discussion of policy responses, there is wide variation in the policy aims of targeting MSMEs and potential entrepreneurs in Asian nations.

Indonesia's policy aims include reducing demand-side barriers in accessing finance, promoting sustainable entrepreneurship and increasing economic stability for enterprises of all sizes and to increase formal sector employment and tax revenues in micro, small and medium-sized enterprises. The increase in tax revenues can be directly from taxation of business income or indirectly through value-added taxes, simplifying the tax system, reducing the number of non-complying tax payers or investing in MSME growth to increase government income from tax (DGDA, 2011). Responses to the stocktake questionnaire from other regions of the world suggest that increasing tax revenues is not a common stated policy aim elsewhere.

Bangladesh, India, and Japan, aim to reduce demand side barriers to accessing finance for enterprises of all sizes while **China** focuses on reducing barriers for potential entrepreneurs and micro enterprises. Bangladesh and India aim to encourage and increase sustainable entrepreneurship for enterprises of all sizes while in Japan this policy aim concentrates on potential entrepreneurs and micro enterprises. In China, it concentrates on micro, small and medium-sized enterprises.

While increasing economic stability is an important policy aim of financial education for MSMEs more generally, responses from China, India and Japan did not indicate this to be the case. Formal sector job creation is also considered to be an aim for enterprises of all sizes in Bangladesh and India but not in China or Japan. Japan also reported that an important policy aim is to increase revitalisation for micro, small and medium-sized enterprises.

3.3 Content of financial education

The definition of financial education in relation to MSMEs and potential entrepreneurs, does not specify the content of financial education programmes, as this is considered to be a matter for providers and policy makers to develop within each country. Overall, the content of financial education covers two areas: topics that relate to general financial literacy and those that relate specifically to business owners such as managing business finances, financial records, risk and dealing with lenders/investors.

As discussed below and in section 4.3, there is good coverage of a wide range of business-specific topics. For example, many providers have recognised the need to provide education on insurance products and risk management, which is a common topic within the various programmes/initiatives that are available for MSMEs and potential entrepreneurs, as discussed in section 4.3.

Overall, general financial literacy topics are covered well throughout Asia, while there is more variation in the range and target groups of business-specific topics in Bangladesh, Indonesia and Japan. When business-specific topics are not aimed at enterprises of all sizes, they focus on MSMEs rather than potential entrepreneurs. Appendix Table A5 summarises the full list of topics.

The content of financial education programmes in **Indonesia** is comparatively broad with coverage of the full list of topics in both the general financial literacy and business literacy categories. This content is provided for enterprises of all sizes except content on understanding the business, financial and economic landscape where the focus is on larger enterprises. **Bangladesh** also provides broad coverage of the full list of topics for enterprises of all sizes.

In **China**, general financial literacy content is provided for enterprises of all sizes while the approach for business specific topics varies. Topics on financing opportunities, interacting with and meeting requirements of lenders and investors are provided for enterprises of larger sizes whereas topics on planning and managing business finances and financial risk management are provided for potential entrepreneurs as well as enterprises.

In **India**, while financial education covers general financial literacy for enterprises of all sizes, business specific content is focused on financing opportunities and intended for enterprises of all sizes.

In **Japan**, general financial literacy education is primarily provided for potential entrepreneurs while the majority of business-specific topics cater to micro, small and medium sized enterprises except for topics on financial risk management and the distinction between personal and business finance, which is provided for potential entrepreneurs and enterprises of all sizes.

4. PRACTICAL APPROACHES TO PROVIDING FINANCIAL EDUCATION TO MSMEs AND POTENTIAL ENTREPRENEURS

This section describes practical support and guidance for MSMEs and potential entrepreneurs in Asia. Section 4.1 discusses the extent to which different stakeholders provide financial education, information or guidance to MSMEs or potential entrepreneurs, the scale of financial education programmes and the specific provisions available. A summary of responses is provided in Appendix Table A6. Section 4.2 describes the delivery channels via which financial education, information and guidance is disseminated with responses summarised in Appendix Table A7. Section 4.3 discusses examples of financial education initiatives in Asia, with a particular focus on Indonesia. Finally, section 4.4 discusses examples of evaluated programmes/initiatives for MSMEs and potential entrepreneurs in Asia.

4.1 Providers of financial education programmes: scale and provisions

Across the Asian region, a wide range of stakeholders offer financial education programmes including the public sector, financial sector, industry organisations as well as domestic and international not-for-profit organisations. Where national provisions are available, they reach enterprises of all sizes except in China where the focus is on small and medium-sized enterprises. Local provisions, where available, also reach enterprises of all sizes except in China and Hong Kong, China where they target potential entrepreneurs and micro enterprises.

In **Indonesia**, public sector/government initiatives, financial sector and international not-for-profit organisations are typically involved at the national level and cater to enterprises of all sizes and potential entrepreneurs. For example, OJK provides business support/guidance, entrepreneurial education and general financial education with a focus on small enterprises. Youth, women, migrant workers, instructors and the broader community are also covered. At the local level, the education sector (e.g. universities and colleges) focuses on potential entrepreneurs.

In **Bangladesh**, almost all stakeholders target enterprises of all sizes and potential entrepreneurs at both the national and local levels. Not-for-profit organisations were not reported to be involved in financial education, though this may be due to a lack of data.

In **China**, public sector/government initiatives target all enterprises and potential entrepreneurs at the national level. For example, the People's Bank of China provides financial education for micro, small and medium enterprises and also targets other key groups such as youth, women and the unemployed. Educational institutions and industry organisations focus on providing education for enterprises of all sizes and potential entrepreneurs at the local level. Not-for-profit organisations (domestic and international), as well as the financial sector, focus on small and medium-sized enterprises at the national level and potential entrepreneurs and micro enterprises at the local level.

In **Hong Kong, China** stakeholders primarily provide financial education at the local level with national and regional not-for-profit organisations catering for potential entrepreneurs and micro enterprises. Public sector and industry organisations provide education for potential entrepreneurs and enterprises of all sizes.

In **India**, stakeholders primarily provide education at the local level and target potential entrepreneurs and enterprises of all sizes. For example, the Reserve Bank of India requires banks to establish financial literacy centres to educate groups including farmers, women, unemployed, senior citizens, youth and micro and small entrepreneurs through financial education camps. The Reserve Bank recently suggested that each target group should be catered for with a special camp each month to discuss their concerns. The Reserve Bank also requires centres to provide quarterly reports on their activities in a standardised reporting framework which records the number of participants, the target audience and participating stakeholders.⁷ Rural self-employment training institutes also provide entrepreneurship education catering for a range of target groups including MSMEs, youth, women and the unemployed.

In **Japan**, the public sector, industry organisations and the financial sector have provisions at both the national and local levels for potential entrepreneurs and MSMEs. For example:

- The SMRJ caters to the needs of all enterprise sizes and potential entrepreneurs by providing business support guidance, entrepreneurship education and financial education for owners and managers of SMEs.
- The Japan Finance Cooperation (JFC), Japan External Trade Organisation (JETRO), SME revitalization support councils and consultation centres for business succession provide business support and guidance for all enterprises and potential entrepreneurs. The focus is on helping SMEs develop their business for global expansion, revitalisation as well as planning for business succession.
- The Japanese Chamber of Commerce and Industry also provides business support and guidance for existing enterprises.
- Financial institutions (predominantly banks) provide business support and guidance as well as financial education for enterprises of all sizes. Domestic not-for-profit organisations focus on MSMEs at the national level while educational institutions focus on potential entrepreneurs at the national and local levels. These educational institutions also target youth and the unemployed.

Financial education programmes in Japan are also integrated into the school curriculum with the Central Council for Financial Services Information (CCFSI) providing a detailed outline of financial education topics to be taught at primary, secondary and university levels.⁸ Participants of these programmes are considered to be potential entrepreneurs.

4.2 Delivery channels of financial education programmes

According to the stocktake questionnaire, financial education programmes for potential entrepreneurs and MSMEs in Asia are delivered through a wide variety of channels. Generally, formal face-to-face education is available for enterprises of all sizes with a focus on smaller sized enterprises; informal face-to-face education is also generally available for smaller enterprises; face-to-face advice and guidance is offered for enterprises of all sizes and finally other channels (such as printed and

⁷ The Reserve Bank's guidelines on financial education centres can be found at www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=10222

⁸ See www.shiruporuto.jp/e/consumer/pdf/financial_education_goals_by_age_group.pdf

online material, social and traditional media) are available for enterprises of all sizes with a focus on smaller enterprises. Appendix Table A7 provides a summary of the delivery channels utilised by countries in the Asian region.

Formal, face-to-face education

Financial education is targeted towards potential entrepreneurs in **Bangladesh, China and India** at the university level, in **Indonesia and Japan** at both school and university levels, in **Hong Kong, China** at the school level. Programmes organised by the SMRJ in Japan are discussed in the previous section. Various examples of formal face-to-face education in Indonesia are discussed in section 4.3.2 of this paper.

In **India**, several public and private organisations have established institutes which train potential entrepreneurs. The Entrepreneurship Development Institute of India,⁹ a not-for-profit institute sponsored by various financial institutions in India, provides post graduate diplomas aimed at potential entrepreneurs. The MSME Development Institute, Mumbai under the Ministry of MSME, also provides free and paid-for consultancy services for business owners.¹⁰

The National Institute of Rural Development & Panchayati Raj targets business owners, rural development officials and other rural community members by providing training, workshops and seminars to improve their knowledge and skills.¹¹

Financial education provided by universities (for example in an MBA course) is targeted towards potential entrepreneurs and MSMEs in **Bangladesh, India, Indonesia and Japan** whilst in **China**, this channel targets small and medium-sized enterprises. Formal financial education provided by qualified trainers outside of the school/university system focuses on small and medium-sized enterprises in China, and micro, small and medium sized enterprises in Japan.

Informal, face-to-face education

In **Indonesia**, ad hoc seminars run by ‘trained trainers’ and peer educators targeting all enterprise sizes are organised by public authorities, such as OJK, Bank Indonesia and the Ministry of Cooperatives and SMEs. For example, seminars for SMEs are held by *Konsultan Keuangan Mitra Bank (KKMB)*, a consortium of public, private and research organisations together with Bank Indonesia.

In **India**, ad hoc seminars run by trained trainers focus on potential entrepreneurs and MSMEs, while in **Japan** seminars are run by trained trainers targeting enterprises of all sizes but not potential entrepreneurs. In **Hong Kong, China** ad hoc seminars target potential entrepreneurs.

Face-to-face advice and guidance

In **Indonesia**, free advice is available from the public sector and not-for-profit organisations (for example, *Yayasan Insan Sembada*, an NGO focused on community development) for enterprises of all

⁹ See <http://ediindia.org>

¹⁰ See <http://msmedimumbai.gov.in/>

¹¹ See www.nird.org.in/

sizes.¹² Free advice from the financial sector as well as free guidance and mentoring from other experienced entrepreneurs is available for potential entrepreneurs and micro enterprises.

In **Bangladesh** and **China**, advice and guidance from the public, not-for-profit, business and financial sectors is provided for free and caters to a range of enterprise sizes. Free guidance and mentoring from other experienced entrepreneurs is also available in Bangladesh. In **Hong Kong, China** free advice is available from the public sector for a range of enterprises and from the financial sector for potential entrepreneurs and micro enterprises.

In **India**, free advice is provided by the public and financial sectors for a range of enterprise sizes. In **Japan**, free and fee-based advice from the public and financial sectors targets most enterprise sizes while fee-based business sector advice targets potential entrepreneurs, micro and small enterprises. For example, SMRJ's 'SME revitalisation support councils' provide fee-based business support for all enterprise sizes.

Other

Other delivery channels include printed material, formal online courses, mobile apps, social media and traditional media. Across Asia, the most popular channels are printed material and social media.

There are several interesting mobile applications in **Indonesia**, one of which is *Sikapi Uangmu* ("Behave properly with your money") developed by OJK, which provides tips, articles and activities on financial management topics. The app also administers mini surveys which are used to measure financial literacy levels of users. Another example is *Usaha Wanita*, an app developed through a private sector and not-for-profit collaboration. This initiative is discussed in section 4.4 of this paper.

Except in **India**, financial education is delivered through a variety of channels including printed materials (leaflets and brochures), social media and traditional media. In **Bangladesh, China** and **Indonesia**, most of these channels cater for potential entrepreneurs and MSMEs. Printed material is available in **Hong Kong, China** for smaller enterprises and for larger enterprises in **Japan**.

4.3 Examples of financial education initiatives for MSMEs and potential entrepreneurs

4.3.1 Programmes/initiatives in Indonesia

OJK and Bank of Indonesia have led a number of national financial education initiatives including the *Ayo ke Bank* ("Let's go to the Bank") campaign, *SiMOLEK* financial education car, *Whatever the product, Remember 3 Ps: Ensure benefits, understand the risk, consider costs* campaign, *Gerakan Indonesia Menabung* (Indonesia Saving Campaign) and *TabunganKu*.¹³ Local initiatives include financial education activities held at markets in East Java, Solo, Aceh, Makassar and Kupang. In conjunction with these market events, 'train the trainers' events focusing on MSMEs are organised. Other initiatives by the Ministry of Cooperatives and SMEs are the *Pusat Layanan Usaha Terpadu MSME Support Centres* in 16 provinces throughout Indonesia.¹⁴ The 42 centres provide services in a

¹² See www.yis.or.id/ for further details on *Yayasan Insan Sembada*.

¹³ Refer to Yoshino et al. (2015) and Tambunan (2015) for further details on these programmes.

¹⁴ See <http://plut.or.id/> for further details.

range of areas including business consultation, mentoring, assistance in obtaining finance, marketing and promotion, business management training and networking (IFC, 2016).

The Indonesian financial sector is also heavily involved in the provision of financial education due to OJK's requirement that all regulated financial institutions engage in financial education activities that are in line with national strategy and not for marketing purposes.

Box 1 below describes some examples of financial education programmes in Indonesia provided by financial institutions, in collaboration with not-for-profit organisations and universities. Some of the more newly established programmes are provided by insurance companies, such as Manulife Indonesia and PT Financial Wiramitra Danadyaksa (FWD Life Indonesia), due to growing recognition of the need to provide insurance education to MSMEs.

Box 1. Financial education programmes provided by financial institutions

Citi Indonesia's *Citi Peka*, ("Citi cares and creates") was established in 1998 and is the community outreach division funded by Citi Foundation. It focuses on improving financial capabilities and financial inclusion for target groups such as youth, women, and farmers. In recent years, Citi Indonesia has collaborated with not-for-profit organisations and universities to deliver financial education. Some examples are described below:

"Growing the Spirit: Youth Entrepreneurship Initiative" Programme

In 2014 and 2015, Pretasi Junior Indonesia (PJI), an organisation that aims to educate youth in entrepreneurship, workforce readiness and financial literacy was funded with a USD170,000 grant from Citi Foundation to launch the "Growing the Spirit: Youth Entrepreneurship Initiative" programme. In the programme, PJI staff and Citibank volunteers teach entrepreneurial skills to approximately 8,400 regular and vocational high school students in Jakarta, Bandung, Denpasar, Semarang and Surabaya. A 'Regional Student Company Competition' was recently held in West Bandung where students used their entrepreneurship training to establish a student business and participate in exercises including setting up a company, appointing a board of directors and formulating a business plan and strategy.¹⁵

Citi Micro-entrepreneurship Awards

For the past 11 years, together with the SME Centre at the Faculty of Economics and Business at the University of Indonesia, *Citi Peka* has organised the Citi Micro-entrepreneurship Awards. Awards are presented to businesses under categories such as 'female micro entrepreneurs', 'social micro entrepreneurs', 'micro entrepreneurs with an environmental outlook' and 'cultural preservation micro entrepreneurs'. As part of the event, participants are also provided with training and mentoring. 300 micro entrepreneurs from a variety of provinces participated in the most recent event.¹⁶

Citi Foundation also provided funding to the *Kenan Institute Asia* in Thailand, to provide 80 small and medium-sized enterprises with financial management training via the 'Citi Executive Programme in Finance: Financial Skills Capability Building for SMEs'. As part of the programme, participants attended training sessions which catered to their level of financial knowledge. Experts from successful SMEs also participated in the programme by sharing their insights and experience with participants.¹⁷

Manulife Indonesia and Putera Sampoerna Foundation Youth Entrepreneurship Development Programme

In 2016, Manulife Indonesia, together with Putera Sampoerna Foundation delivered a 12-month programme aimed at teaching entrepreneurship and financial skills to 25 teachers and students at high school and vocational

¹⁵ See www.citibank.co.id/global_docs/82715_Enhancing-Financial-Literacy-and-Youth-Entrepreneurship-Citi-Indon.pdf and http://www.citibank.co.id/global_docs/SiaranPers-052815-en.pdf.

¹⁶ See www.citibank.co.id/global_docs/press-release/20160113-Siaran-Pers-CMA-2015-ENG.pdf.

¹⁷ See www.citigroup.com/citi/press/2008/080722a.htm.

schools in Banda Aceh. Activities included entrepreneurship workshops on knowledge of financial products, business planning strategy sessions and seminars on building presentation skills.¹⁸

Home Credit Indonesia and Wahana Visi Indonesia Financial Literacy Programme

For the last three years, Home Credit Indonesia, a consumer finance provider and Wahana Visi Indonesia, a non-profit organisation focused on education and economic empowerment, delivered a programme for 200 small and medium enterprises from the Penjaringan and Jatinegara Community of Area Development Programme. Activities included discussion and testing on topics such as identifying needs and wants, building financial protection and budgeting.¹⁹

PT Financial Wiramitra Danadyaksa (FWD Life Indonesia) Bebas Berbagi Programme

In collaboration with DreamLab Indonesia, a business strategic consulting start-up, the programme provides education on financial management and basic business management targeting women, youth and small-medium entrepreneurs. A particular focus of their programme is on mothers who plan to develop a new business or grow an existing business, termed “mompreneurs.” Participants are gathered from *Mommiesdaily*, the largest community group for mothers in Indonesia.²⁰

“Financial Planning for Smart Entrepreneur” programme

PT Sunlife Financial Indonesia partnered with Universitas Ciputra to provide the “Financial Planning for Smart Entrepreneur” programme for the university’s students and faculty. The programme allows 5th semester students and staff to hear from SunLife experts as well as top entrepreneurs on topics relating to financial planning, ownership, and entrepreneurship in a three-month training programme.²¹

4.3.2 Programmes/initiatives in Asia

The following paragraphs highlight some interesting examples of programmes offered by the private sector (typically the financial sector), educational sector and not-for-profit organisations in Asia.²² There are a wide variety of financial education programmes which target many different audiences. This discussion focuses on those that specifically cater to the needs of MSMEs and potential entrepreneurs.

An example of a large scale initiative developed by an international organisation is the International Finance Corporation’s (IFC) website ‘*SME Toolkit*’.²³ The website addresses the knowledge/skills gap faced by SMEs in developing countries. It acts as an online portal of how-to articles on a range of topics including financial management, legal, marketing, technology and business insurance. Other features include interactive videos, calculators and worksheets which are used within structured exercises called ‘learning paths’ on the main topic areas. Users can also use

¹⁸ See <http://www.sampoernaoundation.org/en/putera-sampoerna-foundation-transformation> for information about the foundation

¹⁹ See www.homecredit.co.id/Corporate/Press-Releases/Gerakkan-Pelaku-Usaha-Kecil-dan-Menengah,-Home-Cre?lang=en-us.

²⁰ See www.fwd.co.id/en/media/press/2015/PT-Finansial-Wiramitra-Danadyaksa-Presents-Bebas-Berbagi-Program/.

²¹ See www.sunlife.co.id/indonesia/About+us/Newsroom/Press+releases/2013/Sun+Life+Financial+Indonesia+Partners+with+Universitas+Ciputra+on+Entrepreneurship+Initiative?vgnLocale=en_CA.

²² Messy and Monticone (2016) summarises various initiatives developed by public authorities which are not the focus of this paper.

²³ See www.smetoolkit.org/smetoolkit/en/.

web-based software to build their business plan. As well as the global website, IFC has partnered with banks in various countries to develop country specific websites, for example in **India, the Philippines, and Sri Lanka**.²⁴

Hong Kong, China has a number of initiatives primarily provided by the financial sector and focused on investment related topics, though there is less direct focus on MSMEs or potential entrepreneurs specifically. In a recent review of financial education programmes offered in Hong Kong, China, those that specified a target audience mostly focused on students, the elderly and lower income workers.²⁵ However since these programmes are designed for a broad audience, some of them may be useful for MSMEs and potential entrepreneurs.

In **India**, the Citi Centre for Financial Literacy (CCFL) operates within the Indian School of Microfinance for Women (ISMW).²⁶ ISMW initiatives include programmes for women and other disadvantaged groups as well as train-the-trainer programmes in rural areas.²⁷

In **Malaysia**, the *SME Info* website (<http://www.smeinfo.com.my/>) run by SME Corporation Malaysia under the Ministry of International Trade and Industry, serves as a ‘one-stop information portal’ for SME resources on financing, advice, networking opportunities and programmes/initiatives offered by the government and private organisations. SME Corporation provides business advisory and financial support for SMEs through their ‘Business Accelerator Programme’, which is funded by a Malaysian government grant (Al Mamun and Ekpe, 2016).

Malaysia SME (<http://malaysiasme.com.my/>) is a media group specialising in providing resources and material (including a newspaper, community directory and online news portal) for SMEs. One of their more innovative initiatives is a television show called “Small Mission Enterprise”, which follows a group of young entrepreneurs and provides education in an accessible and light manner about challenges faced by young Malaysian entrepreneurs.

In **Singapore**, a partnership between the financial and university sectors has resulted in the establishment of the *United Overseas Bank - Singapore Management University Asian Enterprise Institute* (<http://usaei.smu.edu.sg/>). Initiatives at the centre include:

- *SME Learning Portal*, a website with resources on business and management topics, interactive toolkits and a community forum in which users can share success stories.
- *SME Development Series* a monthly speaker series where experts share latest developments and their business know-how.

²⁴ The Indian, Philippines and Sri Lankan websites can be found at: <http://india.smetoolkit.org/india/en>, <http://philippines.smetoolkit.org/philippine/en>, and <http://srilanka.smetoolkit.org/srilanka/en> respectively.

²⁵ See www.hkiec.hk/web/common/pdf/about_iec/IEC-Research-Review-Financial-Education-Initiatives-HK-2015.pdf for a recent review of financial education initiatives in Hong Kong, China.

²⁶ See www.ismw.org.in/.

²⁷ In terms of government initiatives, the Reserve Bank of India has published a booklet titled “Nurturing dreams, empowering enterprises - Financial needs of micro and small enterprises - A guide” which educates enterprises on financing options, <https://rbi.org.in/financialeducation/content/Financing%20needs%20of%20Micro%20and%20small%20Enterprises%20-%20A%20guide.pdf>.

- *SME Consulting Programme*, where students from Singapore Management University, together with experienced advisers/industry practitioners, provide business consultancy services to local enterprises. The service runs for a period of 10-12 weeks and includes consultancy on marketing, customer satisfaction, market research and business planning.

4.4 Evaluated programmes/ initiatives for MSMEs and potential entrepreneurs

Whilst many financial education programmes are developed, relatively few are evaluated - meaning that the evaluation evidence base grows slowly. Furthermore, the method and robustness of evaluations varies widely (McKenzie and Woodruff, 2014). This section highlights interesting findings but care should be taken when trying to compare across programmes or generalise the results.

It is very likely that programmes or initiatives that are targeted (i.e. towards a geographic region or industry sector), rather than generalist, are not only cost effective but more effective in addressing specific needs and challenges of a particular group. One group which would benefit from targeted financial education initiatives is women entrepreneurs and enterprises owned or run by women. Box 2 below describes the importance of this group and the challenges they face.

Box 2. The importance of women-owned MSMEs and the challenges they face

Women-owned or run enterprises account for up to 38% of all SMEs in emerging markets (IFC, 2011). In Indonesia specifically, 43% of formal SMEs are women-owned enterprises. Further, they contribute 9.1% to Indonesia's GDP (IFC, 2016).

To understand the gender-specific challenges faced by women-owned entrepreneurs in Indonesia, the IFC conducted a study involving face-to-face interviews with 600 SME owners (360 of which were women) across 12 cities, as well as focus group discussions with 72 SME owners from Jakarta, Padang and Denpasar (IFC, 2016). The study concluded that women business owners were limited by social and cultural norms, household and family responsibilities, lack of property as collateral, difficulties in obtaining finance, dependence on spouses in financial decision making, lack of mobility and a lack of confidence. The study also showed that women owned-businesses are typically informal, first time entrepreneurs, smaller in size, borrow less frequently and in smaller amounts, devote business income to household needs and are more likely to borrow from family/friends than a bank.

Research from the global non-profit organisation Women's World Banking (2015) also shows that a lack of documentation and a lack of business networks affects women-owned enterprises' ability to access finance and therefore the growth and survival of their businesses. Other research by OECD and the World Bank also identify these gender specific challenges (OECD, 2013b; World Bank, 2012).

These gender specific challenges faced by women entrepreneurs have been widely recognised by policy makers and programme providers around the world.

Box 3 describes an evaluated initiative targeted at women entrepreneurs and enterprises owned or run by women in Indonesia.

Box 3. Usaha Wanita in Indonesia

Through an ExxonMobil Foundation grant of USD 1.5 million and in partnership with Nokia, the Cherie Blair Foundation for Women launched a mobile telephone service in 2012 called *Usaha Wanita* ("Business Women"). This so-called 'mobile value added service' acts as a portal for information and sends an SMS to users four to five times a week containing tips and advice on business development, financial literacy and entrepreneurship. The *Indosat* network provided the service free of charge in the first year of the service's launch. The information provided is specifically designed to address the challenges faced by women entrepreneurs. In conjunction with the mobile service, Mercy Corps Indonesia provided hands-on business development training and support for 2,000 women across Indonesia. In 2013, *Usaha Wanita* won the Best Consumer Service Innovation Award at the Global Telecoms Business Awards. The service has also been adapted and tailored to help women entrepreneurs in Nigeria and Tanzania. As of 2013, it has reached over 14,000 women in Indonesia.²⁸

The programme provides a network of business contacts and role models that women business owners can tap into and learn from and is easily accessible through a basic mobile phone. These design features are in line with research carried out by the Asia Foundation on women's SMEs in Indonesia which shows that women particularly benefit from strong networks and are more familiar and comfortable with the use of technology in their businesses than their male counterparts (Asia Foundation, 2013).

An evaluation of users' impressions was carried out by Michigan State University involving telephone and in-person interviews with 557 users as well as focus group discussions.²⁹ Overall, the evaluation suggested that a tailored approach (involving country specific information, local topics of interest and local success stories and gender-specific approaches to business matters) benefited this group.

Another example of an evaluated financial education programme designed for women entrepreneurs in India is described in Box 4.

Box 4. SEWA Bank's training programmes for women entrepreneurs

The Self-Employed Women's Association (SEWA)³⁰ is an Indian trade union for self-employed women working in the informal sector. As well as health care, child care, legal aid and capacity building services, SEWA also operates a bank providing savings, loan, pension and other financial products to its members. Training courses are also provided which focus on general financial literacy skills and business specific skills such as marketing, expense management, investment and customer service.

A streamlined two-day training programme was developed by SEWA and a team of researchers from Duke University, Northwestern University, Harvard University and Massachusetts Institute of Technology, to evaluate the effectiveness of such programmes for women entrepreneurs (Field et al., 2014). The programme included classes on financial literacy and business skills as well as workshop activities on identifying and working towards a financial goal. The aim of the experiment was to test the effect of peer support in such programmes on women's behaviour and outcomes.

Of the 424 participants in the experiment, half were invited to attend the programme with a friend, while the others were invited to attend alone. Those who attended with a friend showed significant improvement in their business activities (e.g. were more likely to take out a business loan and reported increased business activity and income four months following the programme). Further, women who especially benefited from the peer training were those who normally experience restrictions in social mobility and interactions in wider networks (such as women who belong to religious or caste groups).

²⁸ See www.cherieblairfoundation.org/usaha-wanita-mobile-service-in-indonesia/.

²⁹ See www.cherieblairfoundation.org/wp-content/uploads/2014/11/Evaluating-Business-Women-web.pdf.

³⁰ See www.sewa.org/index.asp.

The two initiatives discussed above highlight the effectiveness of designing financial education programmes with specific needs and preferences of the sub-group in mind. In a review of meta-evaluations and impact evaluations during the period 2010-2014, the International Labor Organization's Women's Entrepreneurial Development (ILO-WED) Programme identified that a common characteristic of effective programmes for women entrepreneurs was a holistic approach incorporating a combination of financial literacy education together with business training, mentoring, peer support and follow up assistance.³¹

A similarly robust evaluation was carried out on a programme for women entrepreneurs organised by a development organisation, *Amanah Ikhtiar Malaysia* (AIM), which is described in Box 5 below.³²

Box 5. Amanah Ikhtiar Malaysia (AIM) entrepreneurial training programmes

Established in 1987, AIM provides small-scale financial services to women micro-entrepreneurs and training programmes to improve basic accounting, entrepreneurship, financial management and business communication skills.

To determine the types of traits that financial education programmes should develop in women, a team of researchers from Universiti Malaysia Kelantan (Al Mamun and Ekpe, 2016) interviewed 407 participants in AIM programmes who were deemed successful (that is, who entered the programme with household income below RM720 and after completing the programme reported income of more than RM5000). The questions focused on identifying key traits, including a need for achievement, cognitive skill indicators, attitude towards entrepreneurship and entrepreneurial alertness or the "ability to tap into entrepreneurial opportunity in the environment" (Al Mamun and Ekpe, 2016). The results show that of all the traits considered, entrepreneurial alertness was the only one to have a significant positive effect on the success of the business.

In **Sri Lanka**, a team of researchers evaluated the impact of the International Labour Organization's (ILO) *Start and Improve Your Business* (SIYB) training programme (De Mel et al., 2014). SIYB is designed for micro and small scale enterprises in developing countries and has reached 6 million trainees, been translated into 40 languages and introduced in over 100 countries.³³ The programme was conducted with a non-profit training institution, the Sri Lanka Business Development Centre, involving 1,256 programme participants. The evaluation sought to examine the impact of business skills training compared to a combination of training and a cash grant on two groups of women: existing enterprise owners and those interested in establishing a business. The evaluation found that for existing business owners, the training programme improved business practices but had no effect on profits or sales. When provided with a grant however, increases in business profitability were observed but only in the short term. For potential entrepreneurs, the training resulted in faster start-up of businesses and improved profitability. The researchers concluded that skills training may be more effective for new business owners and that it was easier to help women entrepreneurs establish new businesses than to improve the growth of existing businesses.

Lessons can also be learned from large scale programmes that target adults and youth in general, including those who may currently own a business or wish to become entrepreneurs. *MoneyMinded*, is one such programme, provided in the Asia Pacific region by the Australia and New Zealand Banking

³¹ See www.ilo.org/empent/areas/womens-entrepreneurship-development-wed/lang--en/index.htm.

³² See <http://aim.gov.my/bm/>.

³³ See www.ilo.org/empent/areas/start-and-improve-your-business/lang--en/index.htm.

Group (ANZ). ANZ partners with local organisations to deliver training workshops and with local research institutes/universities to evaluate the programmes. Evaluations involve surveys and face-to-face interviews and have been conducted on programme participants in **India, Singapore, Taiwan and Vietnam**. Participants self-reported improvements in knowledge, behaviour and wellbeing following participation in the programme.³⁴ The Indonesian programme and evaluation is described in Box 6 below.

Box 6. ANZ's MoneyMinded programme in Indonesia

The MoneyMinded programme was launched in Indonesia in 2012 with two local non-profit organisations, *Yayasan Cinta Anak Bangsa* and The Learning Farm, which both provide support for women and youth who are not active participants in the financial system (also known as “unbanked” individuals). As of December 2014, 1,500 Indonesians have participated in the programme.³⁵ ANZ staff and staff from these partner organisations volunteer as programme facilitators and deliver sessions on financial education topics such as managing money for the future, budgeting, identifying needs and wants and commitments.

The programme was evaluated by researchers at the University of Gadjah Mada (ANZ, 2013). 152 programme participants were surveyed and 98% self-reported improvements in their understanding of how to manage their finances following the programme. The majority of participants had also increased their regular savings and felt more confident in their financial management abilities. These outcomes could provide a valuable foundation from which to build additional skills relevant to MSMEs.

³⁴ Impact evaluation reports of MoneyMinded programmes can be found at: www.anz.com/about-us/corporate-sustainability/community/investing/moneyminded/.

³⁵ See <http://jakartaglobe.beritasatu.com/sustainability-in-focus/improving-lives-securing-better-futures-financial-literacy/> for further details on the Indonesian programme.

5. CONCLUDING REMARKS

This paper describing the current landscape of financial education programmes for MSMEs and potential entrepreneurs in Asia - and in particular Indonesia - highlights some important lessons which policy makers and programme providers should consider when improving existing, as well as developing future, financial education policies and initiatives . These lessons are applicable not only to Indonesia, which is this paper's focus country, but also other Asian economies. Some of these key lessons are discussed below.

5.1 Regular and in-depth surveys to measure financial literacy of MSMEs and potential entrepreneurs

While general financial literacy surveys targeting a wide audience may indicate financial literacy levels of MSMEs and potential entrepreneurs, targeted surveys may provide more in-depth insights into the financial literacy levels of groups within the MSME sector. For example, as a preliminary attempt to understand the needs of a particular group, the OECD Eurasia Competitiveness Programme developed a tailored survey to measure the financial literacy of SMEs in the agribusiness sector in Ukraine (OECD, 2015). The first survey was developed and conducted by the OECD and future surveys will be carried out by the Ukraine government. A similarly targeted survey could be adapted for the Asian MSME context and managed by public authorities in the region. Particular emphasis could be paid to collecting data on participants in the informal as well as formal MSME sub-sectors. The OECD/INFE survey of adult financial literacy could similarly be modified for the purposes of measuring financial literacy levels in the context of MSMEs and potential entrepreneurs. Regular surveys would ensure financial education programmes address the current needs, behaviours and attitudes of MSMEs and potential entrepreneurs.

5.2 Tailored programmes for specific target groups within the MSME sector

As argued by Messy and Monticone (2016), programmes and initiatives should have a tailored design that takes into account the macro level (e.g. the economic, policy, cultural and social context of each country) and the micro level (e.g. the needs and requirements of a specific target group). For example, the success of the mobile app *Usaha Wanita* in Indonesia is perhaps attributable to its design around the needs and requirements of this particular target group. Another successful feature of this targeted programme is that it provides a community for women to meet and learn from other women who have found effective strategies to balance their domestic and career lives, a particularly important aspect of Indonesian culture. Targeted smaller scale approaches are also likely to be more cost effective as compared to the investment required for large scale financial education programmes which have a wide audience.

5.3 A focus on improving business-specific skills

While a lack of general financial literacy is one of the challenges faced by MSMEs and potential entrepreneurs, programmes and initiatives should aim to improve general financial literacy as well as business specific literacy. For example, programmes that target MSMEs could incorporate more

problem solving of case study/real life business problems that are commonly faced by MSMEs and potential entrepreneurs (e.g. developing a business plan, record keeping, budgeting and expense management). Outputs from such training would also have the benefit of helping MSMEs and potential entrepreneurs in securing finance. This is in line with research that shows that when training is relevant to an individual's situation, it is likely to be more digestible for business owners and will result in long term retention of the knowledge (Cho and Honorati, 2014, Drexler et al., 2014, Fernandes et al., 2014). Programme providers should also continue to provide content beyond the common topic of accessing financing, such as business insurance education.

5.4 Mentoring and one-on-one activities

The provision of one-on-one advice and mentoring from experts should also be a continued feature of financial education programmes. While Indonesia already uses these methods in initiatives led by the financial sector and educational institutions, other similar methods should be explored including internships or office site visits, particularly for potential entrepreneurs. An example of a common and successful mentoring approach in Indonesia is 'train-the-trainer' programmes which develop local community members into educators of their communities. One of the benefits of this approach is that participants are exposed to local role models and success stories to which they can relate.

5.5 A variety of delivery channels

An increase in the variety of delivery channels for programmes and initiatives should also be explored in order to reach a wider audience. There should also be continued focus on delivery channels involving technology, such as social media or online courses. For example, an effective channel may be an online portal that serves as a 'one-stop-shop' (such as Malaysia's *SME Info* website, discussed in section 4.3.1) for MSMEs and potential entrepreneurs looking for resources. A similar recommendation was made in a report prepared by US Aid (US Aid, 2009) for SME financial education in South Africa.. While the OJK and Bank Indonesia websites do have sections on financial education, it may be easier for users to navigate a separate website. Hong Kong's Investor Education Centre, established in 2012 as a division of the Securities and Futures Commission (SFC), provides another useful example.³⁶

5.6 Reaching potential entrepreneurs outside of the school system

Overall, financial education in Asia targets potential entrepreneurs through programmes and initiatives directed at youth. While potential entrepreneurs are likely to grow from this audience, such an approach does not reach adult entrepreneurs and others outside the school system. This could potentially be achieved by establishing organisations/associations for entrepreneurs that can provide networking and educational resources. Singapore has many organisations of this nature to support their high levels of entrepreneurial activity (Chernyshenko et al., 2015).

5.7 Wider financial sector involvement

As discussed earlier, the financial sector in Indonesia is an active provider of financial education given the obligation imposed on them by OJK to do so. However, involvement from other parts of this sector e.g. accountants or other financial professionals/organisations may be useful, especially in activities involving mentoring/problem solving exercises (ACCA, 2014). In the Japanese experience,

³⁶ See www.hkiec.hk/.

teachers are tasked with incorporating financial education content into their classes. Financial professionals could instead deliver this material so as to relieve the burden on teachers.

5.8 Regular evaluation of financial education programmes/initiatives

Finally, section 4.4 highlighted that programmes/initiatives have been evaluated to varying degrees of rigour. Continued robust evaluations of financial education programmes is vital in order to determine their effectiveness. Evaluation methods could also benefit from improvements, including increasing sample sizes, more informative measures of outcome, sample diversity, measuring impacts over longer time periods and reducing survey attrition (McKenzie and Woodruff, 2014). Guidance on evaluating programmes has been provided by the OECD/INFE(OECD, 2013) and policy makers, public authorities and programme providers themselves can continue to encourage such assessment.³⁷

³⁷ For example, various tools and guidance on evaluation can be found at www.financial-education.org.

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APPENDICES

Table A1 Policy priorities and challenges for MSMEs and potential entrepreneurs across different life stages: Business landscape: Responses to stocktake

	China	India	Indonesia	Japan
Aspects of regulation causing barriers to start-up/growth of enterprise	P, N	P, N, G	All	No
Structuring and providing incentives for investment in MSMEs	P, N	P, N, G	All	No
Lack of access to business finance and financing options	P, N, G	Access (P); Options (P, N, G)	All	Access (P, N, G); Options (All)
Lack of support and guidance for MSMEs	P, N	P, N, G	All	All

Note: P=potential entrepreneur; N=New enterprise; G=Growing enterprise; M=Mature enterprise; All = P + N + G + M. No responses were provided by Bangladesh and Hong Kong, China.

Table A2 Policy priorities and challenges for MSMEs and potential entrepreneurs across different life stages: General and business skills: Responses to stocktake

	China	India	Indonesia	Japan
Lack of individual financial literacy	P, N	P, N, G	All	N
Financial exclusion	P	P, N, G	P, N	No
Lack of awareness/ knowledge of financing options	Awareness (P, N); Knowledge (P, N, G)	P, N, G	P, N	All
Complexity of financing options	All	No	No	No
Lack of general entrepreneurial skills	P	P, N	No*	No
Lack of other skills	Business acumen (P, N); Sector-specific (P); Management (P, N)	Business acumen, sector-specific and management (P, N)	No*	Business acumen (G, M); Sector-specific (P, N, G); Management (All)

Note: P=potential entrepreneur; N=New enterprise; G=Growing enterprise; M=Mature enterprise; All = P + N + G + M; No* = No response provided possibly due to lack of data. No responses were provided by Bangladesh and Hong Kong, China.

Table A3 Strategic framework for the support of MSMEs and potential entrepreneurs

	Bangladesh	China	India	Indonesia	Japan
Measure financial literacy of MSMEs	To be decided	To some extent	No	To some extent	No
Addressing financial education needs of MSMEs through a NS	To be decided	No	No	To some extent	To some extent
Addressing financial education needs of MSMEs through another framework	To be decided	To some extent	To some extent	To some extent	Comprehensively
Additional comments					
Bangladesh	A committee has been created with the intention of developing a national policy, which will include financial education in schools, and may target MSMEs				
China	A consumer financial literacy survey undertaken every 2 years can provide data on MSMEs; and PBC Financial Literacy Month includes programmes on financial knowledge in enterprises and institutions				
India	Banks provide financial education to MSMEs through financial literacy camps				
Indonesia	MSMEs are a priority in terms of financial literacy activities, and mentioned in Indonesia's strategy on financial literacy. The Chamber of Commerce and Industry also addresses the financial education needs of this target group to some extent.				
Japan	The NS for financial education will reach potential entrepreneurs; including in schools. Financial education for MSMEs through other frameworks includes consultation and advice from experts. Guidelines for supervision of Banks, encourages consultations and advice giving, including to MSMEs. In addition, the Japanese <i>Act on the Organisation for Small and Medium Enterprises and Regional Innovation</i> has established an independent administrative agency to support SMEs through training courses, consultation and dispatching experts, in collaboration with other organisations.				

Note: No response was provided by Hong Kong, China.

Table A4 Policy aims of financial education across different sized enterprises

	Bangladesh	China	India	Indonesia	Japan
Reduce demand-side barriers to accessing finance	All	P, Mc	All	All	All
Encourage and increase sustainable entrepreneurship	All	P, Mc	All	All	Mc, S, MS
Increase economic stability	All	No	No	All	
Increase formal sector employment/activity	All	No	All	Mc, S, MS	
Increase tax revenues	No	No	No	Mc, S, MS	
Other: Increasing revitalisation	N/A	N/A	N/A	N/A	Mc, S, MS

Note: P=potential entrepreneur; Mc=micro enterprise, S=small enterprise; MS=medium-sized enterprise; All= P + Mc + S + MS; N/A= Not applicable. No response was provided by Hong Kong, China.

Table A5 Content of strategic approaches to financial education across different sized enterprises

	Bangladesh	China	India	Indonesia	Japan
General financial literacy	All	All	All	All	P
Knowing where to go for help on financial matters	All	All	All	All	Mc, S, MS
Recognising the interaction between personal and business finance	All	No	No	All	All
Understanding the business, financial and economic landscape	All	No	No	S, MS	Mc, S, MS
Planning and managing business finances	All	All	No	All	Mc, S, MS
Managing financial records	All		No	All	Mc, S, MS
Being aware of financing opportunities	All	Mc, S, MS	All	All	Mc, S, MS
Knowing how to interact with investors and lenders	All	Mc, S, MS	No	All	Mc, S, MS
Knowing how to meet requirements of lenders and investors	All	S, MS	No	All	Mc, S, MS
Being aware of financial risks and opportunities and managing them effectively	All	All	No	All	All

Note: P=potential entrepreneur; Mc=micro enterprise, S=small enterprise; MS=medium-sized enterprise; All= P + Mc + S + MS. No response was provided by Hong Kong, China.

Table A6 Providers of financial education/information/guidance to different sized enterprises

	Bangladesh		China		Hong Kong, China		India		Indonesia		Japan	
	National	Local	National	Local	National	Local	National	Local	National	Local	National	Local
Public sector/ Government (excl. education)	All	All	All	No	No	All	No	All	All	No	All	All
Education sector (universities/ colleges)	All	All	No	All	No	No	No	All	No	P	P	P
Industry/Trade union organisations	All	All	No	All	No	All	No	All	No	No	All	All
Other national or regional civil sector (charities/not-for- profits)	No	No	S, MS	P, Mc	No	P, Mc	No	All	No	No	All	No
Financial sector	All	All	S, MS	P, Mc	No	No	No	All	All	No	All	All
International not-for- profits/ NGOs	No	No	S, MS	P, Mc	No	No	No	All	All	No		No

Note: P=potential entrepreneur; Mc=micro enterprise, S=small enterprise; MS=medium-sized enterprise; All= P + Mc + S + MS.

Table A7 Delivery channels of financial education/ information/ guidance across different sized enterprises

	Bangladesh	China	Hong Kong, China	India	Indonesia	Japan
Financial education with entrepreneurship in schools/universities	Universities: (P)	Universities: (P)	Schools: (P)	Universities: (P)	Schools and universities: (P)	Schools and universities: (P)
Financial education in universities/ seminars outside of universities	Universities and outside: (All)	Universities and outside: (S, MS)	Outside: (P, Mc, S)	Universities and outside: (All)	Universities: (All)	Universities: (All); Outside: (Mc, S, MS)
Ad hoc seminars with trained trainer/ peer educator	No	No	Trained: (P)	Trained: (All)	Trained and Peer: (All)	Trained: (Mc, S, MS)
Public sector advice and guidance paid for/free	Free: (All)	Free: (All)	Free: (All)	Free: (All)	Free: (All)	Paid and Free: (All)
Not-for-profit advice paid for/free	Free: (All)	Free: (All)	Free: (P, Mc)	No	Free: (All)	No
Business sector advice paid for/free	Free: (All)	Free: (All)	No	No		Paid: (P, MC, S); Free: (All)
Financial sector advice paid for/free	Free: (All)	Free: (All)	No	Free: (All)	Free: (P, Mc)	Paid and Free: (All)
Free guidance/ mentoring from other entrepreneurs	All	No	No	No	(P, Mc)	No
Printed leaflets; online courses, mobile or computer applications, social media or other media	Printed, social media, other media: (All)	Printed, social media, other media (All)	Printed:(P, Mc)	No	Printed, applications , social media: (All)	Printed: (Mc, S, MS); social media: (All)

Note: P=potential entrepreneur; Mc=micro enterprise, S=small enterprise; MS=medium-sized enterprise; All= P + Mc + S + MS.

FINANCIAL EDUCATION FOR MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES IN ASIA

Micro, small and medium-sized enterprises (MSMEs) are a key contributor to economic development worldwide. In the Asian region specifically, they account for 96% of total enterprises, employ 62% of the labour workforce and contribute to 42% of GDP. This paper describes and provides guidance on policy and practice relating to financial education for MSMEs and potential entrepreneurs in Asia, with a particular focus on Indonesia.

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