



Assessing Financial Literacy in Rural Laos

Survey results from the provinces Champasak,
Salavan, and Savannaketh

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Acronyms

| | |
|-------------|---------------------------------------------------------------------|
| AFP | Access to Finance for the Poor |
| BMZ | Federal Ministry for Economic Cooperation and Development (Germany) |
| DFAT | Department of Foreign Affairs and Trade (Australia) |
| GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH |
| LAK | Currency unit of the Lao PDR |
| MFI | Microfinance Institution |

Summary

This report shows the results of a baseline survey which was conducted by the project “Microfinance in Rural Areas - Access to Finance for the Poor” (AFP) in the southern provinces of Champasak, Salavan, and Savannaketh in February 2014. The survey contained questions about knowledge and awareness of financial concepts and institutions as well as questions about behavior in financial issues such as credit taking and saving.

The survey clearly shows that financial institutions do not reach out into rural areas as the usage of financial services is generally low. The population is thus financially excluded and has very limited experience in dealing with financial institutions and services.

The survey shows that there is a general understanding of basic financial institutions and financial concepts such as credit and saving. There is, furthermore, a general awareness of the risks associated with credit taking.

The survey also clearly reveals a lack of basic numerical skills which are important for individuals in order for them to assess credit conditions, do proper household planning, and manage other issues related to everyday finance. The level of numerical skills strongly correlates with the level of education. As women generally have a lower level of education, they are also more likely to perform poorly in question related to numeracy.

The target group of the project mainly relies on agriculture, collecting products from the surrounding environment such as forests, as well as small businesses for income generation. These types of income typically are subject to seasonal variations as well as weather and market risks. Ways to mitigate these risks and income fluctuations are thus very important for the target group.

Larger financial decisions are mostly taken collectively within the family. The practice of financial bookkeeping is rare among the target group, including small business owners. A more systematic approach to household and business planning can help individuals to improve their livelihood.

Furthermore the survey reveals that women are in several aspects in a disadvantaged position compared to men. Therefore measures to improve financial literacy and raise awareness should always consider to reach out to the female population.

In summary the survey shows that there is a need to improve the financial literacy of the target population. The aim should be to promote practical concepts on how to adequately handle household and business finances and how to utilize the financial services that are available in an optimal way. Measures to improve financial literacy have to take account of the challenges and limitations the target group faces and that have been revealed by this survey such as the low level of numerical skills, the varying income streams as well as the availability of financial services.

In the long term efforts to improve financial literacy should encompass improving the numerical skills of the population as they are the basis for understanding and assessing financial products. This cannot be done extensively in the framework of a project. Therefore the education sector should be involved, together with other stakeholders, to empower the people of the Lao PDR to take their financial wellbeing into their own hands.



Background

Microfinance in Rural Areas – Access to Finance for the Poor (AFP)

The project Microfinance in Rural Areas - Access to Finance for the Poor (AFP) has been supporting the development of village banks in the Lao PDR since 2009. It is active in 6 provinces and 21 districts. The project is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, commissioned by the German Federal Ministry of Economic Cooperation and Development (BMZ) and co-financed by the Australian Department of Foreign Affairs and Trade (DFAT) and the mining company MMG LXML (Sepon). AFP supports more than 38,000 clients in over 400 village banks¹, contributing to the financial inclusion of a substantial number of people.

The Lao-Australian Rural Livelihoods Program (LARLP)

The *Laos-Australia Rural Livelihoods Program* (LARLP) is a four-year AUD 43.7 million program with the principal goal to increase the economic security and resilience of poor women and men in rural areas. The objective is to provide poor rural families, in particular women, with greater and inclusive access to social protection, financial services, productive assets and opportunities to generate income. The program comprises four components: Social Protection and Sustainable Livelihoods; Financial Inclusion; UXO Action; and the Lao-Australia Development Learning Facility. As such, LARLP will enable Australia to test approaches and build learning, with a view to establishing a longer-term program of support to rural livelihoods in Laos.

¹ Data as of January 2015

Introduction and aim of the report

Financial literacy, in a broad sense, the knowledge and skills that empower people to make well informed decisions regarding the use of financial services and the management of one's private and business finances. An adequate level of financial literacy is a prerequisite for financial inclusion, as without the relevant knowledge individuals will have difficulties in evaluation and utilizing financial services adequately for their specific life situation. They also face a higher risk of becoming victim of negligent or fraudulent conduct of financial service providers. Furthermore, a lack of financial literacy can lead to suboptimal financial decisions and thus economic hardship on household level.

As part of their approach to improve the financial inclusion of the rural population in the Lao PDR, the AFP project is aiming to promote financial literacy in its target villages, which are located in six provinces across the country. The data and findings of the survey will be used to design appropriate interventions and will provide a baseline for future evaluations. The data will also be used to develop a financial literacy indicator which can be used to measure improvements in financial literacy.

GIZ carried out a survey in Salavan, Champassak, and Savannakhet, in February 2014, to assess current levels of financial literacy. This report summarizes the main findings and makes recommendations for the implementation of the AFP project.

Survey Design

The questionnaire was based on similar surveys conducted by international organizations in the field of financial literacy and adapted by the AFP project to the context in Laos. It included 35 questions on aspects ranging from basic demography, saving and credit-taking behavior to numerical skills. The survey was consistently disaggregated by gender. This report mentions any significant differences between men and women that were found.

The survey enumerators visited 10 villages in each of 6 districts in the provinces of Salavan, Champassak and Savannakhet. 25% of the villages were urban and 75% rural villages. Villages defined as urban are located within 10 km of the district capital. In each village, 10 adults were interviewed, making a total of 600 interviews. The individuals were chosen jointly by GIZ and the village leadership in the following proportions: 20% poor households, 60% middle income households, and 20% better-off households. These location and income parameters were chosen because they represent the typical distribution of villages and village bank customers currently supported by the AFP project.

Because household members usually share a significant amount of their resources with each other, the survey views the household as an economic unit. Most of the questions regarding financial decision-making and behavior were formulated accordingly, asking for "household income", "the most recent credit taken by the household", "potential saving amount of the household," etc. Less than 1% of respondents answered that they had only 1 member in their family (the average was 6.7, the median 6), confirming that almost all respondents were part of a household with several family members.

Before the survey was carried out, it was edited after collecting feedback through a trial run. Enumerators were trained before going out to the villages. After reading each question to the interviewees according to the instructions, the



enumerators typed the answers into electronic devices. Prior to starting activities in a district, the group leaders communicated with the district government authorities. District government and village authorities were not present during individual interviews. The data was stored electronically and analyzed with statistical software by World Education.

The survey was carried out in target villages of the AFP project either before or just after the AFP project had started to support a village bank in the respective location. Therefore, knowledge and experience about village banks may have been limited.

Limitations of the survey

Some limitations of the collected data include:

- The sample was chosen purposefully to reflect the conditions under which the AFP project works because the main aim of the survey was to obtain baseline data for project implementation. As such the sample is not representative of either the overall Lao

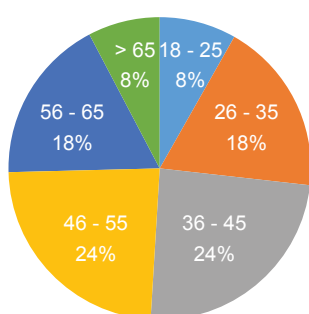
PDR population, or the rural population in general. The results of the survey cannot be generalized to either of these wider groups.

- Village authorities chose the sample of individuals to be interviewed in each village. There may have been some bias in the choice of interviewees.
- As most respondents were able to communicate in the Lao language, no conclusions can be drawn from the survey data for the part of the population that is unable to communicate in this language.
- Only adults aged 18 years or more were interviewed because they are the main clients of the village banks that the project supports. Therefore, no conclusions can be drawn from the survey data on the financial literacy of children and youth.

Demographical Data

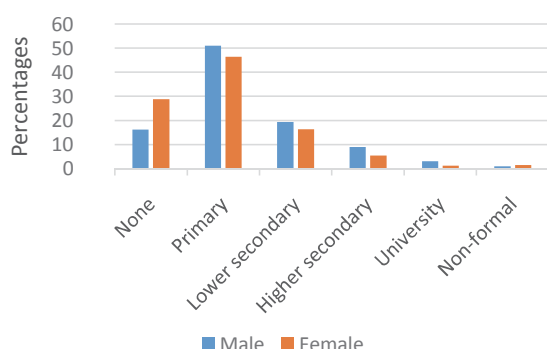
52% of respondents were female and 48% male. The income proportion of 20% poor, 60% middle and 20% better-off households was met. 61% of respondents were Lao Lum, the main ethnic group in the Lao PDR. Among the remaining 39%, 11 different ethnicities were represented, mainly being Phouthay, Katang, Xuay, or Makong. 96% of all respondents were able to speak the Lao language.

Graph 1: Age distribution of respondents



The age groups were evenly distributed between the ages of 26 and 65 with a slightly higher concentration of people aged 36 to 55. Women were more represented in the age group between 18 and 45 and men were more represented in the age group above 46 years of age.

Graph 2: What level of education have you completed?



The educational level of the sample population was generally very low. 72 % of respondents had completed primary school only or had not attended school at all. 18% had completed lower secondary, and 7% had completed higher secondary school. The proportion of respondents with either university or non-formal education was 4%.

Overall, most interviewed women had received lower levels of education than men. As table 1 shows, this is true across all formal educational levels and age groups. It is particularly pronounced when looking at interviewees who had not received any formal education at all - 29% of women compared to 16% of men. 23% of women had graduated from either lower or higher secondary school or university while 32% of men had done so.

Table 1: Proportion of respondents who have received no education disaggregated by gender and age group.

| Age Group | Male | Female |
|-----------|------|--------|
| 18 - 25 | 0% | 10% |
| 26 - 35 | 11% | 27% |
| 36 - 45 | 15% | 21% |
| 46 - 55 | 8% | 32% |
| 56 - 65 | 24% | 41% |
| >65 | 27% | 77% |

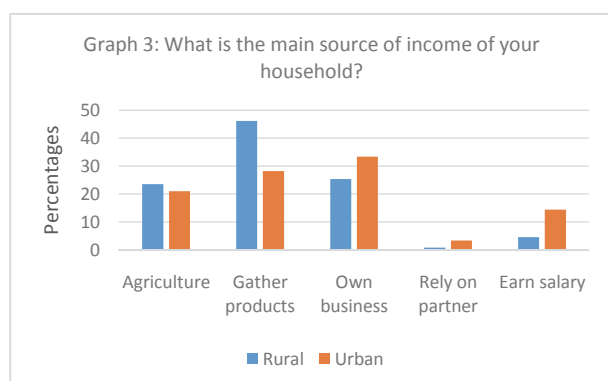
The population living in villages close to urban centers is generally better educated. In urban villages 61% had no or only primary school education. In rural villages, this accounts for 75% of respondents. 35% of the respondents from urban villages had graduated from either lower or higher secondary school compared to 21% of respondents from rural villages. Differences among urban and rural graduates from university or non-formal education were negligible.



Income sources

Main findings

The interviewees were asked to identify their main source of income. Each individual was able to give only one answer without options being read to them. Most respondents earned income mainly from gathering products from the fields, forest, or river (41%), owning a business (27%), or from agriculture (22%). Other categories, such as earning a salary or relying on a spouse, were much lower at 7% and 1% respectively.



Obtaining the main income from gathering products was more common in rural areas (46%) as compared to urban areas (28%). The proportion of respondents obtaining their main income through agricultural production was similar in both types of regions. Owning a business and earning a salary was more

common in urban areas. This is no surprise, as the better infrastructure and proximity to commercially active areas in urban areas is beneficial for the latter two sources of income.

In regards to income generating activities, no significant difference was found between men and women.

Analysis & Implications

The data shows that formal employment in the target area is negligible and that the target population relies mainly on income sources which can be subject to seasonal variations (agriculture and several forest products) as well as weather and market risks. These challenges are especially manifest in more rural regions and can pose a threat to the livelihood of poor households, especially as coping mechanisms such as insurance are widely unknown (see section on awareness about insurance below).

For activities related to literacy, these findings means that knowledge and skills on how to handle irregular income streams and specific risks are highly relevant for the target population. Also, knowledge on micro entrepreneurship combined with financial literacy will be useful for a significant part of the population in the target area as business ownership is a significant income source.



Financial decision making

Main Findings

Financial decision making for larger expenses seems to be made cooperatively in most families. When asked about how decisions are made for larger investments, for example a motorbike, 71% answered either by the couple (44%) or within a larger circle of family members (27%).

There is a slight tendency for men to dominate decisions about larger investments, as 18% of male respondents indicated that they decide about larger investments independently in contrast to 13% of women. Only 8% of male respondents, compared to 18% of female respondent, indicated that larger financial decisions are made not by themselves but either by their partner or another person.

Analysis & Implications

Financial decisions are usually made jointly by more than one family member – in most cases husband and wife. This is in line with findings from a demand assessment which had also analyzed financial decision making by households from a gender perspective².

There is a slight tendency for men to dominate larger financial decisions in some households. Therefore measures should not only target the general public in the target villages, but should also focus on strengthening the capacities of women and on enabling them to gain a stronger voice within the family. Improved financial literacy should influence this positively as firm knowledge can also raise levels of confidence.

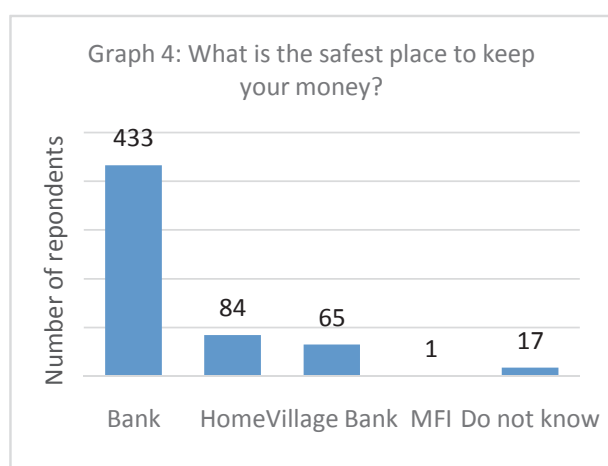
² Rural Finance in Laos – GIZ Experience in Remote Rural Areas (2012), Microfinance in Rural Areas – GIZ Access to Finance for the Poor, Vientiane, Lao PDR.



Knowledge of and dealing with financial institutions

Main findings

Most respondents (72%) recognized that a bank is the safest place to keep their money. Keeping money at home and keeping it in village banks ranked second and third (14% and 11% respectively). The other options were statistically insignificant. It is striking to see that more people prefer to keep their money at home rather than at the local village bank. Most people trust banks, but only 9% of respondents named a bank account as their most important form of saving. This indicates that access to formal banks is very limited.



Village banks are the best known but not the most trusted financial institution. 62% of respondents were aware of village banks. The

best known formal banks are Agricultural Promotion Bank, Lao Development Bank, BCEL, and Nayobai Bank (57%, 44%, 38%, and 37% of respondents respectively). 13% of respondents were unaware of any of these financial institutions.

Village banks also take a lead in customer accounts, with 21% of respondents holding an account at this kind of institution. 15% of respondents hold an account at Nayobai Bank, Agricultural Promotion Bank, or Lao Development Bank. The proportion of respondents with accounts in other institutions is very small, at about 6%.

For access to loans, the Agricultural Promotion Bank and Nayobai Bank play the most important role. 24% of overall respondents reported obtaining credit at one of these banks. Other institutions, including village banks, play an insignificant role in credit provision.



What are village banks?

The village banks that are supported by the AFP project are member-based organizations that operate in a specific village with an average of 75 members. Village Banks are authorized by the provincial authorities and recognized by the district village authorities, which gives them a semi-formal status.

Members must save a compulsory minimum ranging from 2,000 to 10,000 kip every month. Voluntary member savings are usually considerably higher. The saved funds are then used to provide loans to the community for emergencies, consumption, production, and trade activities. Village Banks are semi-autonomously managed. Revenues are generated through interest payments of up to 3% per month, which cover loan loss provisions and minimal operating expenses. Surplus interest incomes stay in the village and are distributed annually back to village bank members. Village banks conduct transaction days once a month during which members can deposit their savings, make interest payments and payoff loans. Collected liquidity is then used to provide new loans.

An elected committee is responsible for running the Village Banks. Their duties comprise the decision on new credit applications, record keeping, updating of member passbooks, and accounting for cash and accounts administration.

Women are generally less aware of financial institutions than men as shown in table 2. Though there is still a difference, the knowledge of village banks is more balanced in terms of gender.

| Table 2: Share of individuals not aware of the respective institution | Female | Male |
|-----------------------------------------------------------------------|--------|------|
| Nayobai Bank | 63% | 50% |
| Agricultural Promotion Bank | 40% | 23% |
| Lao Development Bank | 58% | 42% |
| BCEL | 67% | 52% |
| Village bank/ village fund | 29% | 24% |

Analysis & Implications

While knowledge about banks was fairly high among survey respondents, the low level of practical experience when it comes to interacting with banks and other financial institutions is evident from the low rates of individuals with bank accounts. The most prominent institutions are village banks and the state owned banks. The reason that most people hold an account at a village bank may relate to accessibility and the ease of opening an account; however, the data does not reveal whether or not existing accounts are actively used.

Women have relatively low knowledge of financial institutions. This suggests that they are excluded to a larger extent from the formal financial sector than men. The fact that knowledge about village banks and village funds is more equally distributed among women and men may also be because of the easy access. This highlights the important contribution of village banks for gender equality.

As a policy bank, Nayobai Bank offers subsidized credits to its customers. Agricultural Promotion Bank offers both subsidized and commercial loans. The domination of these two institutes in credit disbursement may be explained by two factors: cheap credit offered through state

subsidies and their practice of sending loan officers into villages. The small number of respondents mentioning or utilizing MFIs might be due to a lack of awareness, which suggests that these institutions have little or no outreach into the target region.

These findings point to a number of recommendations and messages for the design of financial literacy approaches:

- Audiences in the target area already understand what a bank is.
- The lack of experience in dealing with financial institutions is a major obstacle to the promotion and improvement of financial literacy. Therefore the promotion of financial literacy should go hand in hand with efforts to increase the supply of suitable financial products and services as the outreach of formal financial institutions, including MFIs, is currently very limited.
- Raising the quality and reliability of services offered by village banks and village funds can be expected to contribute to increasing users' trust and confidence in these community-finance institutions while simultaneously contributing to enhanced financial inclusion and financial literacy.
- Awareness raising campaigns should focus to reach out to women.



Rene Roesler

Insurance

Main findings

The survey revealed very low levels of awareness and knowledge about insurance. 58% of respondents did not know what insurance is. 18% have some general knowledge and 17% are familiar with the concept but not able to explain it. Only 6% actually hold an insurance policy. Women are to a lesser extent aware of insurance than men. While 69% of women mentioned that they don't know what insurance is, 47% of male respondents answered accordingly.

Among the respondents familiar with the concept of insurance, 53% were aware of life insurance and health insurance and 40% were aware of vehicle insurance. Only 6% of respondents were aware of other forms of insurance. Individuals from households with higher income and households located in urban areas tend to have a higher awareness of insurance.

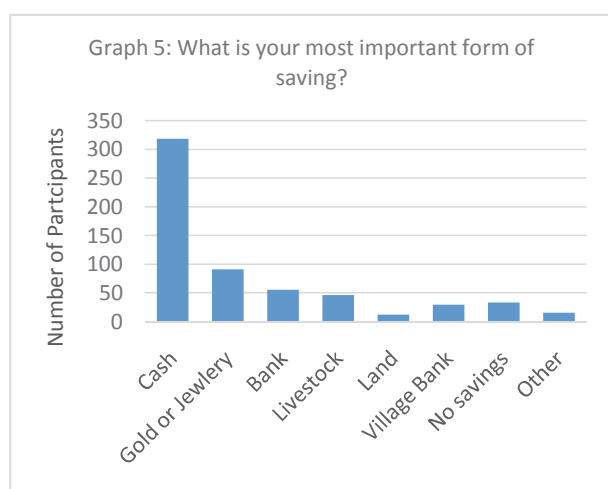
Analysis & Implications

Considering the low penetration rate of insurance companies in Laos, these findings are no surprise. Because insurance is rarely offered to people in rural Laos, efforts to increase the level of knowledge about insurance may be of limited practical use at this time. Nevertheless, dealing with income and life (cycle) risks is a highly relevant topic. Inclusion of the general concept of insurance in financial literacy interventions should be considered as a way to prepare the rural population for an increase of the availability of insurance.

Saving

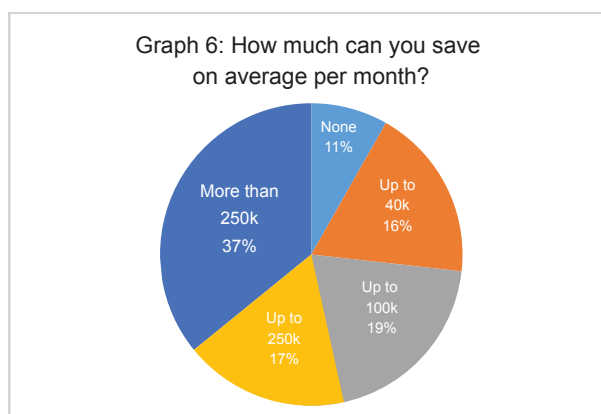
Main findings

The data on savings shows significant potential for increasing access to financial services. While 94% of respondents have savings, these are most commonly held in cash (53%) followed by gold and jewelry (15%), bank accounts (9%) and livestock (7%). Village banks were used for saving by only 2% of respondents³.



As expected, there is a correlation between poverty levels of interviewees and the types of saving used. 16% of respondents from the high income group reported that they save at a bank as opposed to 5% from the middle and low income group. Only slight differences were found between respondents from urban and rural areas in relation to the type of savings used.

A survey question on how much each household is able to save per month provides a rough assessment of savings potential in the target region. Only 11% answered that they cannot save at all. While roughly half of respondents were able to save up to 250.000 LAK, 37% answered that they can save more than 250,000 LAK per month. As expected, there is a correlation between how much one can save and the level of income. 44% of people



categorized as poor stated that they cannot save at all.

Most people (82%) save for future emergencies. Other motivations for savings included education (43%), retirement (23%), expensive products (22%) and smoothing of volatile income streams (17%).

The data show some differences in saving behavior between men and women, with 41% of male respondents, but only 34% of women, answering that they were able to save more than 250.000 LAK per month. The form of saving differed to a small degree. While men were 6% more likely to have cash and 5% more likely to have livestock as their main form of saving, women were 8% more likely to save mainly in gold or jewelry.

As for the purpose of saving, women were 10% more likely to save for food and family and 5% more likely to answer that they didn't know for what they save. Men, on the other hand, were 5% more likely to save for retirement and for emergencies respectively and 10% more likely to save for animal and agricultural investments and to earn interest.

³ The survey asked the interviewees to identify their most important form of saving. It is possible that respondents used several forms of saving while regarding the one mentioned as their main form.



Analysis & Implications

The high occurrence of cash savings in the target area may be due to several factors. The importance of saving for emergencies, and the role of emergencies as a main driver for credit taking, suggests that the respondents need quick access to their financial resources in some situations. As formal banks are inconvenient to access, the outreach of MFIs low, and village banks not accessible on a daily basis⁴, cash savings offer significantly more liquidity than these other options.

There seems to be a large saving potential in the target area as most respondents indicated that they can save significant amounts. As cash is the most important form of saving for most respondents, there are probably significant cash

holdings in the target villages. This in turn suggests significant potential for local, highly accessible financial institutions, such as village banks, to mobilize savings. Increasing awareness of the importance of savings could serve two purposes: strengthening local financial institutions by expanding their customer base and promoting healthy saving habits which can impact the target groups' livelihood positively.

Most people save for short term purposes, especially emergencies. Saving for long term goals and lifecycle events such as retirement and education is practiced less frequently. Considering the aforementioned high saving potential, raising awareness of the benefits of long term savings could be very useful for the target group. Ideally, access to long term saving products would be provided through local financial institutions.

The gender differences discovered can serve as a basis for the design and content of trainings and information material in order for them to be more appealing to a female audience.

⁴ The village banks supported by AFP open once a month. Transactions on other days are possible but depend on whether or not the responsible village bank committee member is available and willing to process the request.



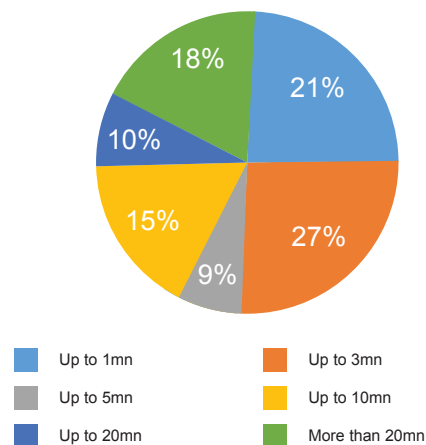
Credit taking

Main Findings

38% of respondents are current borrowers or have taken a credit in the past. Half of the respondents who reported that owning a business was their primary source of income, are either taking credit or have done so in the past. As expected, business owners have a higher tendency to borrow and thus more experience with credit. This is also reflected in the responses to the survey question on the reasons for borrowing. By far the largest reason for borrowing was to “expand business” (43%). 39% gave either medical or other emergencies as reasons for taking a loan. Education (7%), housing (5%), material and goods to support their income (7%) also played a role.

The most common source of credit was banks. 67% of respondents have received their most recent credit from a bank. The second largest source of credit was friends and family (19%). Village banks and MFIs both had a very low share, with 4% and 0.5% respectively. The low use of village banks may be due to the fact that the project was in its initial phase of establishing village banks in the target region when the survey was carried out. In most villages, village banks had not yet been set up or had only been

Graph 7: What is the highest amount your household ever borrowed? (n=223)



in operation for a few weeks. The importance of village banks as a source of credit is expected to increase as village banks become established in the AFP target area. There was no significant difference in the sample between women and men in regards to credit sources.

Respondents were asked about the highest amount the household has ever borrowed. The distribution of loan sizes was relatively evenly spread as shown in graph 7 (page 15). A slight majority borrowed amounts of less than 5 million. Nevertheless there seems to be significant demand for larger credits. Also, past borrowers tend to report smaller credit amounts than current borrowers. 63% of past borrowers, and 52% of current borrowers, reported that they had borrowed up to 5 million LAK. There is no significant difference between past and current borrowers when it comes to the source and purpose of credit.

At the extreme ends of the credit amount scale, the distribution between women and men are different. 25% of women compared to 16% of men reported credit amounts of up to 1 million LAK. At the same time 16% of female against 21% of male respondents borrowed more than 20 million LAK.

Individuals who had borrowed higher amounts (10 million LAK and above) in the past tended to utilize credits for productive purposes and individuals who borrowed low amounts (up to 5 million LAK) mostly borrowed for emergencies. While no direct link can be drawn from the survey between the amount of specific credits and their purpose, the findings indicate that people who borrow higher amounts tend to borrow for business.

The survey included questions about the interest rate and repayment methods for the most recent credit taken. The responses were very diverse and did not give a clear picture. It is important to note the following:

- Among the 223 credit takers in the survey, most respondents borrowed either from banks or friends and family. Therefore no implications about credit taking from village banks or MFI can be drawn. As most credits from friends and family were reported to be interest free, the data mostly reflects credit conditions of bank customers.

- 16% of the 223 respondents who borrowed or are borrowing gave credit amounts instead of rates when asked for the interest rate of their most recent credit (for example, instead of answering 5% they answered 500,000 LAK). Without information on the principal, no conclusions can be drawn on the actual interest rate paid. This suggests that some of borrowers may have difficulties in assessing interest rates and feel more comfortable handling amounts. This finding shows a lack of financial literacy and is reinforced in the section below on numeracy.

The main findings on credit conditions are summarized below:

Frequency of payment: 27% of credit takers either borrowed interest free from friends and family or didn't recall details about their credits. Among the 63% who reported an interest rate or amount, 59% paid interest annually, 27% monthly, and 1% on a weekly or daily basis. 12% of interviewees did not respond.

Interest rate: Among the 128 respondents who reported an interest rate, the range for the annual interest rates was 2% - 80%. Among the 92 bank customers, interest rates ranged from 2% - 18% annually and 4 – 20% monthly. As the absolute number of respondents with high monthly interest rates is low, there might be individuals who wrongly recalled the details about their credit (7 respondents mentioned credits of 10% or more on a monthly basis).

Repayment method: Over the whole sample of 223 current and past borrowers, 61% reported an interest rate calculation on declining balance. Of these, 28% gave a lump sum and 26% a flat rate. 13% were unable to answer that question. As regards customers from formal banks, 74% reported credits on declining balance and 25% reported flat rate interest rates. Of the respondents who stated credits on declining balance, 34 reported that they had paid interest as a lump sum. Only 1 respondent couldn't answer that question.

Assuming that respondents correctly recalled the details of their credit conditions, the findings show that they are confronted with a large variety of credit products. As 68% of respondents with a credit history reportedly received their most recent credit from a bank, this variety largely originates from the formal banking sector.

A small number of respondents (4%) who had sourced their last credit from a bank reported interest rates which are similar to, or even surpass, those of money lenders. As this is unlikely to reflect reality, this suggests that some bank customers may have misconceptions about the relationship between interest rates and frequency of repayment. Considering that 16% of respondents reported interest amounts instead of rates, the population of customers in the target area who have difficulties understanding or dealing with interest rates can be estimated with 20%.

Most current borrowers have repayment plans and are confident that they will be able to repay their loan. 71% indicated that they have a detailed repayment plan, 10% have no repayment plan, and 13% admitted that their repayment plan was unrealistic. 4% stated the need for a credit extension and 2% considered it important to create a repayment plan. In summary, while 17% of current borrowers have acute problems in repaying their loan (either they have an unrealistic plan or they are planning for a credit extension), 71% seem to be confident about repayment and have a repayment plan.

The data furthermore reveals that men are more confident about repayment than women. While 35% of female respondents either did not have a repayment plan or stated that they will probably not fulfill their repayment obligations as originally planned, this is true for only 20% of male respondents.

The responses to the question “For what purpose would you not/never take a credit” give a picture of a relatively negative attitude towards taking loans. Apart from medical emergencies, all other purposes were excluded as reasons to take credit by more than 50% of respondents. Ranking the different topics, respondents mostly

reject debt financing activities related to leisure, consumption, and life-convenience. Taking credit for the purpose of lending to other family members or for other social commitments also received a high level of rejection. 20% answered that “credit is bad”. The two most accepted reasons to take credit are medical emergencies (34% rejection) and expanding business (53% rejection). There were no significant differences in credit taking attitude between women and men.

Table 3: For what purpose would you never take a credit?

| | |
|------------------------------------|-----|
| To have fun and relax | 95% |
| Consumption goods | 90% |
| Onlend to family | 86% |
| Goods that make life easier | 85% |
| Special social commitments | 83% |
| Other emergencies | 77% |
| Housing | 75% |
| Business materials | 71% |
| Education | 66% |
| Expand business | 53% |
| Medical emergency | 34% |
| Credit is bad | 20% |

Analysis & Implications

Credit is widely utilized for productive purposes. This sheds a positive light on the potential of micro-credit operations in the target area. People who invest in income generating activities tend to demand larger credits than local non-formal microfinance institutions such as village banks might be able to offer⁵. As a large number of people borrow for productive purposes, credit utilization in combination with entrepreneurship training might be a fruitful approach.

⁵ Most village banks supported by the AFP project offer maximum credit amount of 5 million LAK.



The second major reason people borrow is for emergencies. Similar to the findings on saving behavior, this reflects the fact that emergencies play a large role in shaping the life of people in the target area and also affect their financial considerations to a large extent. This highlights the need for financial literacy initiatives to cover the utilization of financial products for risk mitigation and the importance of saving for coping with unexpected events

The wide scope of responses on credit conditions indicates that a large number of credit products are offered by financial institutions with widely differing conditions. As the target group has only limited accessibility to these institutions and many have a low literacy level, this raises the question of whether they can deal adequately with such a large variety.

Some of the respondents who have been borrowing money from banks apparently have

difficulties in comprehending interest rates. This poses a risk that they misunderstand the real costs of credit, particularly if the bank teller doesn't explain this very clearly. It also poses a challenge for promoting financial literacy as interest calculations are an important basis for dealing with financial services.

Generally the attitude towards credit taking seems rational and people are aware of the risks associated with indebtedness. Most credit takers claim to have a repayment plan and are confident they can repay their credit. The findings also indicate that people in the target area are relatively debt averse and approach credit taking with caution. This is encouraging from the perspective of consumer protection. Awareness raising on the risk of indebtedness is nevertheless still important. While 71% of current borrowers are confident about repayment, 29% feel that they may be overburdened or do not have a plan on how to repay their credit. Women are in this respect in a disadvantages position. Therefore it must be ensured that awareness raising measures are designed in a gender sensitive manner and actually reach out to the female population.



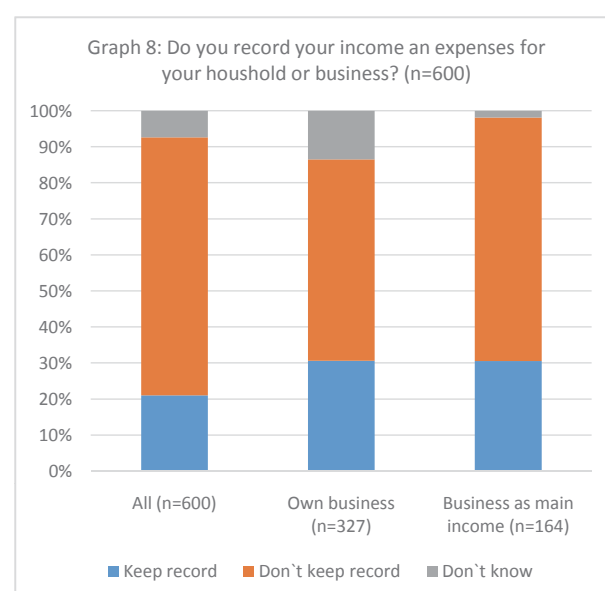
Running a business and financial record keeping

Main Findings

46% of respondents state that they have no business. Therefore we assume that 54% (326) of respondents run a business while, as stated above, 27% (164) report that owning a business was their primary source of income⁶. The share of individuals running a business is almost equal between men and women. It should be noted, however, that no definition of “owning a business” was given or discussed in the context of the survey. Some respondents, for example, may perceive harvesting and selling rice on the market as business while others may equate it as generating income from agriculture.

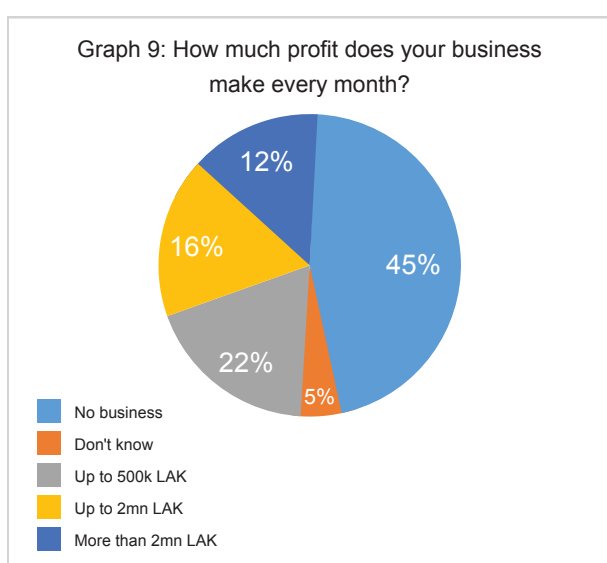
Over the complete sample of 600 individuals, only 21% claimed that they recorded their household or business income and expenses in written form. Among those who stated that

owning a business was their primary source of income, 33% claimed to keep written records, which is only slightly higher than for all persons who run a business (see graph 8).



⁶ There is a slight inconsistency in the data which does not influence the major trends. Four individuals reported in question 25 that they do not own a business but in question 9 answered that owning a business was their main source of income. Individuals who answered that they didn't know how much profit they earned per month (28 individuals) instead of answering that they didn't own a business are counted as business owners.

The 126 individuals who claimed to keep written records were asked how they mainly record their income and expenses. 54% stated that they mainly memorize them, whereas 43% keep a ledger and 8% collect receipts. The first statement is a clear contradiction and sheds light on the level of financial literacy. Among the respondents who own a business and keep written records, both, keeping a ledger and collecting receipts is more common. It is striking to see that even individuals who earn their main income through business activities rarely keep track of income and expenditure in a written form.



Of the 298 individuals who own a business, 91% were able to state the amount of profit they earn. Most report profits of up to 500,000 LAK per month and are located at the lower end of the earnings scale. Disaggregating the profit data by gender reveals that women are more likely to be at the lower side of the scale than men and vice versa. Table 4 shows the extent of the difference.

| Table 4: Profit per month | Female | Male |
|---------------------------|--------|------|
| Up to 500.000 LAK | 53% | 34% |
| Up to 2 million LAK | 27% | 37% |
| More than 2 million LAK | 20% | 29% |
| | 100% | 100% |

60% of business owners correctly answered that profits are revenue minus expenditures. The proportion of respondents who were able to correctly answer what a profit is did not significantly differ between individuals who stated that owning a business was their main source of income and those who did not and between women and men.

Analysis & Implications

Running small businesses is a source of income for about half of the people in AFP's target area. Most businesses are small with reported monthly profits of up to 2 million LAK (76%).

The importance of running businesses as income sources for the target group contrasts sharply with the rare practice of financial record keeping. A lack of record keeping can be a risk for small businesses, implying that combining the development of financial literacy and entrepreneurship skills is very relevant. Such an approach would also contribute to creating a credit culture in local village banks, where small business owners must provide financial data in order to qualify for receiving credit. Simple financial record keeping techniques for households and small businesses should be a prominent topic on the financial literacy agenda.

As women's businesses seem less profitable than men's businesses, measures to promote business skills should specifically target female entrepreneurs and potential female entrepreneurs.



Numeracy and general calculations

Main Findings

Five questions were included in the survey for assessing the numerical skills of the respondents. The questions focused on addition and simple interest calculations in the context of basic financial transactions. Large gaps in basic skills were found within the target group:

- 63% of the respondents were unable to calculate 2% from 1,000,000 LAK
- 41% were unable to sum up interest payments of 30,000 LAK per month for 12 consecutive months
- 45% of respondents were timed out after 30 seconds when asked which of 3 cards showed bank notes with the value of 89,000 LAK, a very simple addition problem.

A strong correlation between the general level of education and numerical skills emerged from the survey data. The higher the level of school education, the lower the error rate in responses to these question. Individuals with only non-formal education were among those with the highest error rates. As women tend to have a lower level of education (see section on

demography), they are also disadvantaged compared to men in this regard.

Analysis & Implications

Numerical skills are the foundation of financial literacy. Inability to handle simple addition problems or calculate basic interest rates make it difficult to plan household finance, keep track of expenditures or utilize financial services in a meaningful way. Individuals without these skills face a higher risk of falling victim to misconduct by financial service providers, who may obscure information about credit conditions and costs.

Measures to promote financial literacy must consider the level of basic numerical skills within the target group. Suitable strategies include the introduction of money management techniques that use as few calculations as possible and rely more on simplifications, such as rules of thumb.



Training measures can be split into modules tailored specifically for people with low numeracy and people with more advanced numeracy skills. Instruments to help individuals with calculations, such as interest rate tables or improving capacities to use a calculator may also be helpful. A special focus on women is appropriate, as they are disadvantaged because of their lower level of education.

Regulations for financial service providers on what kind of information to disclose and how to present that information to customers combined with other measures of financial consumer protection may be an effective instrument for short term results, since raising the educational level of the population on a broad base will take a long time.



Summary and recommendations

The baseline survey provides a detailed picture of the target group of the AFP project. The main findings and recommendations are summarized below:

- Many adults, especially women, in the target area are poorly educated. This is a major reason for low numeracy skills and the inability to understand basic financial concepts such as interest rates.
- Most income is earned from agriculture and from collecting products from the forest. These income streams can be characterized as irregular and subject to seasonal variations and risks, such as weather conditions, that may jeopardize the financial well-being of households significantly.
- Larger financial decisions are typically made cooperatively within the family. In some cases, men dominate larger financial decisions.
- Savings are made primarily as provisions for emergencies and to a lesser extent for longer term financial goals.
- Individual adults are inclined to save in cash and other non-financial assets rather than using saving accounts at banks or other financial institutions. This reflects a lack of access to these institutions as well as a strong liquidity preference, which may be attributed at least in part to the role of emergencies in shaping financial decisions.
- Apart from emergencies, credits are primarily utilized for productive purposes. The target group seems to be well aware of the risks of credit taking and appears to have a rather cautious attitude towards credit.
- Both savings and credit taking behavior reflect the important impact of emergencies, especially medical emergencies, on household planning. The utilization of savings as well as credit for this purpose can be viewed as simple risk management which is already being practiced. Nevertheless the risk of facing an emergency situation plays a big role for the target group.
- There is strong mistrust and/or unawareness of MFIs as well as village banks in the target area. As the AFP project was rolled out while the survey was conducted, these attitudes have probably changed.
- Financial record keeping is rarely practiced within the target group. This is also true for many business owners, including individuals who describe their business as main income source of the household.
- The knowledge, and availability, of insurance as a product to cope with risks is very low.

Based on these findings, the following recommendations emerge for the financial literacy aspects of the AFP project:

- Measures to improve financial literacy should take account of the low numerical skills of the target group. Training and other measures need to focus on simple calculations or even avoid calculations and concentrate on rules of thumb.
- Training modules for systematically improving skills in interest rate calculation and budget planning should be considered. Simple tools such as interest rate tables, can be introduced to help villagers make key decisions such as whether or not to take a credit.
- The target group is mostly well aware of the benefits of saving with a bank, the importance of financial planning, and the risks of taking credit. Measures to improve financial literacy should not focus on these basic issues but rather go more in depth on how to manage personal and small business finances through budgeting and record keeping.
- Saving for long term goals is not practiced widely, despite the significant saving potential revealed in the target area. Promoting awareness of and techniques for long term savings could be very useful for the target group. As long term saving products are virtually unavailable to the target group, this recommendation obviously has limitations. Therefore the promotion of long term saving products should complement these measures.
- As incomes in the target area are subject to uncertainties and seasonal income variations, basic risk and cash flow management for households should be focal points for financial literacy interventions.
- As the high occurrence of cash savings is connected to strong liquidity preference, techniques for better allocating financial resources between liquid and less liquid forms of savings should be a part of training on financial literacy. The triangle of liquidity-

return-safety should be explained and discussed for the most important assets held by the target group.

- Micro businesses are a major income source in the target area. But, business owners rarely record financial flows. Combining entrepreneurship support and financial literacy training, with a focus on how to manage business finance, should be a useful approach.
- Measures should target the family as a whole and include elements which are targeted at women specifically.
- As women are in a disadvantaged position in several of the above mentioned points, measures to improve financial literacy and to raise awareness should always seek to reach out to women.

While the survey sample is not representative of the adult population of the whole country of Laos, there are a few findings which may be generalizable at the national level:

- Efforts to improve the educational level in Laos, especially in numeracy, require strengthening. The inclusion of aspects of financial literacy in the school curriculum should be considered as a strategy for promoting financial literacy in the long term. As women are disadvantaged when it comes to education, girls' participation in primary and secondary schools should be strongly encouraged⁷.
- The development of long term saving products should be considered.
- Banks and MFIs have only a very limited outreach to the rural population. Demand for saving and credit products is evident. The promotion of financial institutions that reach out to rural areas and poor households should be sustained.

⁷ The program BEQUAL, which is being financed by the Australian government, recognizes the problem of low enrollment rates of girls in schools in its approach and supports a more equal access to education for boys and girls. BEQUAL stands for Basic Education Quality and Access in Lao PDR.

- Insurance products might be suitable vehicles to mitigate income risks faced by families. Health insurance might protect families from large financial distress when faced with severe illness or accidents.
- Improving the financial literacy of the population is an ongoing mission with long term goals which will might take several years to show its full impact. Efforts to improve financial literacy should be supported by measures to protect persons from improper practices of banks and other financial institutions. Also a commitment of the financial industry to adhere to certain standards, such as code of conducts, should complement regulatory efforts. The Smart campaign could be part of this effort.

Smart Campaign – Client Protection Principles

To help the microfinance industry remain both socially focused and financially sound, The Smart Campaign is working with microfinance leaders from around the world to provide microfinance institutions with the tools and resources they need to deliver transparent, respectful, and prudent financial services to all clients. The client protection principles it is promoting are:

- Appropriate product design and delivery
- Prevention of over indebtedness
- Transparency
- Responsible pricing
- Fair and respectful treatment of clients
- Privacy of client data
- Mechanisms for complaint resolution

The smart campaign developed diagnostic tools to access potential gaps in client protection.

Source: <http://www.smartcampaign.org>

About GIZ Laos

Context

The Lao People's Democratic Republic is experiencing rapid economic development marked by growth rates of around eight per cent and a steady increase in per-capita income. However, over a quarter of the population still lives below the national poverty line, meaning that Laos is still among the least developed countries.

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, as part of the Lao-German Development Cooperation, is supporting the Lao Government in reaching its ambitious development goal to raise its standing by 2020.

GIZ's profile

GIZ offers demand-driven, tailor-made and effective services for sustainable development. It draws its services on a wealth of regional and technical expertise and tried and tested management know-how. As a federal enterprise, GIZ supports the German Government in achieving its objectives in the field of international cooperation for sustainable development.

GIZ in Laos

In Laos, GIZ has been active since 1993 and is currently implementing numerous projects in two priority areas.

Firstly, GIZ focuses on supporting rural development as around two thirds of the population live in rural regions. GIZ's approach in this field combines land management and integrated local development planning with climate change mitigation, environmental awareness and sustainable resource management.

Secondly, in light of Laos' rapid economic growth, GIZ supports sustainable economic cooperation. It focuses primarily on vocational training, market integration and microfinance.

Alongside these activities, GIZ Laos participates in regional programmes such as 'Transboundary Water Management with the Mekong River Commission' and 'Fit for School'.

How we work

Some 200 national staff members and 70 international experts, including development workers and integrated experts, bring GIZ Laos' projects to life.

GIZ has been operating in Laos primarily on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), but also implements projects for the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB).

GIZ works closely together with German KfW and cooperate with a number of other development partners in Laos, including the Swiss Agency for Development and Cooperation (SDC), Australian Aid and MMG/Lane Xang Minerals Ltd.

Further information

Please visit our website www.giz.de/laos for further information on GIZ's work in Laos and worldwide.

ANNEX I: QUESTIONNAIRE

FINANCIAL LITERACY BASELINE SURVEY

| A. INTERVIEW(ER) INFORMATION | |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interviewer Number: _____ | Interview No: _____ |
| Date of Interview: ____/____/ 2014 | Time interview started: ____:____ |
| Province: | District: |
| Village: | Rural <input type="checkbox"/> Urban (In District or Province town +5 km) <input type="checkbox"/> |
| Poverty level: Better off <input type="checkbox"/> ; Middle <input type="checkbox"/> ; Poor <input type="checkbox"/> ; | Family relation (regarding household) husband/wife <input type="checkbox"/> ; children <input type="checkbox"/> ; grandparents <input type="checkbox"/> ; other <input type="checkbox"/> ; |

| B. INTRODUCTION |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Hello, my name is _____, and I am working for _____. We are conducting baseline surveys with more than 500 people in various provinces of Laos to:</p> <ol style="list-style-type: none"> 1) assess the level of your knowledge of money management and to 2) find out your needs for skills and knowledge development to improve your living conditions. <p>You can open freely to all questions. Your data will be summarized with the answers of all other people. Only the project operated by the German GIZ will receive the data and use it to set up and provide training measures that fit your needs. Your participation is voluntary. No compensation or benefit will be paid but you can help your community with your participation.</p> <p>Do you have any questions?</p> |

| C. INFORMATION on Interview candidate. |
|----------------------------------------|
|----------------------------------------|

1. What is your name?

| |
|------------------------------------|
| Name of interview candidate |
| |

2. Gender?

| MALE | FEMALE |
|------|--------|
| | |

3. To what ethnic group do you belong?

| Lao Loum (Tick) | Other (Please specify) |
|-----------------|------------------------|
| | |

SELECT: Questionnaire conducted in Lao language (.....) or ethnic language (.....) with interpreter.

4. How old are you? (*INTERVIEWER: Tick correct box*)

| 18-25 years | 26-35 years | 36-45 years | 46-55 years | 56-65 years | >66 years |
|-------------|-------------|-------------|-------------|-------------|-----------|
| | | | | | |

5. What level of education have you completed?

| Primary school P1-P5 | Lower Secondary School M1-M4 | Higher Secondary School M5-M7 | College / University | Non-formal education (level 1 – 3) | No school education at all |
|-------------------------|---------------------------------|----------------------------------|----------------------|---------------------------------------|-------------------------------|
| | | | | | |

6. How many people live in your house(hold), including yourself?

| Total number of people in household |
|-------------------------------------|
| |

7. How many people live in your house(hold), that are too young or too old to earn income themselves?

| Number of infants & children that are too young to earn regular income | Number of elderly that are too old to earn regular income. |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------|
| | |

8. How are financial decisions on bigger (not daily) investments taken in your household – for example the decision to buy a motorbike?

| I usually decide alone by myself. | Usually my partner decides alone by him/her-self. | My partner and me decide as a couple. | The decision is jointly taken by many family members. | Other* (please specify who makes the decision below) |
|------------------------------------------|----------------------------------------------------------|----------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------|
| | | | | |

If other, please specify the persons involved in the decision here
(family relations such as mother, father, son, daughter, etc.; no names)

9. How do you MAINLY get what you need for living? (Interviewer: 1 answer only – do NOT read out options)

| I collect it from the forests, fields or rivers | I do agriculture (grow rice, corn, cassava and others) | I run my own business/ shop and buy food with my profit | I work for a regular salary and buy food (government or company staff) | My partner takes care about this (no income) |
|--------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------|
| | | | | |

D. SAVINGS: Day to Day Financial Management and Financial Planning

10. What is your most important form of saving?

| I keep it as cash | I buy gold and jewelry | I buy livestock (cattle, pork, poultry) | I save it in a local village (development) funds or village bank | I save it at a normal bank (APB, LDB, BCEL,...) | Others (please specify) |
|-------------------|------------------------|-----------------------------------------|------------------------------------------------------------------|-------------------------------------------------|-------------------------|
| | | | | | |

11. How much can you save in average per year/ per month? (Interviewer: Explain, don't read out the options, wait for an answer first. Only if the respondent is hesitating/ confused, give him/her the options.)

| None | Up to 480.000 kip/ year (40.000 kip/ month) | Up to 1.2 million kip/year (100.000 kip/ month) | Up to 3 million kip/year (250.000 kip/ month) | More than 3 million kip/year (250.000 kip/ month) |
|------|---------------------------------------------|-------------------------------------------------|-----------------------------------------------|---------------------------------------------------|
| | | | | |

12. What are you saving for? (Interviewer: Do not read out answers. Participants shall answer unsupported and can give more than one answer)

| | |
|---------------------------------------------------------------------------------------|--|
| ... so that we can buy an expensive product in the future. (Motorbike, TokTok) | |
| ... because in some months every year we do not have income at all | |
| ... for my children's education (school fees, books, clothing and else) | |
| ... for cultural commitments – like our kids weddings. | |
| ... to have money in emergency cases (Accident, illness, funeral,...) | |
| ... to earn interest on our savings | |
| ... so that we have money when we are old and cannot work hard any more | |
| ... any other purpose . | |
| ... I do not know why we save. | |

E. LOANS: Day to Day Financial Management and Financial Planning

13. Did your household ever take a credit?

| | | | |
|---------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------|----------------------------|
| Yes, we are currently borrowing money | Yes, we borrowed in the past but do not have a credit right now | No, we never took a credit (please jump to question 19) | I don't know (jump to #19) |
| | | | |

14. If #13 “yes” – otherwise go to question # 19

What was the highest amount your household ever borrowed?

| | | | | | |
|---------------------|---------------------|---------------------|----------------------|----------------------|--------------------------|
| Up to 1.000.000 kip | Up to 3.000.000 kip | Up to 5.000.000 kip | Up to 10.000.000 kip | Up to 20.000.000 kip | More than 20.000.000 kip |
| | | | | | |

15. If #13 “yes” – otherwise go to question # 19

What are your household borrowing for or what have you ever borrowed for? (Interviewer: Do not read out answering options. More than one answer possible)

| | |
|---------------------------------------------------------------------------------------------|--|
| For medical treatment in emergencies (Accident, illness) | |
| For other emergencies (especially ‘food not sufficient’) | |
| To expand my business (including trading) | |
| To buy tools and material that support my income (TokTok) | |
| To build/ improve our house or purchase land | |
| For goods that make our life easier (generator, motorbike, stove, sanitation, telephone...) | |
| For goods that make my life nicer (nice mobile phone, television) | |
| To pay for the education of our children | |
| To pay for special social ‘commitments’ like weddings, funerals, ... | |
| To on-lend to family members | |
| To just have fun and relax (Drink beer, play cards,) | |
| To repay other debt | |
| We did not have a clear plan when we borrowed | |
| Other | |

16. If #13 “yes” – otherwise go to question # 19

Where did your household get your last credit?

| At a bank | At a microfinance institution | From village (development) fund or village bank | From members of my family and/ or friends | From money-lenders | Other (Please specify) |
|-----------|-------------------------------|-------------------------------------------------|-------------------------------------------|--------------------|------------------------|
| | | | | | |

17. If #13 “yes” – otherwise go to question # 19

What interest rate did your household have to pay for your last credit?

| ASPECT | ANSWER | I don't know (tick) |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Interest rate | | |
| Interest rate nomination/ frequency | 0 – per day 0 – per week 0 – per month 0 – per year 0 – other (Specify): | |
| Interest method | 0 – The interest got reduced when I paid back my principal (Declining interest) 0 – I paid regular interest installments and paid back the principal as a lump sum in the end (Declining Interest)” 0 – I paid back the principal regularly but the interest I had to pay stayed the same. (Flat interest) | |

18. Only if #13 “yes, currently borrowing” – otherwise go to question # 19

If you are borrowing right now – do you have a plan on how to pay the money back?

| | |
|---------------------------------------------------------------------------------------------------|--|
| Yes, we planned already in detail how we will pay back and we will be able to do so | |
| We had a plan but it seems that we were too optimistic. I am not sure if we can pay back in time. | |
| We did not make a plan but I think we might start thinking about how to pay back | |
| It is still a long time until we have to pay – we will solve it then | |
| We will apply for an extension of the credit anyway and therefore do not need to pay back soon. | |

19. For what of these reasons would you **not/never** take a credit? (Interviewer: Read out options, multiple answers possible, make sure “not take a credit” is understood)

| | Will never borrow |
|-----------------------------------------------------------------------------------|-------------------|
| For medical treatment in emergencies (Accident, illness) | |
| For other emergencies (especially ‘food not sufficient’) | |
| To expand my business (including trading) | |
| To buy tools and material that support my income (TokTok) | |
| To build/ improve our house | |
| For goods that make our life easier (generator, motorbike, stove, sanitation,...) | |
| For consumption goods (phone, television) | |
| To pay for the education of our children | |
| To pay for special social ‘commitments’ like weddings, funerals, ... | |
| To on-lend to family members | |
| To just have fun and relax (Drink beer, play cards,) | |
| Credit is bad – whatever lending purpose | |

F. PLANNING FOR THE UNEXPECTED

20. Please state how you feel about the following sentences – do you agree or do you not agree.
(Interviewer: Please read out, ask if they agree or not)

| ASPECT | I agree | I do not agree |
|-------------------------------------------------------------------------------------------------|---------|----------------|
| I am living a normal life – nothing unexpected will happen | | |
| We make plans in the family and then we live according to this plan | | |
| I/ We keep some money or valuables in order to have a reserve when something unexpected happens | | |
| If something unexpected happens it is early enough to figure out how to solve the situation | | |
| What we do today is more important than what might happen in the future | | |
| We cannot influence the future and therefore we should not make any plans | | |

21. Do you know what an insurance is?

| | |
|--------------------------------------------------------------|--|
| No, I do not know (please jump to question #23) | |
| I know but I cannot explain | |
| Yes, I know in general but we do not have any insurances | |
| Yes, I know and we are holding some insurances in our family | |

22. Only if #21 not answered with “No”

An insurance can be made for? (Multiple answers possible)

| | |
|----------------------------------------------------------------------|--|
| Cars and motorbikes | |
| To insure the life of a person | |
| To insure the health of a person and cover his/ her medical expenses | |
| There are many more insurance products than you listed here | |

G. Business literacy

23. Do you record your business and/or family income and expenses in written?

| YES | No (jump to #25) | I don't know (jump to #25) |
|-----|------------------|----------------------------|
| | | |

24. Only if # 23 answered with yes – otherwise jump to #25

How do you document your income and expenses for your household or business?

| I remember how much we paid and how much we earned. | I keep the receipts from purchases and sales. | I use a ledger or financial diary | Other (enumerator to fill in answer of interviewee here) |
|-----------------------------------------------------|-----------------------------------------------|-----------------------------------|-------------------------------------------------------------|
| | | | |

25. How much profit does your business make every month/ every year? (If the answer is “I have no business” directly jump to question 27)

| Up to 500.000 kip/ month (<6.000.000/ year) | Up to 2.000.000 kip/ month (≤24.000.000/ year) | More than 2.000.000 kip (>24.000.000/ year) | I do not know (jump to #27) | I have no business (jump to #27) |
|----------------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------|--------------------------------|----------------------------------------|
| | | | | |

26. How do you calculate your profit? (*Interviewer: Don't read out, only one answer to choose*)

| | |
|----------------------------------------------------------------------------------------------------------------------|--|
| I would like to calculate my profit but I do not know how to do | |
| All the money that I get is profit | |
| The money that I get is income. I calculate my profit by deducting all my business expenses from by business income. | |
| Every business that has income makes a profit | |
| As long as I have money in my pockets I do not really care about income, expenses profits and so else. | |

H. NUMERACY SKILLS AND MONEY

For interviewer: The following questions are time bound – ensure no support is given from others. Give a calculator to the candidate.

27. For a loan of 1.000.000 kip you have to pay an interest rate of 2% per month. How much interest do you have to pay every month (in kip)? (30 seconds)

| | |
|--|-----|
| | KIP |
|--|-----|

| | |
|--------------|-----|
| I don't know | KIP |
|--------------|-----|

28. For a loan you have to pay 30.000 kip interest every month. How much interest will you have paid after one full year? (Interviewer: Read out / show (30 seconds))

| 30.000 kip | 300.000 kip | 360.000 kip | I do not know |
|------------|-------------|-------------|---------------|
| | | | |

29. One of your neighbors borrows money from a commercial bank for **8% per year**, another one for **5% per month** from a money-lender. Both need to borrow for a full year. Which option would you choose? (Interviewer: Do **not** read out answering options; **only choose one option**)

| | |
|-----------------------|--|
| The money lender | |
| Commercial Bank. | |
| I cannot answer this. | |

30. You have 800.000 kip of savings in your village bank/ village development funds. You now need 500.000 kip for some repairs that you cannot get from anywhere else, just the village bank. (Interviewer: Read out answering option; **only choose one option**)

| | |
|------------------------------------------------------------------------------------|--|
| I withdraw 500.000 kip from my savings account | |
| My savings entitle me to take a credit. I leave my savings and apply for a credit. | |
| Withdraw 250.000 kip and take a credit of 250.000 kip | |
| That does not make a difference – the money will come from the village bank. | |
| I do not know | |

31. Please read out:

I will show you now three cards that contain money. Please answer on which of the three cards there are exactly 89.000 kip?" Do you understand the task? I will show you all three cards at the same time. **(TIMEBOUND 30 sec)(only choose one option)**

| CARD "Cow" | CARD "Pig" | CARD "Dog" | TIMED OUT |
|------------|------------|------------|-----------|
| | | | |

I. LEARNING ENVIRONMENT

32. At what level of school education should children learn about financial issues in school

| As early as possible – in primary school | Lower Secondary School M1-M4 | Higher Secondary School M5-M7 | Only in high school/ university | Children should not learn about finance in school |
|------------------------------------------|------------------------------|-------------------------------|---------------------------------|---------------------------------------------------|
| | | | | |

J. Additional questions to be considered

33. What financial institutes do you know in Lao PDR – what is your relationship to these institutes?
(Multiple answers)

| Name of institute | Never heard | I know it | Have an account/ deposit money | Have a credit |
|-----------------------------------|-------------|-----------|--------------------------------|---------------|
| Nayobay Bank | | | | |
| Agricultural Promotion Bank | | | | |
| Lao Development Bank | | | | |
| BCEL | | | | |
| Village Funds and/or Village Bank | | | | |
| Accleda | | | | |
| Postal Savings Institute | | | | |
| Others 1 (_____) | | | | |
| Others 2 (_____) | | | | |

34. What is the safest place to keep your money?

| A bank | A microfinance institution | A village bank or village develop-ment fund | Back at home | Don't know |
|--------|----------------------------|---------------------------------------------|--------------|------------|
| | | | | |

35. What is important for you when you deposit your money somewhere else? *(Interviewer: Read out options – Make a ranking: Most important = 1, then 2, then 3, least important = 4)*

| Category | Importance (Ranking) |
|---------------------------------------------------------|----------------------|
| To get it back safely and complete – not lose any money | |
| To be able to access and withdraw it at any time | |
| To place it somewhere where I do not have to pay fees | |
| To place it somewhere where I get high interest | |

Thank you for taking your time to complete the baseline survey!

Time interview ended: _____._____

Annex II: Results of the survey

Collection dates: February 13 to February 26, 2014

Number of surveys: 600

Location:

| Province | District 1/villages | District 2/villages |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Champasak | Moonlapamok <ul style="list-style-type: none"> • Donepeuy (n=10) • Kadan (n=10) • Kadien (n=10) • Kuay (n=10) • Nongbuathong (n=10) • Pamok (n=10) • Salaosong (n=10) • Somhong (n=10) • Vernkhaen (n=10) • Vernyang (n=10) | Sukhuma <ul style="list-style-type: none"> • Donekhokngoua (n=10) • Donekong (n=10) • Donewai (n=10) • Donyang (n=10) • Koodtaboun (n=10) • Maivangmakseo (n=10) • Markmee (n=10) • Nonephachao (n=10) • Noneyang (n=10) • Thapcham (n=10) |
| Saravane | Lao Ngarm (n=100) <ul style="list-style-type: none"> • Dacheernoy (n=10) • Dong (n=10) • Dongtong (n=10) • Hiesok (n=10) • Laoya (n=10) • Len (n=10) • Nabon (n=10) • Nonglao (n=10) • Songhongyai (n=10) • Vangyao (n=10) | Saravane (n=100) <ul style="list-style-type: none"> • Bungkham (n=10) • Donkao (n=10) • Kacha (n=10) • Nongsai (n=10) • NonSaNo (n=10) • Phonekeo (n=10) • Phonphai (n=10) • Sutawalee (n=10) • Taopun (n=10) • ThatHouy (n=10) |
| Savannakh | Phine (n=100) <ul style="list-style-type: none"> • Ahnousanhngah (n=10) • Hinsangom (n=10) • Kangkao (n=10) • Kangmai (n=10) • Kayong (n=10) • Khokpoon (n=10) • Napho (n=10) • Pasomxai (n=10) • Sybounheuung (n=10) • Vearnhongkham (n=10) | Sepone (n=100) <ul style="list-style-type: none"> • Arlay (n=10) • Deansavanh (n=10) • Feuung (n=10) • Houaycheang (n=10) • Meaungchan (n=10) • Meaungsane (n=10) • Nabor (n=10) • Phonehay (n=10) • Sopmy (n=10) • Thakhong (n=10) |

Rural/ urban by district

| District | Rural | Urban | Total |
|-------------|-----------|-----------|-------|
| Lao Ngnarm | 80 | 20 | 100 |
| Moonlapamok | 80 | 20 | 100 |
| Phine | 64 | 36 | 100 |
| Saravane | 70 | 30 | 100 |
| Sepone | 73 | 27 | 100 |
| Sukhuma | 80 | 20 | 100 |
| Total | 447 (75%) | 153 (25%) | 600 |

Gender by district

| District | Rural | Urban | Total |
|-------------|-----------|-----------|-------|
| Lao Ngnarm | 51 | 49 | 100 |
| Moonlapamok | 57 | 43 | 100 |
| Phine | 46 | 54 | 100 |
| Saravane | 55 | 45 | 100 |
| Sepone | 47 | 53 | 100 |
| Sukhuma | 56 | 44 | 100 |
| Total | 312 (52%) | 288 (48%) | 600 |

Poverty level by district

| District | No remark | Better off | Middle income | Poor | Total |
|-------------|-----------|------------|---------------|-----------|-------|
| Lao Ngnarm | 2 | 20 | 59 | 19 | 100 |
| Moonlapamok | 0 | 20 | 60 | 20 | 100 |
| Phine | 0 | 19 | 61 | 20 | 100 |
| Saravane | 0 | 20 | 59 | 21 | 100 |
| Sepone | 0 | 20 | 60 | 20 | 100 |
| Sukhuma | 0 | 20 | 60 | 20 | 100 |
| Total | 2 | 119 (20%) | 359 (60%) | 120 (20%) | 600 |

Respondents' relationship to their family

| Family relation | Frequency | Percent | Cumulated |
|-----------------|-----------|---------|-----------|
| Husband/ wife | 515 | 85.83% | 85.83% |
| Grandparents | 42 | 7.00% | 92.83% |
| Children | 31 | 5.17% | 98.00% |
| Other | 12 | 2.00% | 100.00% |
| Total | 600 | 100.00% | |

Ethnic group

| Ethnicity | Frequency | Percent | Cumulated |
|-----------|-----------|---------|-----------|
| Lao Lum | 368 | 61.33% | 61.33 |
| Other | 232 | 38.67% | 100.00% |
| Total | 600 | 100.00% | |

Other ethnic groups

| Ethnicity | Frequency | Percent | Cumulated |
|------------|-----------|---------|-----------|
| Phouthay | 78 | 33.62% | 33.62% |
| Katang | 51 | 21.98% | 55.60% |
| Xuay | 36 | 15.52% | 71.12% |
| Makong | 25 | 10.78% | 81.90% |
| Tri | 21 | 9.05% | 90.95% |
| Laven | 11 | 4.74% | 95.69% |
| Lao Theung | 3 | 1.29% | 96.98% |
| Ta-Oy | 3 | 1.29% | 98.28% |
| Khmou | 2 | 0.86% | 99.14% |
| Lo | 1 | 0.43% | 99.57% |
| Phouan | 1 | 0.43% | 100.00% |
| Total | 232 | 100.00% | |

Language

| Language | Frequency | Percent | Cumulated |
|-----------------|-----------|---------|-----------|
| Lao language | 575 | 95.83% | 95.83% |
| Ethnic language | 25 | 4.17% | 100.00% |
| Total | 600 | 100.00% | |

Age distribution

| Language | Frequency | Percent | Cumulated |
|----------|-----------|---------|-----------|
| 18-25 | 50 | 8.33% | 8.33% |
| 26-35 | 111 | 18.50% | 26.83% |
| 36-45 | 145 | 24.17% | 51.00% |
| 46-55 | 142 | 23.67% | 74.67% |
| 56-65 | 106 | 17.67% | 92.33% |
| >65 | 46 | 7.67% | 100.00% |
| | 600 | 100.00% | |

Age distribution by gender

| | 18 – 25 | 26 – 35 | 36 – 45 | 46 – 55 | 56 – 65 | >65 | Total |
|--------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Female | 40 12.82% | 66 21.15% | 86 27.56% | 70 22.44% | 37 11.86% | 13 4.17% | 312 100% |
| Male | 10 3.47% | 45 15.62% | 59 20.49% | 72 25% | 69 23.96% | 33 11.46% | 288 100% |

Education

| Education level | Frequency | Percent | Cumulated |
|------------------|-----------|---------|-----------|
| Primary | 292 | 48.67 | 48.67 |
| None | 137 | 22.83 | 71.50 |
| Lower secondary | 107 | 17.83 | 89.33 |
| Higher secondary | 43 | 7.17 | 96.50 |
| University | 13 | 2.17 | 98.67 |
| Non formal | 8 | 1.38 | 100.00 |
| Total | | 100.00 | |

Education by gender

| | Primary | None | Lower secondary | Higher secondary | University | Non-formal | Total |
|--------|---------------|--------------|-----------------|------------------|------------|------------|-------------|
| Female | 145 46.47% | 90 28.85% | 51 16.35% | 17 5.45% | 4 1.28% | 5 1.6% | 312 100% |
| Male | 147 51.04% | 47 16.32% | 56 19.44% | 26 9.03% | 9 3.12% | 3 1.04% | 288 100% |

Education by age group

| Age | None/ primary | Secondary | University/ non-formal | |
|---------|---------------|--------------|------------------------|-------------|
| <35 | 116 72.05% | 40 24.84% | 5 3.11% | 161 100% |
| 36 - 45 | 92 63.45% | 50 34.48% | 3 2.07% | 145 100% |
| 46 - 55 | 96 67.61% | 44 30.99% | 2 1.41% | 142 100% |
| >55 | 125 82.24% | 16 10.53% | 11 7.24% | 152 100% |

Number of household members

The median number of household members was 6 with a range of 1 to 26.

Mean: 6.69

Range: 1 – 26

Number of young people in the household who are, *“too young to earn income themselves”*

Range 0 – 11

Mean: 2.34

Households reported having an elderly person who was, *“too old to earn income themselves”*.

| Number of old people | Frequency | Percent | Cumulated |
|----------------------|-----------|---------|-----------|
| 0 | 441 | 73.50% | 73.50% |
| 1 | 96 | 16.00% | 89.50% |
| 2 | 58 | 9.67% | 99.17% |
| 3 | 5 | 0.83% | 100.00% |
| Total | 600 | 100.00% | |

Q.8 How are financial decisions on bigger (not daily) investments taken in your household – for example the decision to buy a motorbike?

| Decisions made by | Female | Male | Total |
|----------------------|---------------|---------------|---------------|
| Couple | 141 45.19% | 125 43.40% | 266 44.33% |
| Family | 74 23.72% | 89 30.9% | 163 27.17% |
| “Myself” | 40 12.82% | 51 17.71% | 91 15.17% |
| Others in the family | 25 8.01% | 8 2.78% | 33% 5.50% |
| Partner | 32 10.26% | 15 5.21% | 47 7.83% |
| Total | 312 100% | 288 100% | 600 100% |

...by ethnic group

| Decisions made by | Lao Loum | Other | Total |
|----------------------|---------------|--------------|---------------|
| Couple | 163 44.29% | 103 44.4% | 266 44.33% |
| Family | 111 30.16% | 52 22.41% | 163 27.17% |
| "Myself" | 47 12.77% | 44 18.97% | 91 15.17% |
| Others in the family | 23 6.25% | 10 4.31% | 33 5.50% |
| Partner | 24 6.52% | 23 9.91% | 47 7.83% |
| Total | 368 100% | 232 100% | 600 100% |

Q.9 How do you MAINLY get what you need for living?

| Main income source | Frequency | Percent | Cumulated |
|--------------------|-----------|---------|-----------|
| Gather products | 249 | 41.50% | 41.50% |
| Own business | 164 | 27.33% | 68.83% |
| Agriculture | 137 | 22.83% | 91.67% |
| Salary | 42 | 7.00% | 98.67% |
| Partner | 8 | 1.33% | 100.00% |
| | 600 | 100.00% | |

...by gender

| | Female | Male | Total |
|-----------------|---------------|---------------|--------------|
| Agriculture | 65 20.83% | 72 25% | 137 100% |
| Gather products | 129 41.35% | 120 41.67% | 249 100% |
| Own business | 89 28.53% | 75 26.04% | 164 100% |
| Partner | 5 1.6% | 3 1.04% | 8 1.33% |
| Salary | 24 7.69% | 18 6.25% | 42 7% |
| Total | 312 100% | 288 100% | 600 100% |

Q.10 What is your most important form of saving?

| Form of saving | Frequency | Percent | Cumulated |
|-----------------------|------------------|----------------|------------------|
| Cash | 318 | 53.00% | 53.00 |
| Gold/ Jewlery | 91 | 15.17% | 68.17% |
| Bank | 55 | 9.17% | 77.33% |
| Livestock | 46 | 7.67% | 85.00% |
| No savings | 33 | 5.50% | 90.50% |
| Village bank | 29 | 4.83% | 95.33% |
| Other | 15 | 2.50% | 97.83% |
| Buy land | 12 | 2.00% | 99.83% |
| No savings | 1 | 0.17 | 100.00% |
| Total | 600 | 100.00% | |

...by gender

| Form of saving | Female | Male | Total |
|-----------------------|---------------|---------------|--------------|
| <i>Cash</i> | 156 50% | 162 56.25% | 318 53% |
| <i>Gold/ Jewlery</i> | 59 18.91% | 32 11.11% | 91 15.17% |
| <i>Bank</i> | 30 9.62% | 25 8.68% | 55 9.17% |
| <i>Livestock</i> | 16 5.13% | 30 10.42% | 46 7.67% |
| <i>No savings</i> | 23 7.37% | 10 3.47% | 33 46% |
| <i>Village bank</i> | 14 4.49% | 15 5.21% | 29 4.83% |
| <i>Other</i> | 8 2.56% | 7 2.43% | 15 2.50% |
| <i>Buy land</i> | 5 1.6% | 7 2.43% | 12 2% |
| <i>No savings</i> | 23 7.37% | 10 3.47% | 33 5.5% |
| <i>Total</i> | 312 100% | 288 100% | 600 100% |

Q.11 How much can you save in average per year/ per month?

| Saving amount | Frequency | Percent | Cumulated |
|-----------------------|------------------|----------------|------------------|
| None | 64 | 10.67% | 10.67% |
| Up to 40K LAK/ month | 95 | 15.83% | 26.50% |
| Up to 100K LAK/ month | 116 | 19.33% | 45.83% |
| Up to 250K LAK/ month | 102 | 17.00% | 62.83% |
| >250K LAK/ month | 223 | 37.17% | 100.00% |
| Total | 600 | 100.00% | |

Q.12 What are you saving for?

| n=600 | Frequency | Percent | |
|--------------------------------------|------------------|----------------|----------------------------------------------------------------------------|
| Emergency | 494 | 82% | Yes. 5% significance level. Men are more likely to mention this choice. |
| Education | 260 | 43% | No |
| Other purpose | 142 | 24% | No |
| Housing | 46 | 8% | No |
| Food and family needs | 30 | 5% | Yes. 10% significance level. Women are more likely to mention this choice. |
| Animal and agricultural investment | 24 | 4% | Yes. 10% significance level. Men are more likely to mention this choice. |
| Other | 42 | 7% | Yes. 5% significance level. Men are more likely to mention this choice. |
| Retirement | 137 | 23% | No |
| Expensive product | 134 | 22% | No |
| Income smooth | 103 | 17% | Yes. 5% significance level. Women are more likely to mention this choice. |
| Do not know | 31 | 5% | No |
| Cultural commitments (like weddings) | 28 | 5% | Yes. 10% significance level. Men are more likely to mention this choice. |
| To earn interest on savings | 21 | 4% | Yes. 5% significance level. Men are more likely to mention this choice. |

Q.13 Did your household ever take credit?

| Answer | Frequency | Percent | Cumulated |
|-------------------------|------------------|----------------|------------------|
| <i>Never borrowed</i> | 371 | 61.83% | 61.83% |
| <i>Current borrower</i> | 133 | 22.17% | 84.00% |
| <i>Past borrower</i> | 90 | 15.00% | 99.00% |
| <i>Don't know</i> | 6 | 1.00% | 100.00% |
| <i>Total</i> | 600 | 100.00% | |

Q.14 What was the highest amount your household ever borrowed?

| Credit amount up to... | Frequency | Percent | Cumulated |
|------------------------|-----------|---------|-----------|
| 1 mn LAK | 46 | 20.63% | 20.63% |
| 3mn LAK | 60 | 26.91% | 47.53% |
| 5mn LAK | 20 | 8.97% | 56.50% |
| 10mn LAK | 34 | 15.25% | 71.75% |
| 20mn LAK | 23 | 10.31% | 82.06% |
| >20mn LAK | 40 | 17.94% | 100% |
| | 223 | 100% | |

...by borrower type

| | Up to 5mn LAK | >5my LAK | |
|------------------|---------------|--------------|-------------|
| Current borrower | 69 51.88% | 64 48.12% | 133 100% |
| Past borrower | 57 63.33% | 33 36.67% | 90 100% |
| Total | 126 56.5% | 97 43.5% | 223 100% |

Q.15 What are you borrowing for or what have you ever borrowed for?

| N=223 | Frequency | Percent |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|
| Expand business | 95 | 43% |
| Other purpose | 94 | 42% |
| Medical emergency | 57 | 26% |
| Other emergency | 29 | 13% |
| Business materials | 16 | 7% |
| Education | 15 | 7% |
| Housing | 11 | 5% |
| Special social commitments | 4 | 2% |
| Goods that make life easier | 3 | 1% |
| <ul style="list-style-type: none"> - Goods that make life nicer - Onlending to family members - To have fun and relax - To repay debt - No plan | 3 | 1% |

Q.16 Where did your household get your last credit?

| Source of credit | Frequency | Percent | Cumulated |
|-------------------------|------------------|----------------|------------------|
| <i>Bank</i> | 151 | 67.71% | 67.71% |
| <i>Family/ friends</i> | 42 | 18.83% | 86.55% |
| <i>Money lender</i> | 14 | 6.28% | 92.83% |
| <i>Village bank</i> | 10 | 4.48% | 97.31% |
| <i>Other</i> | 5 | 2.24% | 99.55% |
| <i>MFI</i> | 1 | 0.45% | 100.00% |
| <i>Total</i> | 223 | 100.00% | |

Q.17 What interest rate did your household have to pay for your last credit?

A number of respondents recorded interest “amounts” rather than interest rates. These are presented along with the rates data below.

| Type of interest repayment recorded | Number of borrowers recording this type | Period | | Median | Range | Method of repayment |
|-------------------------------------|-----------------------------------------|-------------|----------|---------|--------------------|----------------------------------------------------------------|
| Interest rate | 128 (57%) | annual | 87 (68%) | 8% | 2.5% to 80% | 41% declining balance 38% one-off lump sum 21% flat rate |
| | | monthly | 25 (20%) | 5% | 1% to 20% | 40% declining balance 28% one-off lump sum 32% flat rate |
| | | unspecified | 16 (12%) | NA | NA | NA |
| No interest | 39 (17%) | | | | | |
| Fixed amount | 36 (16%) | annual | 10 (28%) | 728.000 | 80,000 – 2.5mn LAK | 40% declining balance 40% one-off lump sum 20% flat rate |
| | | monthly | 20 (56%) | 110.000 | 10,000 – 1.3mn LAK | 30% declining balance 55% one-off lump sum 15% flat rate |
| | | weekly | 1 (3%) | 20,000 | NA | Declining |
| | | daily | 1 (3%) | 30,000 | NA | Flat |
| | | unspecified | 4 (10%) | NA | NA | NA |
| Don't know | 20 (10%) | NA | NA | NA | NA | NA |

Q.18 If you are borrowing right now – do you have a plan on how to pay the money back?

| Repayment | Frequency | Percent | Cumulated |
|------------------------------|------------------|----------------|------------------|
| <i>Detailed plan</i> | 95 | 71.43% | 71.43% |
| <i>Unrealistic plan</i> | 17 | 12.78% | 84.21% |
| <i>No plan</i> | 14 | 10.53% | 94.74% |
| <i>Extend credit</i> | 5 | 3.76% | 98.50% |
| <i>Consider to make plan</i> | 2 | 1.50% | 100.00% |
| <i>Total</i> | 133 | 100.00% | |

Q.19 For what of these reasons would you not/never take a credit?

| N=600 | Frequency | Percent | Significant difference between men and women |
|-----------------------------|------------------|----------------|--------------------------------------------------------------------------------|
| To have fun and relax | 564 | 95% | No |
| Consumption goods | 538 | 90% | No |
| Onlend to family | 516 | 86% | No |
| Goods that make life easier | 508 | 85% | No |
| Special social commitments | 500 | 83% | No |
| Other emergencies | 462 | 77% | No |
| Housing | 449 | 75% | Yes. 5% significance level. Women are more likely to never borrow for housing. |
| Business materials | 427 | 71% | No |
| Education | 396 | 66% | No |
| Expand business | 319 | 53% | No |
| Medical emergency | 201 | 34% | No |
| Credit is bad | 125 | 20% | No |

Q.20 Please state how you feel about the following sentences – do you agree or do you not agree.

| STATEMENT | Number and proportion of respondents agreeing with the statement |
|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| I am living a normal life – nothing unexpected will happen | 417 (70%) |
| We make plans in the family and then we live according to this plan | 545 (91%) |
| I/ We keep some money or valuables in order to have a reserve when something unexpected happens | 512 (86%) |
| If something unexpected happens it is early enough to figure out how to solve the situation | 308 (52%) |
| What we do today is more important than what might happen in the future | 502 (84%) |
| We cannot influence the future and therefore we should not make any plans | 271 (45%) |

Q.21 Do you know what an insurance is?

| Answer | Frequency | Percent | Cumulated |
|-------------------------------|------------------|----------------|------------------|
| <i>Do not know</i> | 349 | 58.17% | 58.17% |
| <i>Know it in general</i> | 111 | 18.50% | 76.67% |
| <i>Know but can't explain</i> | 103 | 17.17% | 93.83% |
| <i>Holding insurance</i> | 37 | 6.17% | 100.00% |
| <i>Total</i> | 600 | 100.00% | |

Q.22 An insurance can be made for? (Multiple answers possible)

| Type | Hold insurance (n=37) | Know about insurance in general (n=111) | Know about insurance but can't explain (n=103) | Total |
|------------------|------------------------------|------------------------------------------------|-------------------------------------------------------|--------------|
| Health | 20 (54%) | 62 (60%) | 52 (51%) | 134 |
| Life | 18 (49%) | 52 (50%) | 66 (65%) | 136 |
| Vehicle | 17 (46%) | 49 (47%) | 35 (34%) | 101 |
| More than listed | 3 (8%) | 7 (7%) | 5 (5%) | 15 |

Q.23 Do you record your business and/or family income and expenses in written?

| Answer | Frequency | Percent |
|------------|-----------|---------|
| Don't know | 44 | 7.33% |
| No | 430 | 71.67% |
| Yes | 126 | 21.00% |
| Total | 600 | 100.00% |

Q.24 How do you document your income and expenses for your household or business?

| | Number/proportion of respondents who use this record-keeping habit (among n=126 who record expenses) |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| I remember how much we paid and how much we earned. | 68 (54%) |
| I keep the receipts from purchases and sales. | 10 (8%) |
| I use a ledger or financial diary | 54 (43%) |
| Other (categories not specified) | 3 (2%) |

Q.25 How much profit does your business make every month/ every year?

| Profit/ month | Frequency | Percent | Cumulated |
|----------------|-----------|---------|-----------|
| No business | 274 | 45.67% | 45.67% |
| >2mn LAK | 73 | 12.17% | 57.83% |
| Up to 2mn LAK | 95 | 15.83% | 73.67% |
| Up to 500K LAK | 130 | 21.67% | 95.33% |
| Do not know | 28 | 4.67% | 100.00% |
| Total | 600 | 100.00% | |

Q.26 How do you calculate your profit?*(Only people that answered that they run a business)*

| Answer | Frequency | Percent |
|----------------------------------------|-----------|---------|
| I do not care | 65 | 21.81% |
| I do not know | 27 | 9.06% |
| Income equals profit | 1 | 0.34% |
| Income minus expenditure equals profit | 178 | 59.73% |
| Revenue equals profit | 27 | 9.06% |
| Total | 298 | 100.00% |

Q. 27 For a loan of 1,000,000 kip you have to pay an interest rate of 2% per month. How much interest do you have to pay every month (in kip)? (30 seconds)

318 out of 600 respondents (53 percent) recorded that they did not know the answer to this question. The answers given by the remaining respondents are shown below.

| Answer | Frequency | Percent | Cumulated |
|---------|-----------|---------|-----------|
| 20,000 | 222 | 78.72% | 78.72% |
| 200,000 | 34 | 12.06% | 90.78% |
| 2,000 | 15 | 5.32% | 96.10% |
| 50,000 | 2 | 0.71% | 96.81% |
| 100,000 | 2 | 0.71% | 97.52% |
| Other | 7 | 2.48% | 100.00% |

...by level of education

| | None | Primary | Lower second | Higher Second | Non-formal | Uni-versity | Total |
|-----------|--------|---------|--------------|---------------|------------|-------------|-------|
| 20.000 | 18 | 98 | 61 | 31 | 2 | 12 | 222 |
| | 13.14% | 33.56% | 57.01% | 72.09% | 25% | 92.31% | 37% |
| incorrect | 119 | 194 | 46 | 12 | 6 | 1 | 378 |
| | 86.86% | 66.44% | 42.99% | 27.91% | 75% | 7.69% | 63% |
| Total | 137 | 292 | 107 | 43 | 8 | 13 | 600 |
| | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Q.28 For a loan you have to pay 30,000 kip interest every month. How much interest will you have paid after one full year?

| Answer | Frequency | Percent | Cumulated |
|-------------|-----------|---------|-----------|
| 360,000 | 350 | 58.33% | 58.33% |
| Do not know | 190 | 31.67% | 90.00% |
| 300,000 | 55 | 9.17% | 99.17% |
| 30,000 | 5 | 0.83% | 100.00% |
| Total | 600 | 100.00% | |

...by level of education

| | None | Primary | Lower second | Higher Second | Non-formal | University | Total |
|-----------|---------------|---------------|--------------|---------------|------------|--------------|---------------|
| 360,000 | 37 27.01% | 171 58.56% | 86 80.37% | 40 93.02% | 4 50% | 12 92.31% | 350 58.33% |
| incorrect | 100 72.99% | 121 41.44% | 21 19.63% | 3 6.98% | 4 50% | 1 7.60% | 250 41.67% |
| Total | 137 100% | 292 100% | 107 100% | 43 100% | 8 100% | 13 100% | 600 100% |

Q.29 One of your neighbors borrows money from a commercial bank for 8% per year, another one for 5% per month from a money-lender. Both need to borrow for a full year. Which option would you choose?

| Answer | Frequency | Percent | Cumulated |
|---------------|-----------|---------|-----------|
| Bank | 395 | 65.83% | 65.83% |
| Cannot answer | 125 | 20.83% | 86.67% |
| Money lender | 80 | 13.33% | 100.00% |
| Total | 600 | 100.00% | |

...by level of education

| | None | Primary | Lower second | Higher Second | Non-formal | Uni-versity | Total |
|-------|-------------|---------------|--------------|---------------|------------|-------------|---------------|
| Bank | 60 43.8% | 190 65.07% | 91 85.05% | 39 90.7% | 2 25% | 10 100% | 395 65.83% |
| Other | 77 56.2% | 102 34.93% | 16 14.95% | 4 9.3% | 6 75% | 0 0% | 205 34.17% |
| Total | 137 100% | 292 100% | 107 100% | 43 100% | 8 100% | 13 100% | 600 100% |

Q.30 You have 800,000 kip of savings in your village bank/ village development funds. You now need 500,000 kip for some repairs that you cannot get from anywhere else, just the village bank.

| Answer | Frequency | Percent | Cumulated |
|------------------|-----------|---------|-----------|
| Withdraw 500,000 | 323 | 53.83% | 53.83% |
| Borrow 500,000 | 149 | 24.83% | 78.67% |
| Borrow 250,000 | 65 | 10.83% | 89.50% |
| Do not know | 54 | 9.00% | 98.50% |
| No difference | 9 | 1.50% | 100.00% |
| Total | 600 | 100.00% | |

...by level of education

| | None | Primary | Lower second | Higher Second | Non-formal | Uni-versity | Total |
|--------------|--------------|---------------|--------------|---------------|------------|--------------|---------------|
| Withdraw 500 | 65 47.45% | 148 50.68% | 67 62.62% | 28 65.12% | 4 50% | 11 84.62% | 323 53.83% |
| Other | 72 52.55% | 144 49.32% | 40 37.38% | 15 34.88% | 4 50% | 2 15.38% | 277 46.17% |
| Total | 137 100% | 292 100% | 107 100% | 43 100% | 8 100% | 13 100% | 600 100% |

Q.31 Interviewer to read out - I will show you now three cards that contain money. Please answer on which of the three cards there are exactly 89.000 kip?" Do you understand the task?
I will show you all three cards at the same time. (TIMEBOUND 30 sec)

| Answer | Frequency | Percent | Cumulated |
|----------|-----------|---------|-----------|
| Correct | 269 | 44.83% | 44.83% |
| Wrong | 64 | 10.67% | 55.50% |
| Time out | 267 | 44.50% | 100.00% |
| Total | 600 | 100.00% | |

...by level of education

| | None | Primary | Lower second | Higher Second | Non-formal | Uni-versity | Total |
|---------|---------------|---------------|--------------|---------------|------------|--------------|---------------|
| Correct | 37 27.01% | 118 40.41% | 67 62.62% | 34 79.07% | 2 25% | 11 84.62% | 269 44.83% |
| Wrong | 100 72.99% | 174 59.59% | 40 37.38% | 9 20.93% | 6 75% | 2 15.38% | 331 55.17% |
| Total | 137 100% | 292 100% | 107 100% | 43 100% | 8 100% | 13 100% | 600 100% |

Q.32 At what level of school education should children learn about financial issues in school?

| Answer | Frequency | Percent | Cumulated |
|-------------------------|------------|----------------|----------------|
| <i>Primary</i> | <i>418</i> | <i>69.67%</i> | <i>69.67%</i> |
| <i>Lower secondary</i> | <i>120</i> | <i>20.00%</i> | <i>89.67%</i> |
| <i>Higher secondary</i> | <i>39</i> | <i>6.50%</i> | <i>96.17%</i> |
| <i>Should not learn</i> | <i>13</i> | <i>2.17%</i> | <i>98.33%</i> |
| <i>University</i> | <i>10</i> | <i>1.67%</i> | <i>100.00%</i> |
| <i>Total</i> | <i>600</i> | <i>100.00%</i> | |

Q.33 What financial institutes do you know in Lao PDR – what is your relationship to these institutes?

| n=600 | Never heard | I know it | Have an account / deposit money | Have credit |
|-----------------------------------|-------------|-----------|---------------------------------|-------------|
| Nayobay Bank | 342 (57%) | 220 (37%) | 10 (2%) | 50 (8%) |
| Agricultural Promotion Bank | 192 (32%) | 344 (57%) | 47 (8%) | 81 (14%) |
| Lao Development Bank | 304 (51%) | 266 (44%) | 29 (5%) | 17 (3%) |
| BCEL | 360 (60%) | 225 (38%) | 19 (3%) | 2 (<1%) |
| Village Funds and/or Village Bank | 157 (26%) | 369 (62%) | 127 (21%) | 11 (2%) |
| Accleda | 425 (71%) | 172 (29%) | 6 (1%) | 6 (1%) |
| Postal Savings Institute | 465 (78%) | 133 (22%) | 3 (<1%) | 0 |
| Others | | | | |
| Phongsavanh Bank | NA | 42 (7%) | 4 (<1%) | 3 (<1%) |
| Others | NA | 23 (4%) | 5 (<1%) | 1 (<1%) |

Q.34 What is the safest place to keep your money?

| Answer | Frequency | Percent | Cumulated |
|--------------|-----------|---------|-----------|
| Bank | 433 | 72.17% | 72.17% |
| At home | 84 | 14.00% | 86.17% |
| Village bank | 65 | 10.83% | 97.00% |
| Do not know | 17 | 2.83% | 99.83% |
| MFI | 1 | 0.17% | 100.00% |
| Total | 600 | 100.00% | |

Q.35 We are going to give you a list of four factors that could be important for you when you deposit your money somewhere and would like you to rank them from “Most Important” to “Least Important”. (Interviewer: Read out options – Make a ranking: Most important = 1, then 2, then 3, least important = 4)

The tables below show what proportion of respondents ranked the topic as 1: “Most Important” to 4: “Least Important”. High interest received the overwhelming share of, “Most important” rankings, followed by Security, Accessibility, and Low Fees.

Security

| Ranking | Frequency | Percent | Cumulated |
|---------|-----------|---------|-----------|
| 1 | 171 | 28.50% | 28.50% |
| 2 | 147 | 24.50% | 53.00% |
| 3 | 155 | 25.83% | 78.83% |
| 4 | 127 | 21.17% | 100.00% |
| Total | 600 | 100.00% | |

Accessibility

| Ranking | Frequency | Percent | Cumulated |
|---------|-----------|---------|-----------|
| 1 | 98 | 16.33% | 16.33% |
| 2 | 206 | 34.33% | 50.67% |
| 3 | 200 | 33.33% | 84.00% |
| 4 | 96 | 16.00% | 100.00% |
| Total | 600 | 100.00% | |

Low fees

| Ranking | Frequency | Percent | Cumulated |
|-----------|-----------|---------|-----------|
| 1 | 26 | 4.33% | 4.33% |
| 2 | 121 | 20.17% | 24.50% |
| 3 | 142 | 23.67% | 48.17% |
| 4 | 310 | 51.67% | 99.84 |
| No answer | 1 | 0.17% | 100.00% |
| Total | 600 | 100.00% | |

High interest

| Ranking | Frequency | Percent | Cumulated |
|---------|-----------|---------|-----------|
| 1 | 306 | 51.00% | 51.00% |
| 2 | 125 | 20.83% | 71.83% |
| 3 | 103 | 17.17% | 89.00% |
| 4 | 66 | 11.00% | 100.00% |
| Total | 600 | 100.00% | |

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