

**Good Practice in Business  
Development Services:  
*How Do We Enhance  
Entrepreneurial Skills in MFI  
Clients?***



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## Introduction

After working for 10 years in the microfinance arena, both at the Calmeadow Metrofund and at the Alterna Savings Community Micro Loan Program (both based in Toronto, Ontario, Canada), it is my belief that it takes more than a loan to help a micro-business succeed and reach its goals.

I believe a combination of financial credit and operational support is crucial to helping entrepreneurial clients succeed in today's marketplace, regardless of the location where the micro-entrepreneur is competing.

Any entrepreneur has to have a combination of *technical*, *operational* and *strategic* skills. The *technical* skills come with the commitment, creativity, experience and knowledge they have within their field. The *operational* skills (including accounting and finance, business planning, quality control, health and safety regulations, marketing and human resource management) can often pose a challenge and necessitate support. Finally, *strategic* skills can take an entrepreneur from the start-up phase to the next level in business management.

Most entrepreneurs believe a lack of ongoing capital is the reason for stagnation within their businesses. While this can be an important factor, a lack of continual operational skills support also plays a strong role in Micro Small Enterprise (MSE) failure, or in MSEs not reaching their growth potential.

In the 1990's operational skill assistance was provided to micro-entrepreneurs through Business Development Service (BDS) organizations, which operated separately from the sources of financing for MSEs. BDS services were viewed as non-financial and were thought to be less challenging to deliver than financing, which has capital and other requirements. (BDS services include management and vocational skill

training, consultancy and advisory services, marketing assistance, access to information, technology development and transfer and business linkage promotion.)

According to the article *Bundling Microfinance and Business Development Services*<sup>1</sup>, there is a growing recognition in the microfinance community that to develop successfully low-income people need a wider range of integrated financial and non-financial services. A combination of expanded financial and non-financial services can help an entrepreneur succeed by: building their self-confidence; increasing their income, productivity, and employment; and ultimately facilitating the personal growth of the entrepreneur.

Through the provision of more integrated services, microfinance institutions will no doubt benefit from better loan repayment and portfolio quality, client retention and the increased ability of the entrepreneur to access other financial products and services. To achieve these results, microfinance institutions need to ensure that the appropriate support is provided to clients, so they can gain the skills needed to successfully and continually operate their businesses. This support can be in close partnership with Business Development Service Organizations or within the microfinance institution itself.

The question is: How do we enhance entrepreneurial skills in microfinance institution clients? This paper will answer the question by identifying best practices in Business Development Services offered in close partnership or integrated within microfinance institutions—both in developing and developed world settings.

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<sup>1</sup> *Bundling Microfinance and Business Development Services: A Case Study from ADEMCOL in Columbia*

## **The Power of Expanded and Integrated Services**

Microfinance institutions (MFIs) in different parts of the world have demonstrated the potential power of well-directed and well-managed micro-financial services in improving the lives of poor people. However, even well designed microfinance programs have limited impact on the livelihoods of the poor unless complemented by social and business development services. Many development initiatives are therefore integrating literacy and like skills, vocational and marketing training, as well as basic health care, into programs for micro-entrepreneurs.

To be able to work themselves out of poverty, to survive and to grow, entrepreneurs need access to a range of services. These are categorized as:

1. **Financial Services:** credit, as well as other financial products and services.
2. **Non-financial services** or Business Development Services, such as market information, management and vocational skill training and business advice. I will describe these later in greater detail. Non-financial products that compliment financial services include:
  - a) Education and awareness
  - b) Asset building
  - c) Business training
  - d) Networking
  - e) Mentoring

### **a) Education and Awareness: Financial Literacy**

A key factor in financial success is financial literacy or financial education. Financial education programs teach the knowledge, skills and attitudes

required to adopt good management practices for earning, spending, saving, borrowing and investing. Participants in these programs become equipped with information and tools to make better financial choices, work towards their financial goals and ultimately enhance their economic well-being.

***Benefits to entrepreneurial clients:***

- Knowledge needed to manage money
- Capacity to use financial services
- Increased self-esteem and confidence as a result of achieving financial goals
- Greater ability to demand higher quality products and services from financial institutions

***Benefits to financial institutions:***

- Attract more clients
- Better retain existing clients
- Gain better market information for the use in improving products and services
- Have a competitive edge

In their start-up phase, micro-entrepreneurs seem to be more focused on the operational aspect of running their business than financial education. But combining these two things can lead to economic inclusion.

**b) Asset Building: Creating Successful Savings**

Assets are important: asset-building products that, for example, lead to home ownership can help an entrepreneur then gain further access to credit for business expansion. Other asset building products, such as those encouraging retirement savings, can make a difference between financial security and economic exclusion.

In Canada, through the organization Social and Enterprise Development Innovations (SEDI), a program was created called *learn\$ave*. *learn\$ave* offers low-income individuals the opportunity to place as little as \$10 a month in a savings account to a maximum of \$1,500 for up to three years. These funds are matched dollar for dollar through an Individual Development Account (IDA). The funds in the IDA can be used for skills training, schooling or to start a business, and are paid directly to the school or institution.

Many of the participants in the *learn\$ave* program also receive case management support and financial management training on how to make the savings and asset building process more accessible.

### **c) Business Training**

Business training can be classified into two categories: operational and strategic.

#### ***Operational Training***

Start-up entrepreneurs can require basic operational business training in areas such as accounting, marketing, inventory control, costing, pricing and sales forecasting. Once entrepreneurs received basic operational training, they have an opportunity and increased skills to move their business forward. The formalized nature of the training allows them to learn the above business basics in a supportive learning environment. They become better-rounded business people and at least have a basic understanding of the business cycle.

#### ***Strategic Training***

Mature entrepreneurs, now at the other end of the spectrum, face different constraints as they look for expansion, growth and profitability opportunities for their businesses. Mature entrepreneurs look to strategic training for guidance, particularly training that is specific to their industry. Topics can

range from public speaking, to negotiating contracts, to finding ways to access new markets.

Providing different training at different stages in the entrepreneurial business cycle is important to the businesses and to the sustainability of the MFI providing the training.

#### **d) Networking**

Networking can have a significant impact on the MFI, the entrepreneur and the business enterprise.

MFI's can hold **support groups** for their micro-entrepreneurial clients with regular meetings to reinforce group solidarity, discipline, and consistent repayments. Groups are especially effective for the education and training of microfinance participants, as well as for enhancing networking and information dissemination. An important participatory tool, they can also reduce administrative costs by giving certain responsibilities, such as loan monitoring, to the members themselves.

Formal or informal **networks** of entrepreneurs can arise from formal MFI-sponsored groups. Group members can provide support to each other through information sharing. Businesses can also benefit from group formation through business-to-business linkages such as bulk purchasing.

#### **e) Mentoring**

According to the Banking Council of South Africa, the major problem banks face when trying to engage with micro-enterprises is the lack of viable enterprises with which to engage. Lack of managerial skills is cited as probably the most important reason why there are so few viable micro-enterprises.

**Mentoring** is therefore another crucial element in the joint project to supply loans and business services to micro enterprises. Mentoring can be delivered through a one-on-one approach or group sessions. Topics can range from simple transactions such as filling out a loan application to more complex transactions such as managing human resources. Mentoring also gives start-up businesses an opportunity to work with more established businesses.

## **Case Studies**

Some existing microfinance projects already show how microfinance institutions and business development service providers work together effectively, and provide, in some cases, the expanded services outlined above. Following are three “best practice” examples:

### **a) Alterna Saving Community Micro Loan Program**

Alterna Savings is the third largest credit union in the province of Ontario, Canada, with 150,000 members and 24 branches. A community-focused credit union, it serves entrepreneurs who cannot access capital from traditional financial institutions.

Alterna Savings’ Community Micro Loan Program has been in existence since July, 2000. Participants generally have a personal income under \$30,000 a year. Participants are either newcomers to Canada or their personal income is in the form of government-provided social assistance or unemployment benefits.

Loans offered range from \$1,000-15,000. Initial loans range up to \$5,000. Once that loan is paid off and the entrepreneur has been in business for one year (must be proven through financial statements), the entrepreneur can

access up to \$10,000. Then, once the entrepreneur has been in business for two years with proven financial statements, they may access up to \$15,000.

To date, the Community Micro Loan Fund has loaned over \$1 million dollars to over 375 borrowers. The average default rate on community micro-loans is 9.38% per year.

The Community Micro Loan Fund was purchased by Alterna Savings from Calmeadow, a non-profit organization with a stand-alone loan fund operating in the Greater Toronto Area of Ontario, Canada.

Compared to international markets, the micro-enterprise sector in Canada is small. In Ontario, financial institutions don't view micro-credit as a viable market in which to venture. Given this attitude towards the micro-entrepreneur, micro-credit exists in two forms in Ontario:

1. Through stand-alone loan funds
2. Integrated into a credit union

Micro-loan funds in Ontario face many challenges. Stand-alone funds are highly administrative and rely heavily on investors, government, donors or sponsorships for their existence. A relationship with banks or credit unions is still necessary as entrepreneurs require financial services as part of their growth plans.

The transition of Calmeadow Metrofund into a fund operated by Alterna Savings was exactly what the participating micro-businesses needed. They gained access to an array of financial services, and as one of Calmeadow Metrofund clients stated in 2000: *"The service we need is a bank that integrates itself into the community."*

Alterna Savings offers many integrated services to help the budding entrepreneur:

***Strong partnerships with Business Development Organizations***

Business Development Centres help entrepreneurs prepare business plans and offer business coaching to micro and small businesses. However, they are unable to provide financing to help their clients realize their business goals.

Alterna Savings has partnered with many organizations in the Greater Toronto Area that provide business development services: for example, the YMCA, the Toronto Business Development Centre and Women’s Centre of York Region. These centres deliver the Business Training Entrepreneurship Program, which is a prerequisite for applying for financing from the Community Micro Loan Program. This benefits both organizations, as Alterna Savings does not have the human resources to train entrepreneurs to prepare business plans.

Here is a look at the partnership between Alterna Savings and the Women’s Centre of York Region in Aurora, Ontario:

**Women’s Centre of York Region-Enterprising Women Program**

The Women’s Centre of York Region offers an entrepreneurial training program to women 18 years or older who have a viable business idea. There is a course fee of \$50 for all participating women; women who have a personal income of \$30,000 or more a year pay \$500 for the course.

This business training session includes several modules such as readiness to start a business, market research, marketing, and finances. Business coaching is also available to each participant throughout the 20 weeks of the course. Alterna Savings conducts a presentation on financing for the women in the program; this gives Alterna Savings an opportunity to describe its products and services, and educates the participants on financing a business.

Near the completion of the course, the participants participate in an intensive one-hour final coaching session with course instructors and a panel of

businesswomen. They must each prepare a short presentation of their business plan, and then identify issues/concerns they would like to discuss with the panel. The purpose of this session is to give each participant a unique opportunity to receive feedback, practical solutions, and networking suggestions from successful self-employed women (and a representative of Alterna Savings), with the goal of incorporating this feedback into their business plan.

Alterna benefits from attending this business presentation, as some of the participants are future loan recipients. It allows us to ask questions, and get feedback from other panelists to help in the loan interviewing process.

Graduates of Enterprising Women are able to apply for micro loans through Alterna Savings in order to start or build their businesses. Enterprising Women is aware that the Community Micro Loan Program is more supportive of women without access to financial assets. Women's Centre of York Region has set up a Loan Fund Support Committee comprised of three local businesswomen, the Enterprising Women program manager and a member of the Centre's board. The purpose of the committee is to review the applicant's business plan and application prior to approaching Alterna Savings. The applicant also needs to sign an agreement with Women's Centre of York Region agreeing to participate in regular coaching throughout the term of the loan (if approved by Alterna Savings).

### ***Networking***

One year after the inception of the Community Micro Loan Program a networking component was implemented—called the ***Networking Café***. The Networking Café is a social and informal gathering of micro and small business entrepreneurs.

All Community Micro Loan Program participants in receipt of their first loan must complete some form of business planning as a requirement of loan payout. This usually takes place through the free training participants receive from self-employment programs or small business training centres.

But, once participants receive the initial training from centres, all other training to help with growth or expansion usually comes with costly fees attached. These are usually not affordable to the entrepreneur.

The Networking Café allows our members to take advantage of professional coaching in a group setting. It also gives them time to network and interact with other businesses.

The Networking Café holds quarterly meetings; meetings can be held within Alterna Savings or at a member's business. Holding meetings at members' locations gives them a sense of pride and helps promote their businesses to the group.

A variety of topics such as marketing, taxation, sales, media awareness and inspiration/motivation, are discussed. The networking meetings are 1 1/2 -2 hours in length with the first hour designated to the business speaker and the second half to entrepreneurs interacting with each other.

### ***Promotions***

A good portion of Community Micro Loan Program participants operate home-based businesses. Alterna offers three unique opportunities for micro entrepreneurs to promote their businesses.

- I. Member Display Booth
- II. Community Information Fair
- III. Member Information Board

- I. The ***Member Display Booth*** is a designated area within our largest branch in down town Toronto. The branch is located on Bay Street in the heart of the financial district. Alterna Savings realized that advertising and promotion can be costly for micro-entrepreneurs. But by allowing members to utilize the member display booth, they have an opportunity to showcase their goods and services to other members.

- II. The **Community Information Fair** is held once a year in conjunction with the Alterna Savings Annual General Meeting. The Community Information Fair gives entrepreneurs a way of promoting their goods or services to all members in attendance. Up to 700 members have attended in the past.
- III. **Member Information Boards** are located in all branches of Alterna Savings in the Greater Toronto Area. These message boards serve as another form of networking and advertising for businesses. Entrepreneurs are encouraged to promote their businesses through business cards or flyers on the boards.

### **Financial Planning**

For low-income individuals and micro-entrepreneurs, access to financial products and services allows them to be more resilient in handling everyday demands.

Alterna Savings offers a Nest Egg Term Deposit that encourages savings. While most term deposits or GICs require a minimum amount to invest, the Nest Egg Term Deposit gives members the opportunity to start investing by putting away as little as \$10 per month. And, the Nest Egg Term Deposit can be attached to personal or business accounts. This has proven to be a very effective way for micro entrepreneurs to start saving. Funds saved can be transferred to other savings vehicles like RRSPs.

Micro-entrepreneurs often face barriers to credit even while having access to micro loans. **HyperWALLET** is a service that allows individuals to transfer funds electronically, but also allows them to make online purchases. This service is useful for entrepreneurs who do not have access to credit cards.

The financial and non-financial services offered by Alterna Savings have had a positive impact on both the entrepreneur and the institution. Some

entrepreneurs have reported growth in their business, better self-confidence and better knowledge leading to better decision-making.

For Alterna Savings the benefits are reflected in the bottom line. To date, micro-entrepreneurs from the Community Micro Loan Program have brought over \$1 million dollars of business in other financial products and services to Alterna Savings.

## **Challenges**

### ***Measuring Impact***

Even though one in every thirteen families in Canada is living on a low income, according to Statistics Canada, microfinance is still a quiet secret. In fact, microfinance is virtually non-existent in the financial services industry, with only a small number of credit unions participating and no participation from chartered banks.

Before we can even begin to measure the impact of the services we provide to micro-entrepreneurs, we need to come together with those institutions who offer microfinance and other economic development services—to form associations and collaborate. We need to find common key indicators to measure what we offer entrepreneurs and how our participation affects the bottom line for our credit union.

The level of resources we should invest in the area of microfinance is still an open question. Alterna Savings has been able to retain 2/3 of its micro credit members. However, to date a number of maturing entrepreneurs have moved on to chartered banks to access larger amounts of credit. We will be addressing this issue through our long-term Small and Medium Enterprise Strategy, which will begin implementation in the Fall of 2006.

### ***Limited Staffing***

The Community Micro Loan Program is not yet self-sufficient. Alterna Savings is currently injecting capital to cover the operating costs of the program. Staffing is therefore limited; this makes partnerships with business development organizations essential in helping entrepreneurs develop relevant skills. The business development organizations are also the main outreach centres for Alterna Savings to reach potential entrepreneurs.

That said, Business Development Services organizations are often funded by government or donors. If funding becomes jeopardized, this could mean the closure of some BDS centres or the downsizing of some training programs.

The Community Micro Loan Program is highly administrative, and members in the program usually require a hand-held approach. Providing additional services such as networking can be time consuming. Staff limitations mean that meetings are held quarterly rather than monthly. Quarterly meetings can be too infrequent to make a significant impact on the entrepreneur.

## **b) Community EFFORT**

Serving SW Ontario, Community EFFORT (Enterprise Facilitation Fusing Opportunities, Resources & Talents) emerged to help entrepreneurs in SW Ontario to start and expand their businesses. The project began as a collaborative pilot administered by Credit Union Central of Ontario, with the involvement of community leaders and four partner credit unions. The objective of the project was to:

- I. Increase the number of and success rate of entrepreneurs creating and growing businesses in rural Ontario.
- II. Increase the capacity of local credit union's to help entrepreneurs create new businesses and grow existing businesses in rural Ontario.
- III. Build links between credit unions and other business support services and organizations in the region including Community Futures

Development Corporations, Community Economic Development organizations, Municipal Economic Development Offices and Business Centres.

- IV. Bring the innovative and successful Sirolli entrepreneur development and management coaching process called "Enterprise Facilitation" (EF) to Ontario
- V. Access the potential for the EF model in other rural communities in Ontario.

Enterprise Facilitation, developed by the Sirolli Institute, is a management coaching and civic networking approach to supporting entrepreneurs within their community. The Sirolli model offers a flexible resource that is an adaptable, practical and consistent methodology for bridging business development and financing gaps in rural communities. The philosophy/assumption is that the management team of any business must be skilled in its product/service delivery, in marketing and in financial management. The factor that is least developed in an enterprise will likely limit its growth and success or even seriously hamper the ongoing survival of the enterprise. Sirolli further assumes that in every community there are passionate individuals who have these skill sets, but are also willing to provide assistance for the benefit to the community. Any larger business can hire staff to provide these essential inputs to complete the Trilogy of Management. Small businesses often don't have the means to do that. Therefore, the Sirolli system links the entrepreneur with community contacts who can provide these missing links and help the entrepreneur to concentrate on her strengths rather than filling the gaps by herself.

Community EFFORT acts as a sounding-board, a coach and a support system for local entrepreneurs, offering them practical and confidential counsel, and helping them to take their ideas off the drawing board, commercialize them, and capture new opportunities.

A typical sequence of events in the process is as follows:

1. An entrepreneur approaches the credit union lender with a business plan or an idea requesting financial support or other business assistance.
2. The lender assesses the business plan/idea and if it does not meet standard lending criteria, refers the client to the enterprise facilitator (EF) for assistance.
3. The client contacts the EF and arranges a meeting.
4. The EF meets with the client to analyze the business with the focus on the Trilogy of Management assumption.
5. The EF presents her findings to the Resource Board on a monthly basis and draws on the Board's expertise and network to provide relevant referrals to the EF.
6. The EF provides the client with the referrals from the Resource Board as well as additional "homework assignments" (e.g. research) that the client will complete to further their development/complete their business plan.
7. The client initiates contact with the referral(s) provided by the EF, negotiates a rate for the provision of that particular service and can concentrate on the continuation of her business.

Over the past two years, Community EFFORT has helped some 90 entrepreneurs in various stages of their business ranging from start-ups, expansions, business retention and tune-ups by leveraging their entrepreneurial passion and taking their businesses to the next level.

The four participating credit unions referred about 50 clients to the EF and were able to provide assistance even though the client did not initially qualify for standard lending. This is certainly an improvement from the standard of declining lending requests and not being able to provide further guidance. Over 40% of the interviewed lenders responded that since they participated

in the program, they changed their views on struggling entrepreneurs and it has helped to foster a closer relationship to potential clients that are currently not qualifying for standard lending products.

### **A Success Story from Community EFFORT**

The Emmanuel at Brighton Child Care Centre had just purchased a facility, which required extensive refurbishing. The work was to be paid for by fundraising. The enterprise facilitator linked the day care centre with a fundraising professional to guide them through the hiring of their own staff fundraiser. He also assisted during fundraising committee meetings, focusing agendas and keeping plans on track.

Community EFFORT operates at three levels:

- I. **Executive Committee:** handles management issues of Community EFFORT.
- II. **Advisory Board:** 40+ members who provide assistance through contacts and referrals or through their own knowledge and expertise.
- III. **Enterprise Facilitator:** provides coaching to the entrepreneur and presents their cases to the advisory boards.

Benefits to clients:

- Community EFFORT helps to connect clients to appropriate community resources so they can overcome hurdles.
- One key hurdle the program resolves is the entrepreneur's feeling of being alone or isolated.
- By connecting clients to their community through Community EFFORT's Advisory Board, the facilitator helps them achieve their goals and realize their dreams. These can include business start-up, growing an existing business, developing new products, growing market share

or meeting a specific challenge. Business staff can also add key competencies to their repertoires and rehabilitate their business versus winding it up.

Community EFFORT is looking to take the project from a pilot stage to a fully accredited, non-profit community based organization. However the challenge facing the project is the need for adequate human and financial resources to allow the program to continue.

### **Challenges**

#### ***Funding***

Financial support for Community EFFORT has come from several sources, including the four founding credit unions, CUMIS, CUCO and the Ontario provincial government. To expand across Ontario, and continue to make a difference to small businesses, additional funders need to be secured for human and financial resources.

#### ***Staffing***

In the case of Community EFFORT, having one person as the key facilitator can be a detriment. If this facilitator decides to leave, the program comes to a halt.

Furthermore, during the pilot phase the catchment area of providing EFFORT support was relatively large. Having several EFs with smaller catchment areas would alleviate the risk of one EF leaving, but also allowing for closer attention to the particular clients of each EF.

#### ***Donor Participation***

Credit unions appear ambivalent about their role vis-à-vis the community at large. Credit unions and donors need to embrace the community strengths of the project and publicly celebrate its successes.

“The definition of success used is essential in moving the program forward. Program resources should be focused on helping the struggling entrepreneurs, rather than fundraising. The success of the participants and their businesses is the most positive and desirable outcome of the program” says Jens Lohmueller, Manager Commercial Lending & Product Development, Credit Union Central of Ontario.

Once the client has undergone the coaching program and has been connected to existing resources within the community, she could qualify for other services provided by the credit union. It is essential to promote these services in the standard offering platform of credit unions so that entrepreneurs at various stages of their growth can “bank” with the credit union.

### ***Moving Ahead***

Community EFFORT has been a pilot, which took two years to complete. It is now ready to transition into a full-fledged self-sustaining project. Various models are under consideration, particularly focusing on smaller service areas and perhaps part-time EFs that can dedicate a few days a week to these smaller areas. The overhead costs of EFs are low in the first place, since no office space, other than a home office is required. One key focus is finding committed funders, but also finding a committed Resource Board, or alternatively smaller Resource Boards servicing smaller areas.

### **c) The Association para el Desarrollo Microempresarial Colombiano (ADEMCOL)**

ADEMCOL, a microfinance institution based in Bogotá, Colombia formed due to unmet demands for basic business training services amongst its clients. The primary product of ADEMCOL is the trust bank, a village banking-based lending and saving group. This MFI learnt to combine financial and non-financial services to meet every evolving client demand.

ADEMCOL has grown with its entrepreneurs. By understanding its market, it has combined Business Development Services with its core banking offering.

These Business Development Services have evolved to include:

- I. Operational Training Services
  - Basic Business Planning
  
- II. Strategic Training Services
  - Basic Business Planning
  - Management
  - Personal Growth Training
  
- III. Optional Advanced Services
  - Fee for Service Management Training

In response to client demand ADEMCOL began offering “bundling”, which is a combination of Business Development Services and their credit services. Many ADEMCOL clients reside in the poorest areas of Columbia. The micro-enterprises run by women in these regions are usually affected by challenges such as illiteracy, HIV/AIDS and balancing family responsibilities.

ADEMCOL uses a weekly trust bank meeting to deliver training on topics such as basic accounting, pricing and inventory management. (A trust bank is a village lending and savings group with an emphasis on training, leadership development, and community services.)

These weekly one-hour meetings give clients an opportunity to get together for business training and networking opportunities. The meetings are cost effective since they are combined with training services. This combination allows ADEMCOL clients to share business advice with one another.

ADEMCOL's mission is to promote the development of Columbian micro-entrepreneurs. This is accomplished by providing loans, business training and technical assistance. ADEMCOL also offers a holistic approach by combining financial services with social intervention. Evidence of their mission and social approach is highlighted in their Strategic Training Services; these services combine basic business planning, management and personal growth. This type of training is tailored to the entrepreneurial businesses.

The increasing demand for new products was a strong factor in developing new training strategies for entrepreneurs at ADEMCOL. Further, the benefits were two-fold. For the micro-entrepreneur, training might improve productivity; highlight better ways to deal with suppliers and better human resource management practices; increase personal self confidence; and overall develop a more profitable business. ADEMCOL benefited from a decrease in client dropout, improved repayment rates and expanded outreach.

As on-going support for its clients, ADEMCOL also offers advanced management training for a fee. This advanced training is designed for the more mature client, usually in their fifth loan cycle.

### **Challenges**

#### ***Measuring Impact***

ADEMCOL has been an innovator in the area of training services; however, the overall impact on the MFI has not been fully assessed.

#### ***Staffing***

There is a need to hire a specialist to deliver advanced training, but this must be weighed against the cost effectiveness of the program. Further,

using regular staff to deliver training services could mean a decrease in the rest of their daily performance (for example, a loans officer who is now responsible for training might need to decrease his/her loan portfolio).

### **Costs**

- Clients are eager to get new training services but reluctant to cover additional costs until they can see the benefits.
- The cost of the initial investment in research and development of training modules can be taxing for the MFI.
- Continuance is needed to improve or expand training modules to meet the demand of clients.

### **Summary**

Our world is every evolving, and with this evolution is the need to adapt to changes. However, it is prudent to make sure changes will have a positive impact on all parties involved.

Micro finance institutions must evolve to meet client demands in an ever-changing marketplace. Whether an MFI can provide business development services internally or connect with external service to provide training can be dependent on factors such as scope of market, location, culture, environment and the views of the MFI about providing non-financial services.

When we look at a financial institution like Alterna Savings, we see that the credit union is the only microfinance institution of its kind in Ontario, Canada. Therefore part of the solution to providing members with BDS is to have strong partnerships with BDS organizations, such as the Women's Enterprise Centre of York Region. The common goal of the credit union and the BDS organization is the success of the entrepreneur.

The solution of building partnerships between BDS organizations and MFIs can allow entrepreneurs to access both services to suit their changing needs. Financial institutions catering to micro-entrepreneurs can benefit by connecting with a diverse client base including youth, new immigrants and women.

This partnership also allows the financial institution to limit its risk since the BDS organization plays a vital part in grooming the entrepreneur. These organizations usually have long standing relationships with their clients. They can also provide fee-for-service options in specialized areas of training.

On the other hand, it is not just management business training that entrepreneurs need to survive and grow; financial institutions can play a strong part by including financial literacy into their core products and services to better assist the entrepreneur.

As Kimberley Ney, Vice-President, Branch Operations, Alterna Savings notes, "One of the overriding keys to the success of a micro-enterprise is the entrepreneur's self-confidence—this can make or break a business. A combination of financial literacy services and the attitude of the lender can play a large role in restoring and increasing the confidence of the entrepreneur. This should not be underestimated."

MFIs like ADEMCOL have been encouraged to create institutions that offer the best of both worlds in financial and non-financial products. These MFIs have a holistic approach and are focused on the triple bottom line. They work on finding the best possible solution to benefit the client, the MFI and its surroundings.

Without well-documented measurements, it is difficult to state what the impact of integrated BDS and MFI solutions have on the institution and its clients. Yet, it can be attested that offering these services has rewards to the

institution and its clients. To the institution it can positively affect the bottom line; for the entrepreneur it can mean personal growth.

***Prepared by Alterna Savings***

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