

The Financial Heuristics Training

Using Behavioral Design to Improve Small Businesses

March 15, 2023



Background



Millions of microentrepreneurs worldwide,
driving economies

- Managing a business is difficult
- Small business owners are sophisticated, yet often lack skills needed to ensure their businesses succeed and grow

Solving these issues would help microentrepreneurs' improve their businesses, support their families, and positively impact their communities

The problem: Lessons from traditional trainings often aren't implemented

Millions of dollars spent every year, but....

- Many unsuccessful at changing key behaviors and outcomes
- Limited/Modest impacts
- Low attendance
- Lack of scalability



Behavioral Science tells us why...



Concepts are Unnecessarily
Complicated

**INCREASED KNOWLEDGE DOES
NOT EQUATE TO ACTION**



Advice isn't easy to apply or "Top
of Mind" at critical moments



Advice can be condescending and
undervalue what people know

Behavioral design focuses on context, not stereotypes

Stereotypes about women lead to training content and delivery mechanisms that may be condescending and irrelevant

“Women are risk averse”

“Women are not confident / assertive”

“Women care more about families than professional / business development”

“Women are not aspirational”

Particularly burdensome for women with limited bandwidth



The Context:

- Fast paced, demanding business operations
- Disproportionate household and cognitive labor
- Limited educational opportunities

The traditional ask:

- After long day of work and household tasks, must travel to a classroom to learn complex concepts

Result:

- Low engagement and take-up
- Little to no impact on behavior change

Financial & business training programs need innovation

FINANCIAL HEURISTICS

– A Behavioral design
solution

Simple + Actionable



What is a heuristic?

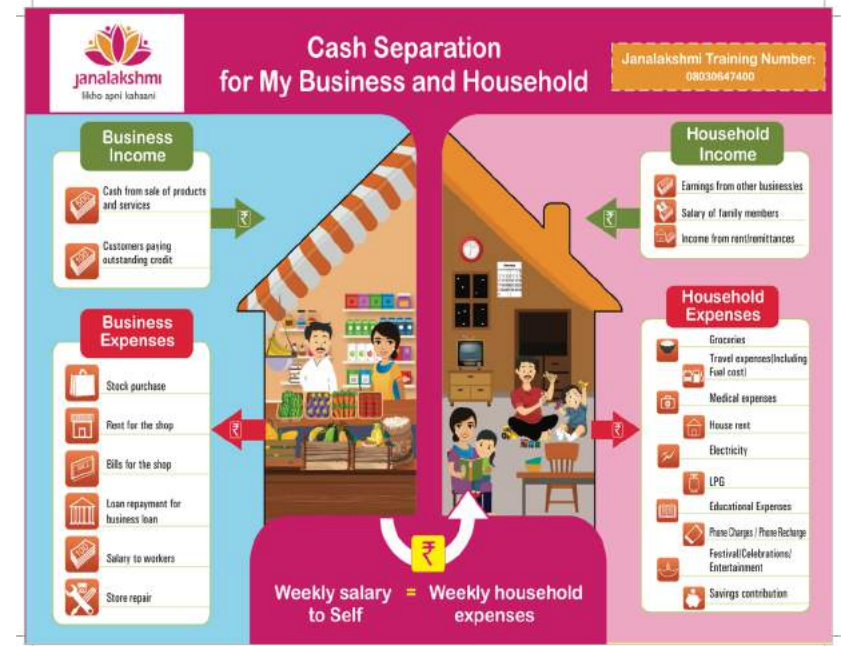
Simple and actionable rules of thumb

- Improves recall
- Cuts through the noise
- Quicker application

Example:

“Keep two separate drawers – business and household”

- Easy to remember
- Matches entrepreneur context
 - Busy business setting
 - Transact in cash
 - Physical cash storage and tracking



Iterative approach for improving and scaling the Financial Heuristics training

Dominican Republic (2008)



6-12% increase in applying practices; 8% increase in accuracy of records;

7% increase in bad week sales

The Philippines (2016-2017)



2-8% increase in applying 2 strategies

India (~2016-2017)



4.5-8% increase in applying 3 strategies

Ethiopia (2023)



Impact results pending

More specifically, we optimized the training in 2 main ways

Curriculum

- Convert complex business principles into easy to apply “Rules of Thumb”
- 3-4 minute lessons sent by phone weekly, at entrepreneurs’ convenience
- Engaging narrative style with local examples

Delivery

- Voice messages reach entrepreneurs no matter where they are
- Accessible, independent of literacy levels
- Professional voice actors
- Call back feature

Key Questions for Scaling/Replication

- Which needs are common across contexts?
- What features need to be adapted?
- Are there local resource constraints that affect program delivery?

Financial Heuristics Training in Ethiopia

- Preliminary proof of concept



Contextual
Reconnaissance

- Are there consistent skills gaps?
 - Is the framing relevant?
- Unique differences: Business size & age, entrepreneur age & education*



Curriculum
Refinement

Language/terminology, local norms,
business & cultural practices;
partnership model



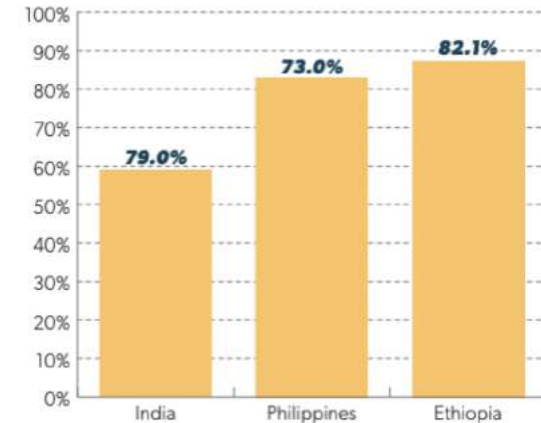
User-Testing

Curriculum, tech capacity,
uptake, engagement, metrics

Preliminary Results:

- Increasing engagement as we've scaled
- Encouraging feedback from participants (*81% reported that they had already applied lessons from the training to their businesses ~1 month post-training*)
- Preliminary indications of changes in behavior linked to our lessons

Average Duration of Message Listened To



Conclusion

Lessons Learned:

- Check assumptions about universality and tailor intentionally
- Use behavioral design strategies to maximize chances of success prior to evaluation
- Focus on context, not stereotype
- Be flexible in your approach while maintaining a feedback loop with recipients

What's next?

- Review WB's findings in detail to identify areas of refinement
- Fundraising to expand training model to other topics and populations

Thank you!

