



Microfinance Association

Lao Microfinance Association-

Successes & Challenges in collaboration with stakeholders for promoting Financial Inclusion in the Lao PDR

2018 GLOBAL FORUM FOR FINANCIAL CONSUMERS

27-28 July 2018

Waseda University, Tokyo, Japan



Economic Information on Lao PDR

- ✓ Average annual economic growth rate April 2018 – 7%
- ✓ GDP per capita – US\$ 2,706 (June 2018)¹
- ✓ National Data:
 - Area 236,800 km²
 - 6.9 Mill People
 - 17 Provinces + 1 Vientiane Capital
 - 148 Districts (44 classified as poor)
 - 8.514 Villages





History of Microfinance in the Lao PDR

2007: the responsibility for the development and supervision of the microfinance sector was delivered to Bank of the Lao PDR

2012: The new Prime Minister Decree on the regulation of MFIs was, #460 which replaced MFIs regulations # 02 and 04

2016: The implementation guidelines of decree 460 was issued

2008: Three regulations on the supervision of regulated MFIs (# 02,03,04)

2013: Lao Microfinance Association (LMFA) officially established

2018: Action plan on National Financial Inclusion Strategy 2018-2025, vision 2030 being launched



In term of numbers:

✓ Formal Sector:

- 1) 43 commercial banks (branches)
- 2) 181 MFIs (29 Pawnshops;
29 Leasing Companies;
19 DTMFIs; 78 NDTMFs;
30 Savings and Credit
Unions (SCUs);
- 3) MFA members- 87 MFIs (16 DTMFI, 55 NDTMFI, 16 SCU)

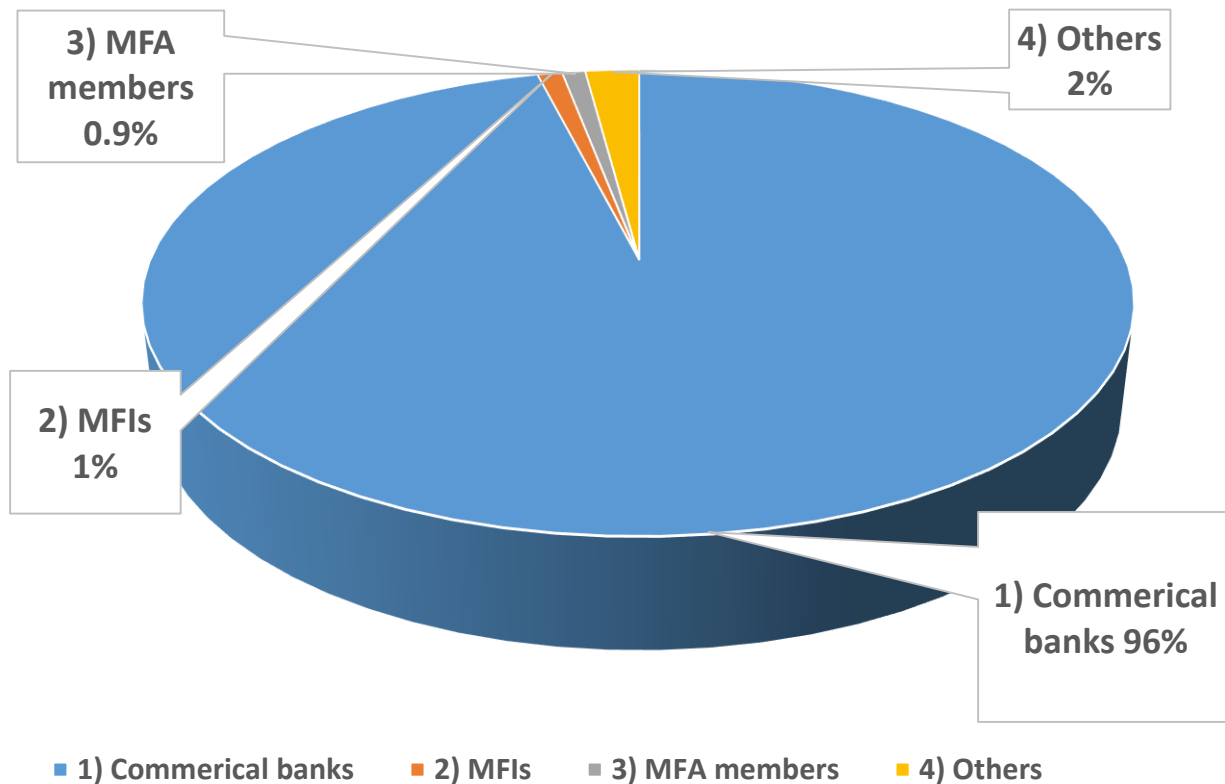
✓ Semi-Formal Sector:

- 4) Village banks/Village Funds: More than 5000 Units



Financial service providers in Laos: (December 2017)

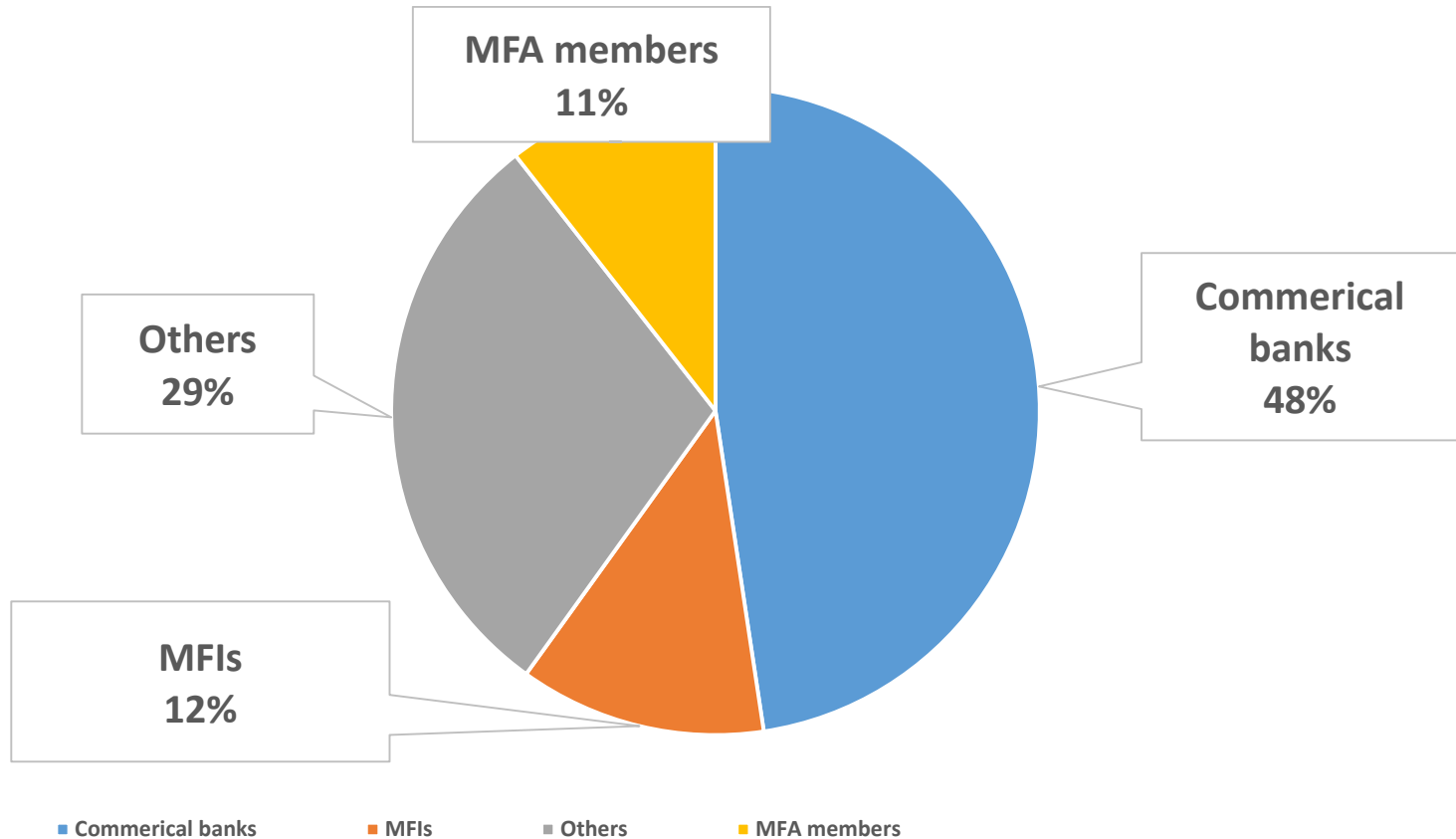
In term of Loan Outstanding, Total ca. 8 million US Dollars:





Financial service providers in Laos: (December 2017)

In term of borrowers, Total ca. 544,000:





About Lao MFA: Background

May 2007: Established as Microfinance Working Group (*MFWG*)

Oct 2013: Obtained temporary license as a Non-Profit Association (*NPA*)

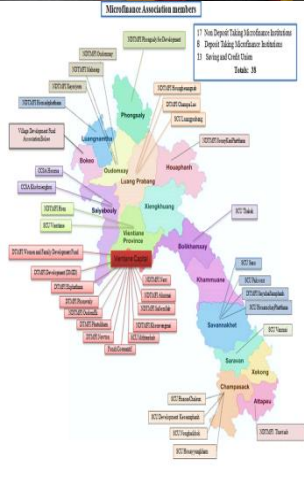
Since Oct 2013: works with 2 Lao Partners (BoL, MoHA)

Jun 2018: 6 *staff*, 4 BoD members and 3 *internal* auditors

Jun 2018: 105 members (87 MFIs – 16 DTMFI, 55 NDTMFI, 16 SCU, 11 organizations, 3 Training providers, 4 individual microfinance experts and consultants)

Jun 2018: 4 *Donors* (ADA, GIZ, UNCDF, *Australian Aid*)

Jun 2018: 1 *project partner*: NTPC II to create NSO- SCU





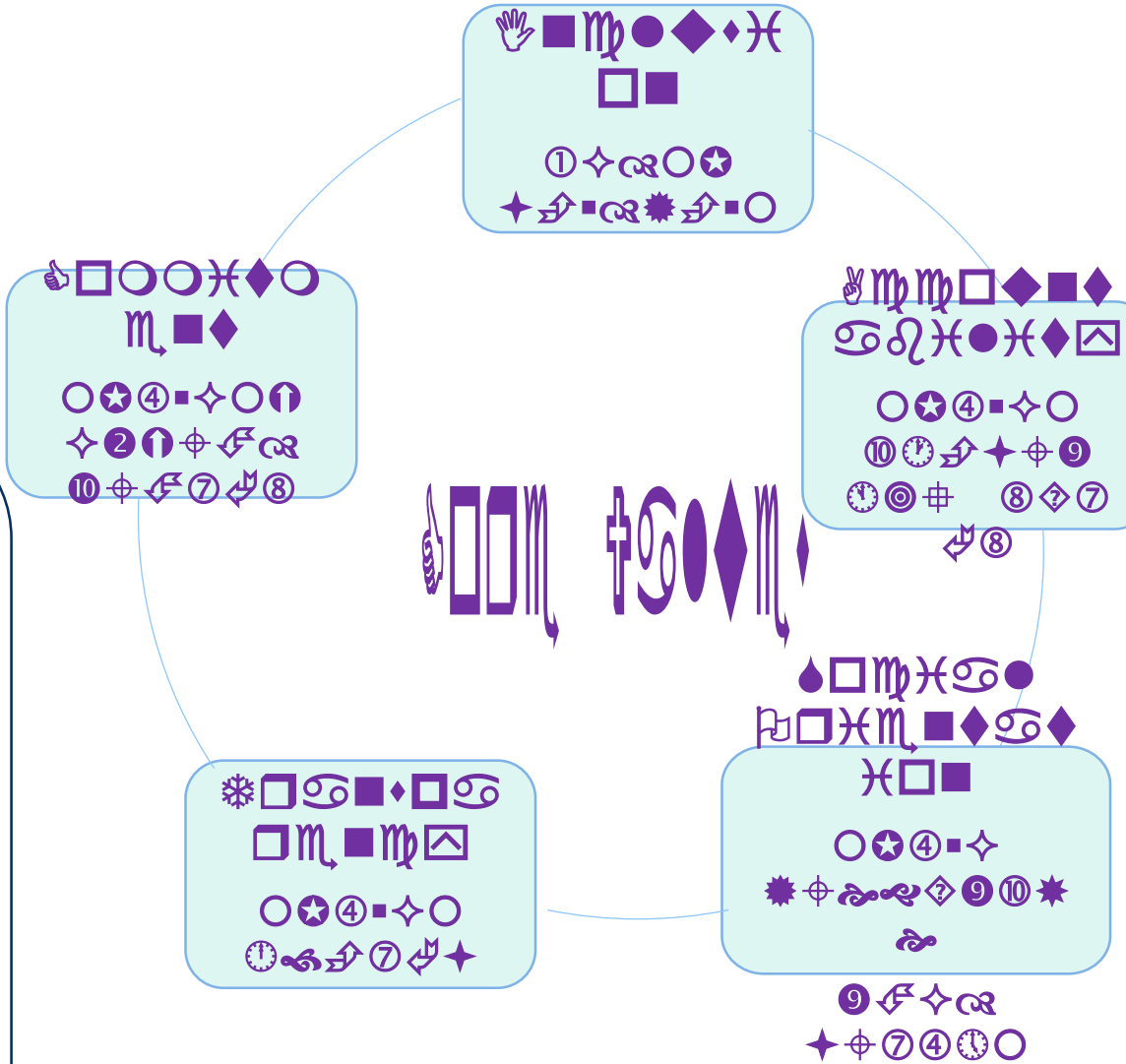
About Lao MFA: Vision, Mission and Core values



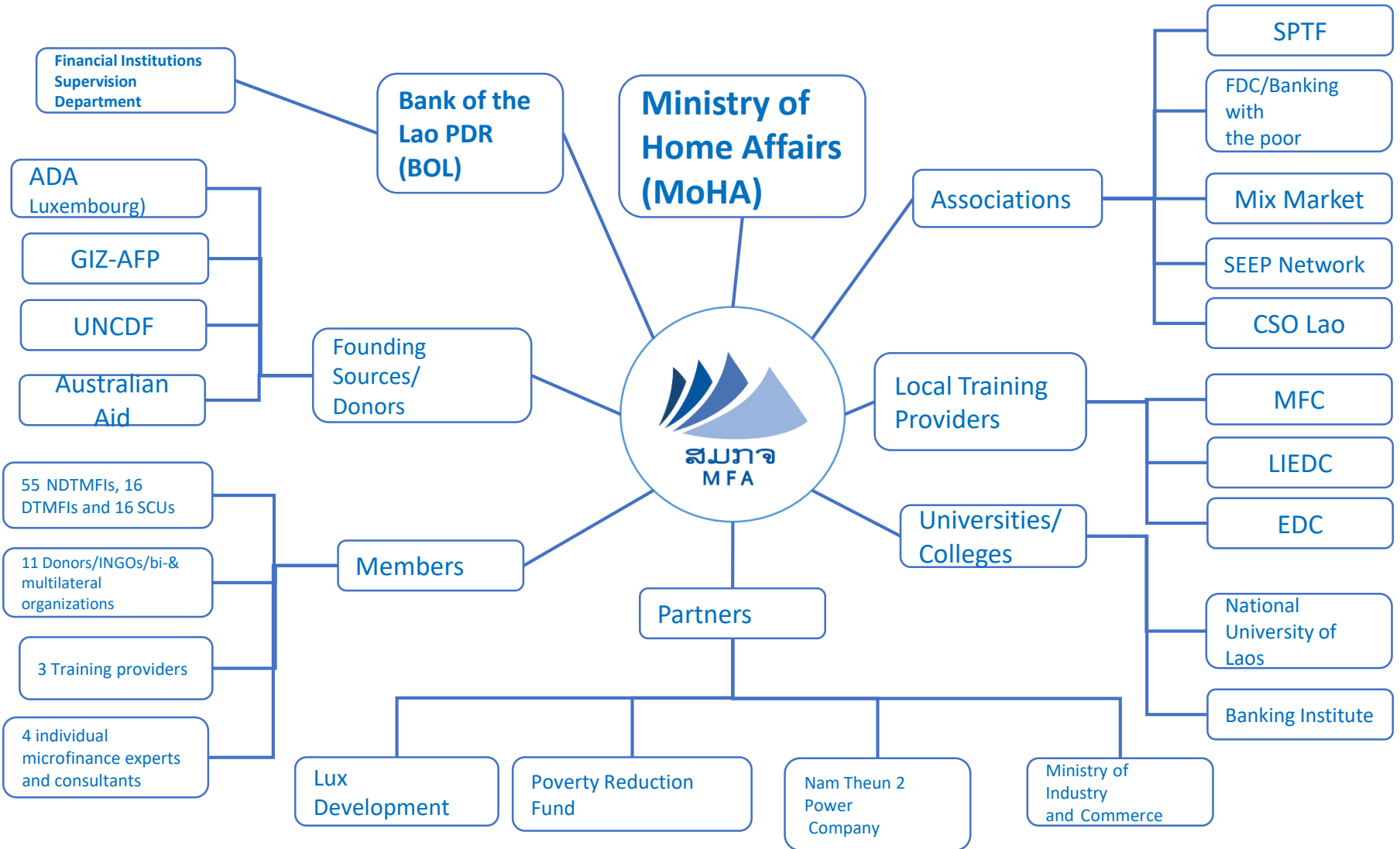
A major part of the Lao population has fair access to and uses efficient, high quality and sustainable financial services that are adapted to their needs, beneficial to all and contribute to poverty reduction.



To facilitate and support the provision of sustainable, demand-driven, efficient and high quality services by Microfinance practitioners by (i) providing a platform to coordinate stakeholders and disseminate information & research, (ii) providing direct services to practitioners, and (iii) promoting an enabling environment for sector development, (IV) outreach to include the majority of actors of the financial inclusion sector, particularly the Village Banks



MFA STAKEHOLDERS





Milestones/Key Successes of LMFA 2014- Jul 2018

May 2013
Executive director hired.

Oct 2013
obtained as NPA & conducted NCAT

2014
Strengthening internal capacities

- Finalized internal HR, operational handbooks
- Member code of conducts
- Designed MFMCC
- 2015-2017 strategic plan
- Collect membership fee

2015
launched MFMCC

- Building in house and outsources trainers pool for MFMCC in partners with BOL, ADA & GIZ, UNCDF & Frankfurt school
- Coaching/mentoring staff members

- 11 trainers and 6 trainer assistant
- 28 Participants: 24 from MFIs and 4 from BOL.

2016
providing CB/TA through the sector

- Gain trust from Non members to provide training/technical assistance, PRF, NTPCII, CIDAIS – sale the competence of MFA staff
- Members sharing experiences with each others
- Be integrated in BOL policies drafting team

2017
launched FE/FL & MBP

- Building a trainer team, both in house and outsources for FE/FL & MBP – Sale the competence of MFA staff

2018
Fully on board on Financial Inclusion: VBs, 'FinTech'

- With support from BOL/ADA/NTPC II, MFA create a NSO to support the VDF
- Conduct researches
- Looking for possibility to partners with IT companies to support members on using digital money and micro insurances



Challenges of the Lao MFA & MFIs

Densely populated and difficult geography

Lack of physical infrastructure

High interest rate

NPL (banks) and PAR are high in international context, internal control and external reporting are weak

Financial Management and Accounting skills are weak

Weak of financial connectivity – lack of safety of deposit

Insurance is culturally not popular and is not a priority in government policy

Financial Management

Outreach
(limited/ incurs high cost)

Challenges of LMFA in supporting members

Technology and Insurance

History & Legal environment

People
(BOD and staff of MFIs)

Difficult to find highly competent employees

BOD & Managerial skills require improvement

Little experience with performance management and staff incentive systems

Credit officers lack understanding of their clients businesses and value chains, sources and size of household income

MIS quality are still low and hardly give insight in the true financial situation of a MFI

Lack of access to the depositor insurance funds & Credit Information Bureau

Rather weak governance structures in the institutions

Regulatory constraints (e.g Outreach)

Lao people had bad experiences with financial institutions and therefore a lack of trust



Action Plan 2018-2020

Continue evaluate capacity of trainers - to get the best trainers for MFMCC trainers pool and related training and coaching

Seriously monitor the implementation of the Code of Conduct for MFIs and hold members accountable for it

Assist member MFIs in accessing external funding (from social and commercial investors, possibly public funders)

Continue evaluate capacity of trainers /Loan officers/ managers and follow up with MFIs how their implement – Financial Education and Micro Business planning/marketing for MFI's client's- micro entrepreneurs

1

2

3

4

5

6

7

8

Broaden and deepen training/coaching/mentoring offer for Board of directors, management & staff of member MFIs to help them improve their productivity and efficiency

Help member MFIs to improve financial reporting by provide internal audit onsite and off site and facilitate independent external audits (e.g. by negotiating special rates with audit firms)

Promote sector transparency and discuss with the regulator about how to make the legal and regulatory environment more conducive

Promote implementation of action plan of the Lao PDR Financial Inclusion towards 2030 – support the village banks through NSO and connect with donors/company to find solution to improve MIS and digitalize of financial services and insurances



Microfinance Association

Thank you very much for your attention!



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**CITIZENS' PERSPECTIVE OF CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES BY
THE FINANCIAL INSTITUTIONS OF BANGLADESH: Are They Societal or Promotional?
(Theme: Business ethics (CSR) or best practices of financial institutions)**

**A paper prepared for 2018 IAFICO Conference
Waseda University, Tokyo, Japan**

**Dr. Muhammad Ziaulhaq Mamun, Professor
Institute of Business Administration (IBA), University of Dhaka**

July 27-28, 2018





Corporate Social Responsibility

What is **CSR**?

- **A voluntary role of business in contributing to a better society beyond its financial and capital commitments.**
- **An action by a firm, which the firm chooses to take, which substantially affects an identifiable social stakeholder's welfare.**

Common Types of **CSR Activities in Bangladesh**

- **Education**
- **Health**
- **Social Awareness**
- **Poverty Alleviation**
- **Empowerment**
- **Environmental**
- **Social-Cultural events**
- **Disaster relief**



Corporate Social Responsibility

Corporate Social Responsibility

Promotional Versus Societal!

- **Promotional:** relating to the publicizing of a product, organization, business activity to increase sales
- **Societal:** Identifying a need in the community & coming up with a way of remedying that issue voluntarily



Who are **citizen**?

- **Citizen means people who are socially aware of the issue of CSR**
- **Involved in or are beneficiaries of CSR activities or any stakeholder in the CSR system**



OBJECTIVES OF THE STUDY

Broad objective

To evaluate the perception of the citizens regarding CSR activities that are executed by the financial institutions in Bangladesh



Specific Objectives

- **To find out & evaluate citizens' view about CSR activities by the companies focusing**
 - health care facilities
 - education related CSR activities
 - the socio-cultural events
 - the infrastructural development programs
 - various social awareness campaigns



Two views of CSR activities

1. The Classical View

- **Profit focused**
- **Money oriented**
- **Part of promotional activity**
- **May not bring more profit in the short-run but definitely benefits the company in the long run**



Two views CSR activities (Cont.)

2. Socio economic view

- **CSR seen as Voluntary initiatives**
- **Social responsibility goes beyond profit making**
- **Concentrates on social welfare rather than promotion**
- **Benefits the citizens, society, & the environment**
- **Has positive contribution to the target group while minimizes negative effects on others**
- **Regular activities rather than one-time**



Research Methodology

- The research used both primary & secondary sources & made pertinent literature review
- The primary data through questionnaire survey of 194 citizens which includes students, service holders, businessmen & housewives within Dhaka Metropolitan – the capital of Bangladesh
- The survey questionnaire contains 27 key variables using a 5-point Likert scale (1: Only societal and 5: Only Profit driven)
- The questionnaire was pretested with 15 respondents
- A combination of non-probabilistic convenience, judgmental & quota sampling techniques were used
- The secondary sources include books, reports, journal articles, etc.
- The study is found valid (face validity) & reliable (Cronbach's alpha = 0.845)
- The statistical tests used: one-sample t- tests, descriptive statistics, indexing, factor analysis, etc.

Analysis: Health care facilities

Variables	μ	α ($\mu=3$)
1. Health care facilities	2.72	0.001
2. Free medicine provided	2.33	0.000
3. Free medical check-up	2.01	0.000
4. Free dental Check up	2.32	0.000
5. Free pure drinking water supply	2.16	0.000
6. Free Vaccination service	2.10	0.000
7. Free eye care	2.20	0.000
Combined μ	2.26	0.000
σ	0.23	

- Individual perception about health related CSR is more Societal
- narrowly dispersed (μ between 2 & 2.72, $\sigma=0.23$)
- the combined Index supports this (index $2.26 \leq 3$ at $\alpha=0.00$)

Analysis: Education sector

Variables	μ	α ($\mu=3$)
1. Establish educational institution	3.08	0.393
2. Scholarship offer	2.27	0.000
3. Donation for library	2.69	0.000
Combined μ	2.68	0.305
σ	0.405	

- **perception about Scholarship offer & library donation is more Societal**
- **perception about Establishing educational institution is to some extent neutral**
- **the combined Index is 2.68, which is more societal ($\mu < 3$)**

Analysis: Socio-cultural Events

Variables	μ	α ($\mu=3$)
Sports Events	3.75	0.00
Conferences	3.53	0.00
Cultural Events	3.76	0.00
Competition	3.80	0.00
Seminar & Workshop	3.11	0.113
Combined μ	3.59	0.01
σ	0.29	

- **All the events except seminar & workshop is more promotional than societal**
- **the combined Index (3.59) also supports this**
- **perception about seminar & workshop is more neutral**

Analysis: Infrastructure & aesthetic development

Variables	μ	α ($\mu=3$)
Road Dividers	2.30	0.000
Roads and bridges	2.28	0.000
Waiting sheds	3.14	0.091
Lake Cleaning & maintenance	2.01	0.000
Beautification of roads & highways	2.90	0.218
Waste disposal initiative	2.01	0.000
Combined μ	2.44	0.034
σ	0.47	

- All the events except waiting sheds & beautification of roads & highways is more Societal than promotional
- the combined Index (2.44) also supports this
- waiting sheds is found more promotional but not significantly
- beautification of roads & highways is not significantly more societal

Analysis: Social awareness campaign

Variables	μ	α ($\mu=3$)
Anti drug awareness	1.87	0.000
Hand washing campaign	2.74	0.003
Road safety campaign	1.98	0.000
Anti Dowry campaign	1.71	0.000
Waste disposal awareness	1.97	0.000
Tree plantation	2.06	0.000
Combined μ	2.055	0.001
σ	0.356	

- **All the events are more Societal than promotional**
- **the combined Index (2.44) also supports this**
- **Anti dowry campaign, anti drug awareness, waste disposal awareness, & road safety campaign are found significant activities**

Analysis: Citizens' Overall View

Complex Variables	Mean Index (μ)	Std. Dev. (σ)	α ($\mu=3$)	Overall statistics
1. Health Sector	2.26	0.23	0.000	$\mu = 2.61$ $\sigma = 0.597$ $\alpha = 0.213^*$
2. Education related activities	2.68	0.45	0.305*	
3. Socio-cultural events	3.59	0.29	0.010	
4. Infrastructural development	2.44	0.47	0.034	
5. Social awareness campaign	2.06	0.36	0.000	

* not significant at $\alpha = 5\%$.

Analysis: Citizens' Overall View

- **The citizens very clearly indicated that all complex variables except socio-cultural events (i.e., health sector activities, educational activities, infrastructural development, and social awareness campaigns) for CSR are more societal than profit-oriented.**
- **But the socio-cultural events found to be more profit driven than societal.**
- **The overall mean index of the complex variables indicates that the citizens' view regarding CSR activities are not purely societal but more societal than profit-oriented.**

Factor Analysis

Factors	Variables (Factor Loadings)
1: Health Sector ($\sigma^2=21.41$)	Free dental Check up (0.794), Free Vaccination service (0.784) Free medical check-up (0.731), Free medicine provided (0.714) Free eye care (0.705), Free pure drinking water supply (0.685)
2: Socio-Cultural ($\sigma^2=13.6$)	Cultural events (0.804), Sports events (0.803), Conferences (0.780), Competitions (0.704), Seminar and workshop (0.601)
3: Social awareness ($\sigma^2=9.81$)	Anti-drug awareness (0.808), Road safety campaign (0.776) Anti-Dowry campaign (0.738), Waste disposal awareness (0.718)
4: Infra-structural ($\sigma^2=6.17$)	Roads and bridges (0.812), Lake cleaning and maintenance (0.692), Road Dividers (0.637), Waste disposal Initiative 90.590)
5: Aesthetic CSR ($\sigma^2=5.74$)	Waiting sheds (0.746), Beautification of roads and highways (0.522), Scholarship offer (-0.505), Hand washing campaign (0.437), Health care facilities (0.427), tree plantation (-0.413)
6: Educational ($\sigma^2=5.19$)	Establish educational institution (0.811), Donation for library (0.646)

Thank You

Mobile Payments in Indonesia: How Far Are We to Become Cashless Society?

Rofikoh Rokhim

JULY 27, 2018 | WASEDA UNIVERSITY

Objectives

This paper aims:

1. To give an **overview mobile payment market** in Indonesia
2. To discuss **challenges and opportunity** to realize the potential of mobile payment industry
3. To present a view regarding the **future of mobile payment** in Indonesia

Introduction

- Indonesia has huge population size and high growth on internet and mobile phone penetration among the population, thus, making the country potential to become the biggest digital economy in Southeast Asia
- In 2014, Central Bank of Indonesia initiated a movement called “National Cashless Movement” as a form of commitment of the country to increase public awareness to use non-cash payment
- However, according to data from Central Bank of Indonesia, cash is still most popular payment choices among Indonesian (in 2015, cash transactions make up for 89.7% of all transaction in Indonesia).

Mobile Payment Players in Indonesia (2017)

Pay by QR















Method that requires user to scan a code through camera to legitimize transaction. Currently this method is being compromised by Bank Indonesia.

NFC

Method that requires user to connect through RFID. An investment of infrastructure is necessary such as a capable EDC Terminal and a phone that uses NFC chip.

OTP

A payment method that requires a code to be certified by both parties.

Source: MDI

Ventures &
Mandiri Sekuritas
Research

Billing

Can be used to pay recurring bills, top-up vouchers, or ticket purchase

C2C

Peer-to-Peer transfer, online shops. Not applicable for cross-channel transfer.

Online B2C

E-commerce, online merchants. Requires partnership with e-commerce.

Offline B2C

Brick and Mortar Shop in malls and other places. Requires partnership with merchant.

Mobile Payment Situation in Indonesia: Competition

Currently, there are **a lot of companies** which come from various background (e.g. startup, telcos, banks) **compete to win Indonesia mobile payment market.**

However, there are **two mobile payment providers that dominate** Indonesia mobile payment market:



This year, T Cash announce that it is **officially available as an agnostic platform of mobile payment** for all operators, and targeting 6-10 millions new customers.



In 2018, GoJek is **separating GoPay from the parent company GoJek** and announce the **acquisition of three companies** to strengthen its position in mobile payment industry.

Mobile Payment Situation in Indonesia: Competition

Established **international payment providers** (i.e. Amazon, ApplePay, Alipay, Samsung Pay) are **having a hard time** to enter mobile payment competition in Indonesia due to current licensing restrictions.



The **most capable players** to capture critical mass market in Indonesia would appear to be **local solution**

Mobile Payment Situation in Indonesia: Regulation



**Central Bank of
Indonesia**

In general, Central Bank of Indonesia is **responsible to regulate and supervise payment system** in Indonesia, including issuance of licenses to provide electronic payment.

Since 2016, Central Bank of Indonesia has **created National Payment Gateway (NPG)** to increase interoperability and interconnectedness among digital payment provider.

Since early 2018, **financial technology players** in the field of payment systems have to **registered their business** with the central bank.

Growing Mobile Payment Culture: Challenges

- **High unbanked population**

- **Low financial literacy**

- **Scarcity of local, homegrown talent**

- **Low trust in cashless payments**

Growing Mobile Payment Culture: Opportunities



- **Big size, untapped market**

- **Government positive attitude towards digital nation**

- **Consumers are ready**

Future of Mobile Payment



(Potential) use of QR code technology in Indonesia mobile payment market



Mobile payment could become the tools to increase financial inclusion rate in Indonesia



Security will become a critical barrier to success, if providers could not mitigate it



Mobile payment industry in Indonesia is still in **an early stage**, and the country presents as a huge market waiting for a cashless payment boom.

A significant chance to win will reside with the players that willing to innovate and invest to overcome the obstacles presented in the market.

Conclusion & Implication



Players should not only focus to grow its consumer base, but also **focus to persuade merchants to adopt mobile payment technology.**



There will be **more regulations** that intend to **increase interoperability & reduce transaction costs**



More partnership between mobile payment providers to **gain significant market share**



More investment will come to Indonesia to further **drive the growth** of mobile payment industry.

Conclusion & Implication

Thank you!