



BUSINESS DEVELOPMENT SERVICES

**‘A critical ingredient to sustainable
micro finance service delivery’**

presented by

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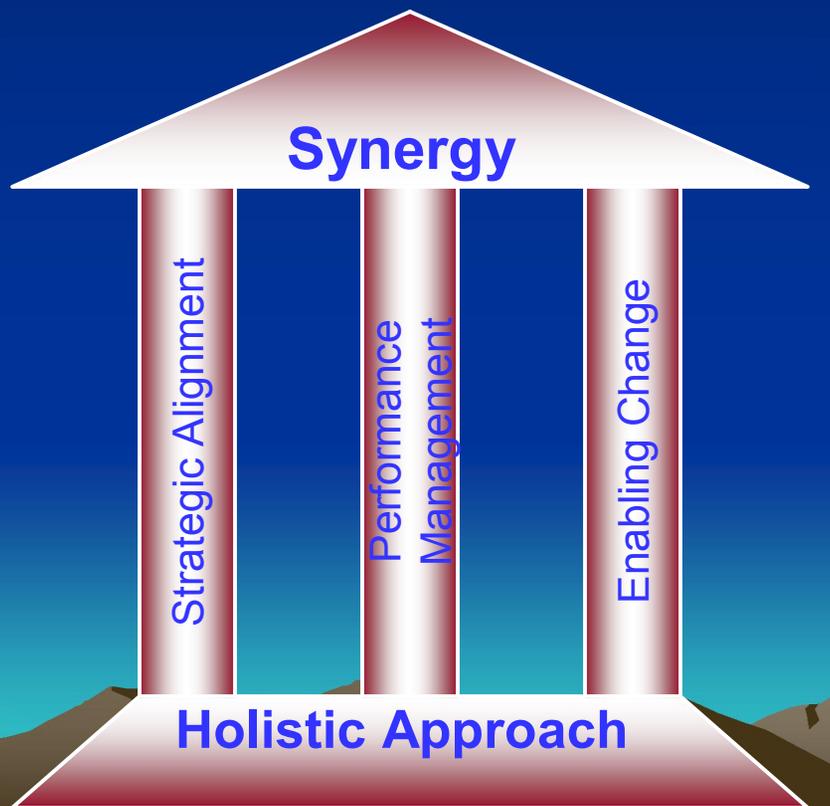


WHO IS Q-Sourcing Ltd

- Q-Sourcing is a multi-professional solutions firm, that boasts of experts with extensive knowledge and experience in various fields of service.
- Fields of expertise include:
 - Human Resource Management Services,
 - Marketing Strategy Development,
 - Performance Management,
 - Financial and Capital Management, and
 - Multi-disciplinary Project Management resources.
- Partners: Galilee College - Israel, an Affiliate to Harvard Business School - USA; Empowerment Resource Technologies – Kenya; Preferred Personnel – Kenya; and Peak Performance - Uganda.

Q-SOURCING

◆ Management consulting



1. Making our clients successful
2. Core competence in steering business transformation
3. We develop, facilitate and coach:
 - Leadership skills
 - Social processes
 - Coaching skills
 - Performance management



Key questions asked.....

- What are the key challenges/hiccups faced by micro finance clients?
- Are we cautious of the other elements of the business when issuing credit?
- Would BDS play a hedging role to provision of micro credit?
- What are the linkage challenges of a holistic approach to micro finance service provision?



What are the key challenges/hiccups faced
by micro finance clients?

Challenges faced by small businesses

- Lack of collateral required by regulated financial institutions (particularly banks)
 - Inadequately-compiled financial information, especially audited accounts
 - Low levels of technical and management skills
 - Lack of good corporate governance, i.e. transparency in business as well as accountability
 - Inadequate technologies; no economies of scale
 - Lack of market outlets due to poor quality and non-standardized products
 - Poor linkages, if any with large-scale enterprises
 - Limited knowledge of business opportunities
 - Risky business activities such as agriculture, and poor risk-management abilities
 - Inadequate capacity to develop bankable projects
 - Nascent savings and credit management culture
 - Lack of appreciation of business as a long-term profession
- What do they need to do?
 - Understand what borrowing from a bank is all about
 - Present themselves as viable businesses
 - Prepare credible project proposals
 - Keep financial accounts that are auditable

Are we cautious of the other elements of
the business when issuing credit?

Or

Are we only interested in recovering the
money lent?



What are Business Development Services (BDS)

- Business development services, which include but are not limited to
 - business plan development and analysis,
 - marketing strategy development,
 - feasibilities,
 - organisational skills development,
 - technology transfer aspects,
 - management and governance skills development,
 - systems and process analysis,
 - to mention but a few,
- are an important ingredient to business growth and competitiveness, and need to be looked at as key complementary ingredients to financial service provision.



Would BDS play a hedging role to
provision of micro credit?



Importance of BDS to small business sector?

- They need "handholding" in the pre- and post-finance stage. How can the gap between banks and small businesses be bridged? How does BDS benefit the client – FI relationship?
 - Identify potential clients for the bank
 - Judge creditworthiness (character, capacity, condition, capital, collateral)
 - Pre-screen project proposals
 - Install adequate accounting systems
 - Monitor repayment
 - Exert peer pressure
 - Maintain one-to-one contacts

What are the linkage challenges of a holistic approach to micro finance service provision?





Key concerns for the future.....

For SMEs

1. Be transparent and accountable; open a separate "business" account; and build a good banking relationship/history with your banker;
2. Lobby government, the banking community and donors to establish and maintain special credit lines for SMEs;
3. Establish proper legal entities for SME businesses instead of informal family arrangements;
4. Plan for credit, equity and insurance needs;
5. Empower professional associations to impose sanctions on their errant members (who serve the public including SMEs) – enforce the code of professional ethics; and
6. Join mutual guarantee associations.



Key concerns for the future.....

For Business Development Services providers:

1. Provide assistance to SMEs in the area of accounting, financial management and entrepreneurship that complies with national accounting requirements and/or best practices;
2. Assist SMEs to undertake credit self-assessment;
3. Enter partnerships with FIs for credit referrals and monitoring;
4. Organize and supervise mutual guarantee associations among their clients; and
5. Improve information flows among SMEs, FIs and BDS providers, e.g. by providing information on certified consultants.



Key concerns for the future.....

For FIs/Commercial Banks

1. Formulate and announce their policy for lending to SMEs and collect data on the composition of their loan portfolios by size of business and by gender of the client;
2. Enter partnerships with business development service providers for credit referrals and monitoring;
3. Establish, together with government, a credit referral agency insuring adequate consumer protection;
4. Support the development of mutual guarantee associations;

Continued

5. Increase staff training to work with SMEs and adopt and adapt standardized procedures to cut costs such as credit scoring;
6. Design credit procedures that address SMEs particular circumstances including substitutes for collateral;
7. Create a body together with other relevant stakeholders to oversee the graduation of small clients from MFIs to banks; and
8. Create, together with other relevant stakeholders, a forum for regular interaction between SMEs, their associations, banks and BDS providers.





Key concerns for the future.....

For the International community:

1. Coordinate their assistance to BDS providers to build best practices among SMEs;
2. Ensure that their programmes, particularly guarantee programmes, cover the missing middle, i.e. SMEs;
3. Improve communication and information exchange among the donor community, government and the banking community on financing SMEs;
4. Assist MFIs to build their capacity in financial and human resource areas to mobilize savings and to graduate from micro-lenders to SME lenders; and
5. Interact with policy makers in FIs, and encourage them to orientate their staff towards increasing SME lending and publicly disclosing it.

End note.....

- With the benefit of hindsight, the survival and performance rates of the clients of financial service providers will increasingly become critical to the performance of the loan portfolio within the financial sector, creating an upward or downward effect on the cost of credit.
- It is therefore of critical importance that the survival and growth of small businesses be at the top of our development agenda when discussing and strategising on financial service provision.

A recently concluded pilot program on consumer education has been very successful in Uganda and was developed on this premise.



End note.....

- The challenge presented is of much interest to the whole financial sector environment, as it continues to plague the sustainability of the high economic growth figures reflected within third world countries.

As a case in point, Uganda continues to hold the prestigious position of being amongst the countries with the highest start-up businesses in the world, but combines this statistic with having the highest business failure rates.

- These antagonistic statistics reflect the dire need for business development services in our economy, and will impact on the growth efforts targeted at micro finance service delivery.



Fact or Fiction?

‘An astute entrepreneur and a well-managed and profitable business constitute the dream client of any financial institution’





THANK YOU FOR YOUR KIND
ATTENTION





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