


# Synergies at Work: Does the combination of business training and access to finance produce extra benefits?

**Three case studies on using  
the ILO's Start and Improve Your Business  
management training programme  
in combination with microfinance**





# **Synergies at Work: Does the combination of business training and access to finance produce extra benefits?**

**Three case studies on using  
the ILO's Start and Improve Your Business  
management training programme  
in combination with microfinance**

**Callie Ham and Merten Sievers**

Copyright © International Labour Organization 2015

First published 2015

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: [rights@ilo.org](mailto:rights@ilo.org). The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with reproduction rights organizations may make copies in accordance with the licences issued to them for this purpose. Visit [www.ifrro.org](http://www.ifrro.org) to find the reproduction rights organization in your country.

---

Ham, Callie; Sievers, Merten

Synergies at work: Does the combination of business training and access to finance produce extra benefits?: Three case studies on using the ILO's Start and Improve Your Business management training programme in combination with microfinance / Callie Ham and Merten Sievers; International Labour Office. - Geneva: ILO, 2015

ISBN: 978-92-2-129606-5 (print)

ISBN: 978-92-2-129607-2 (web pdf)

International Labour Office

enterprise development / management development / microfinance / bank / training system / role of ILO / case study / Peru / Philippines / Uganda

03.04.5

*ILO Cataloguing in Publication Data*

---

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and digital products can be obtained through major booksellers and digital distribution platforms, or ordered directly from [ilo@turpin-distribution.com](mailto:ilo@turpin-distribution.com).

For more information, visit our website: [www.ilo.org/publns](http://www.ilo.org/publns) or contact [ilopubs@ilo.org](mailto:ilopubs@ilo.org).

Design and layout by [www.e-mage.it](http://www.e-mage.it)

Cover design by Maurizio Costanza with contribution (original globe design) by Miriam Christensen.

## Index

<b>INTRODUCTION . . . . .</b>	<b>3</b>
<b>1 - NWTF in the Philippines . . . . .</b>	<b>5</b>
<b>2 - Financiera Solución in Peru . . . . .</b>	<b>8</b>
<b>3 - PRIDE in Uganda . . . . .</b>	<b>12</b>
<b>Moving Forward . . . . .</b>	<b>16</b>
<b>Bibliography . . . . .</b>	<b>17</b>

### Take-Aways

- Financial institutions have realized significant benefits from offering business management training to clients as an added service, including greater client loyalty, a larger and more skilled client base, and a stronger client retention rate.
- SIYB training as a supplement to financial services has helped clients to increase income, expand their enterprises, and create jobs.
- Research on the synergies of linking business management training with financial service provision should continue to investigate the costs and benefits of implementing such practices in order to develop a model that can then be promoted as a tool for enterprise development.

### Relevance

Micro and small enterprises (MSEs) play a vital role in growing the economy and creating jobs. It is imperative, therefore, to develop tools and practices that work to advance the MSE sector. Many microfinance institutions now offer an array of financial services, such as loans, savings schemes, payment services and insurance plans, especially designed for small entrepreneurs. Business management services can help develop skills in starting a business, investing, managing assets and workers, and business planning among many others. Combining financial services with business management services could potentially create synergies with substantial positive effects in terms of income, job creation, and economic growth.

This paper presents three cases in which SIYB business management training was offered as an added service to clients of microfinance institutions. Understanding the costs and benefits of providing such a combination of services, both for the institution and for clients, will help development practitioners determine whether to invest in such an intervention.

### Acknowledgements

We extend our gratitude to those we interviewed and/or received essential information from for this paper: Frida Amoding, Godfrey Canwat, Apollo Taremwa, Nathan Fiala, and Robert Mawanda. Thanks also to Eva Majurin and Patricia Richter for their valuable comments and to Thilo Klein for his previous analysis of the NWTF project.

## Introduction

Microfinance now reaches millions of people who were previously unbanked. However, emerging countries still struggle to produce the adequate service infrastructure needed to support the MSEs that dominate their economies. As the largest creators of employment, MSEs are key for job creation and serve as potential drivers of growth, yet they are much more financially constrained than larger firms (Ayyagari, Demirguc-Kunt, & Maksimovic, 2012). New business models on how to link financial services to management training (in this paper the SIYB programme<sup>1</sup>) are now emerging that might provide initial solutions to the problem of extending the right support to MSEs.

Previous research points to the added benefits of linking financial services with business development services (BDS)<sup>2</sup>. In a randomized control trial (RCT)<sup>3</sup> Karlan and Valdivia (2011) tested the impact of incorporating entrepreneurship training into regular group banking meetings of FINCA's microfinance program in Peru.<sup>4</sup> Findings showed that training led to better business practices and increased revenues and profits, with clients reporting that they utilized many of the activities learned in the program, such as the separation of business and household money, reinvestment of profits, records maintenance, and market analysis. FINCA also realized improved repayment rates and stronger client retention as a result of the training, likely due to increased client satisfaction. Two recent studies of the World Bank try to answer questions about how effective business management training is and partly address how these services can be combined with financial services (McKenzie & Woodruff, 2012). While findings in both cases are inconclusive, the meta regression analysis<sup>5</sup> by Cho and Honorati (2013) that looks at 37 randomized control trials concludes, "It seems that vocational and business training work better than financial training and can be further improved by combining financing support or counselling." These RCTs have been helpful in providing evidence on the possible impact of services. However, as the name states, RCTs need an environment in which implementers can control who gets access to services and who does not. For business management training this has often meant that RCT services are fully or partly subsidized. This stands in contrast with the need to make services financially viable in the long run; otherwise MFIs and business service providers cannot become the long-term partners that MSEs need in emerging economies.

1 The Start and Improve Your Business (SIYB) programme is a series of management training tools with a focus on micro and small enterprises that seeks to create more and better employment by training BDS providers to effectively support local businesses and encourage entrepreneurship. The programme consists of four training packages: Generate Your Business Idea (GYB), a 2-3-day course to assist entrepreneurs in coming up with a feasible business idea; Start Your Business (SYB), a 5-day course to help entrepreneurs develop a bankable business plan; Improve Your Business (IYB), a more advanced programme for emerging entrepreneurs who wish to sustain their business, increase sales, and reduce costs; and Expand Your Business (EYB), for growth oriented small enterprises. All packages work with the SIYB Business Game, which simulates running a small enterprise.

2 BDS includes management training but also other non-financial services such as business planning, marketing, record-keeping, accounting, human resource management, etc.

3 A type of experiment in which participants are randomly selected and divided into a control and treatment groups to test the effects of an intervention

4 See also an earlier exploration of the issue in Sievers & Vandenberg, 2007.

5 A cross comparison of results from different studies using statistical methods

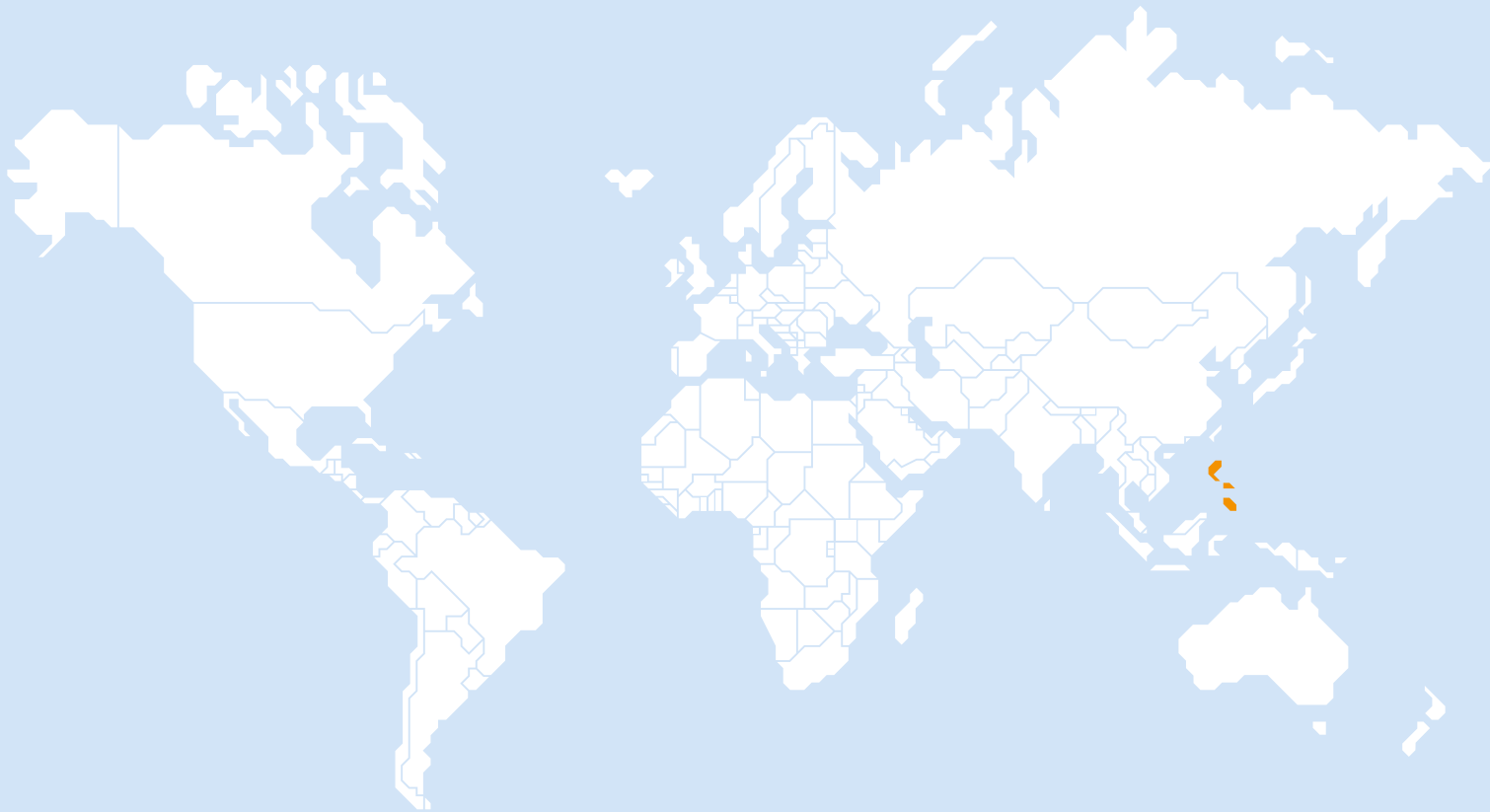
So while these recent studies show the possible benefits and complementary attributes of combining services, there is still a lack of knowledge about how to make these linkages work in practice as the costs and benefits for different players are often not clear or disclosed. By shedding light on such costs and benefits while also analysing the business models behind combined service delivery, the ILO strives to understand and strengthen the role that microfinance institutions can play in linking entrepreneurship training to their financial services. Demonstrating how to practically combine the two types of services should expand the knowledge and resources available to entrepreneurs, enhancing their potential success and furthering economic growth.

This paper examines three cases in which financial institutions offer the ILO's business management training packages, SIYB as a part of their regular financial services in an effort to further the success of their clients:

1. NWTF in the Philippines using Generate Your Business Idea (GYB) and Start Your Business (SYB) training as a risk mitigating tool for clients
2. Financiera Solución in Peru using Improve Your Business (IYB) training as an additional service to bolster its relationship with its fastest growing clients
3. PRIDE in Uganda combining SYB with loans and grants as an ILO initiative to understand its effect on capital constraints

The three examples showcase the possible benefits of linking management training to financial services, supplying examples of how financial service providers and their partners benefit from administering training alongside their regular financial services and what is known about the impacts and costs of implementation. The aim of the paper is to advance the debate on how to best link business management training to finance by shedding light on the costs and benefits of doing just that.





## 1. NWTF in the Philippines

In 2008, the ILO partnered with Negros<sup>6</sup> Women for Tomorrow Foundation (NWTF) (2013), a microfinance and development service provider in the Philippines, to improve the risk management strategies that NWTF clients used and to address issues of client over-indebtedness. As part of the measures taken, NWTF, which as of November 2011 had a loan portfolio of Php563 million (approx. 12 million USD) and over 114,000 clients, introduced the SYB and GYB training modules (Eduarte & Castro, 2011). A NWTF project manager, together with an in-house ILO Master Trainer<sup>7</sup>, conducted a Training of Trainers for 17 NWTF loan officers, who helped to design a “Training of Entrepreneurs Plan”. A pilot program then tested trial GYB and SYB courses on 24 and 19 clients, respectively, and after a baseline was established, the program was rolled out to the entire target group. 472 clients were offered to complete one or both of the two courses in a group setting. Both packages were substantially shortened—GYB was taught in one day and SYB, in two days—making a comparison of effectiveness with regular SIYB courses difficult, but making it more manageable for busy loan officers to take on the extra task.

The implementation of the training was accompanied by an impact assessment using a difference-in-difference method (Froelich, Kemper, Poppe, Breda, & Richter, Forthcoming). A matched-random sample was used to compare two different branches in

<sup>6</sup> Negros Occidental is a province in the Philippines.

<sup>7</sup> SIYB Master Trainers are ILO certified trainers of trainers.

Negros Occidental, Negros Island: Bago contained the target group with 560 clients and La Castellana as the control with 440 clients. Clients from each group were pooled by loan officers according to GYB eligibility criteria and then randomly selected to participate in the study. The study was designed to analyse the impact of the training on clients' entrepreneurial attitudes and skills, financial attitude and behaviour, and vulnerability. Client-level and institutional data were collected before the training was introduced in order to establish a baseline. After the launch of the training, four follow-up surveys ensued, the last one finishing in February 2012.

Impact results were based on the experience of 472 clients who received entrepreneurship training compared to clients who did not receive training. The analysis shows that 1) 9.4 percent of participants were less likely to take out a loan to repay another loan, 2) 4.7 percent were less likely to expect difficulties in repaying the loan, and 3) 4 percent were less likely to make a late payment. Further, clients were more likely to acquire greater assets and realize higher profits after the training. Additional results from a subsequent analysis also reveal that clients were more likely to hire employees, and the average number of workdays decreased despite an increase in profits, demonstrating greater efficiency.<sup>8</sup>

These results not only show an improvement to clients' management skills, but also benefits for the financial institution. Clients are more equipped to handle their business finances as well as manage other areas of their business, and NWTF realized a higher repayment rate and greater confidence in its clients.

The total cost of the project came to \$103,754 (USD): \$23,691 on training, \$29,825 on personnel, \$5,872 on travel, \$4,252 on equipment, \$1,946 on meetings, \$5,728 on an awareness campaign, \$30,358 on data collection, monitoring and evaluation, and \$2,082 on contingency costs. Training expenditure allocated \$6,910 to GYB/SYB Training of Trainers, \$14,848 to entrepreneurial training, and \$1,933 to training materials.

<sup>8</sup> Note: this analysis was done by the Small and Medium Enterprises Unit of the ILO, using the original data set, but they were not calculations used in the original report by Froelich, et al. (Forthcoming).

Box 1a.

Client Effects*		
<b>Costs</b>	Direct costs to clients	<ul style="list-style-type: none"> <li>Opportunity costs: some participants said that their income was about 30 percent lower on the days they attended training instead of running the business</li> </ul>
	Employment creation	<ul style="list-style-type: none"> <li>Enterprises were 2.4 times more likely to employ at least one person.</li> </ul>
<b>Employment</b>	Number of workdays	<ul style="list-style-type: none"> <li>Average workdays per week decreased from 6.2 to 5.4 while profits increased.</li> </ul>
	Managing business activity	<ul style="list-style-type: none"> <li>There was a 7.7 percent increase in the number of people that now keep business money separate from that used for household or personal expenses.</li> </ul>
<b>Business practices</b>	Self-assessed business skills	<ul style="list-style-type: none"> <li>Participants realized a...</li> <li>19.4 percent increase in (those who considered themselves to have skills in) future business planning</li> <li>8.8 percent increase in obtaining money, materials, supplies, and equipment</li> <li>13.1 percent increase in analyzing profitability</li> <li>21.6 percent increase in analyzing trends in the market</li> </ul>
	Self-assessed business skills	<ul style="list-style-type: none"> <li>Participants see a...</li> <li>2,349 PhP (58 USD) average increase in profits per month</li> <li>3.5 percent increase in new motorized vehicles bought</li> </ul>
<b>Business profits and sales</b>	Self-assessed business skills	<ul style="list-style-type: none"> <li>Participants see a...</li> <li>2,349 PhP (58 USD) average increase in profits per month</li> <li>3.5 percent increase in new motorized vehicles bought</li> </ul>

\* Note: The above figures are from multiple sources. Costs and Employment data were calculated by the Small and Medium Enterprises Unit (SME) of the ILO, and Business practices and Business profits and sales were taken from Microfinance for Decent Work (Froelich et al., forthcoming). Both sources used the same dataset.

Box 1b

Institution Effects	
<b>Costs (USD)</b>	<ul style="list-style-type: none"> <li>Training: \$23,691               <ul style="list-style-type: none"> <li>- Training of Trainers: \$6,910</li> <li>- Training of Entrepreneurs: \$14,848</li> <li>- Training materials: \$1,933</li> </ul> </li> <li>Personnel, travel, and equipment: \$39,948</li> <li>Project meetings: \$1,949</li> <li>Awareness campaign: \$5,728</li> <li>Total roll-out cost for project (does not include monitoring or contingencies): \$71,313</li> <li>Marginal cost: \$151 per participant</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>9.4 percent of participants are less likely to take out a loan to repay another loan</li> <li>4.7 percent are less likely to expect difficulties in repaying the loan</li> <li>4.0 percent are less likely to make a late payment</li> </ul>



## 2. Financiera Solución in Peru

Financiera Solución (FS), now a part of Banco de Crédito del Perú (BCP), was a financial institution that wanted to move into and establish itself in the MSE market to expand its client base while also increasing the retention of its best borrowers. Beginning in 2001, and in partnership with the ILO, FS offered the IYB training package to its best clients free of charge. By providing the add-on service as well as access to loans with better conditions to clients who underwent training, in addition to launching a marketing campaign to target high potential micro-entrepreneurs, FS hoped to further position itself as one of the main microenterprise banks. In 2003 the ILO commissioned a study to identify the costs and benefits of the scheme for both the institution and the clients (Ruijter de Wildt, 2004).

After surveying the options available on the market, FS decided to use the IYB package, which consists of 6 modules that guide the participant in running an investment project. The courses cover marketing, buying goods and services from suppliers, stock control, costing, accounting, and business planning. Each module was designed to take 6 hours to complete, normally split into two 3 hour sessions, with the total package taking 36-40 hours. The Business Game complements the IYB training concepts by allowing the participant to apply learned experiences in a simulation game.

In 2001 COPEME, the institution responsible for implementing the IYB training package in Peru, conducted a pilot training for 20 FS clients, after which FS decided

to train its own staff to deliver the training. FS conducted 6 client trainings followed over the next two years. By February 2003 Financiera Solución had trained 81 of its staff members as trainers and 2,609 clients. Training was offered to preselected clients that met a certain criteria: they had a microenterprise credit, the enterprise was at least a year old, it had an active credit line, and a good repayment history with no record of default according to the Credit Bureau. Clients that met these qualifications were invited to partake in informative discussions at the branch level with the risk department who was responsible for the final selection of participants. Three-hour training sessions took place three times a week, led by IYB trainers with the support of public relations heads of each branch—each training group consisted of about 20 people. Upon completion of the course, clients submitted their investment project proposals to the risk department to be evaluated for funding. As a result, about one-third of the submitted proposals were approved with an average loan size of 3,000 USD, totaling 462,000 USD in additional credit. Starting in 2002, FS also began issuing a premium of 2,800 USD to the best micro-entrepreneur of the year, selected from IYB participants whose investment projects were approved.

Financiera Solución spent a total of 78,000 USD on the roll-out cost of the training: 18,000 on materials, 50,000 on advertisement, and 10,000 on operational costs.<sup>9</sup> Divided amongst the 2,609 participants, the marginal cost equates to less than 30 USD per client. An estimated 0.09 USD profit per credit dollar also resulted in roughly 42,000 USD profit leveraged by IYB credits from the approved projects, which is over half the cost of the training roll-out in the initial two years. As the IYB related credits were larger than the ones clients could have had access to without the training this meant additional benefits for the MFI.

In the assessment of the program, 114 clients were surveyed<sup>10</sup>, of which about half attended the training, while the other half, although invited, chose not to participate. Questionnaires, interviews, and focus-group discussion informed the research post-training. The questionnaire contained approximately 58 questions and made a number of interesting observations, revealing a clear distinction between those who had participated in the training and those who had not. 80 percent of those surveyed expressed a need for training, almost half of whom indicated management as the most important training need, and 90 percent said they saw benefits in the linkage between BDS and financial services.

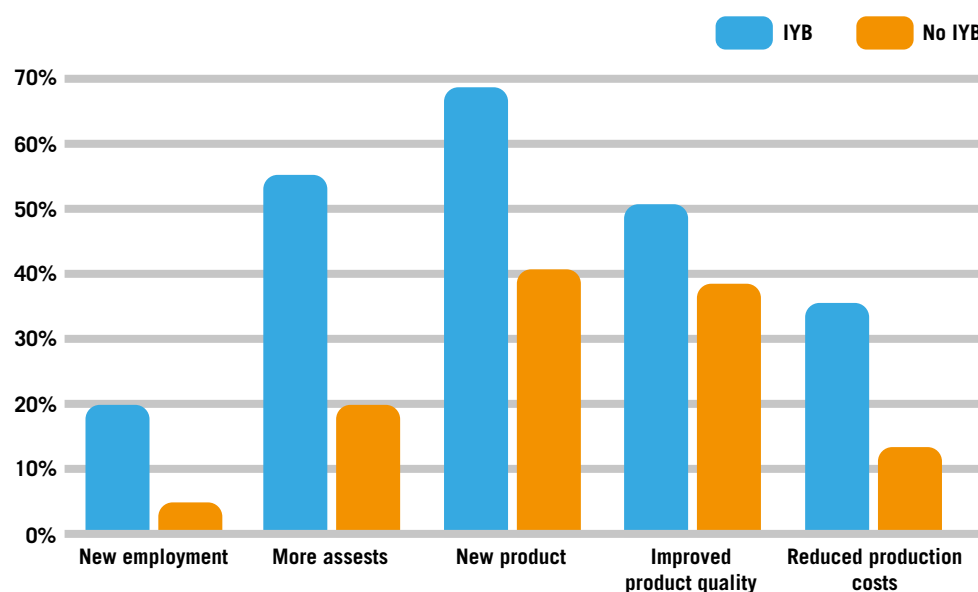
Comparing the two groups, 27 percent of participants said their current enterprise income had increased in the year after training, while only 17 percent of non-participants indicated an increase in income. IYB participants also expressed a greater need for specialized training than did non-participants, especially in management, business planning and projection, and technical training.

As for investment behaviour, the survey indicated that IYB participants invested significantly more than the untrained group in creating jobs, accumulating assets,

<sup>9</sup> These are mainly the costs of training trainers and staff in Financiera Solución. Regular staff costs of FS are not included in the calculation.

<sup>10</sup> Both the “training group” and the “control group” were established after the training had taken place.

Figure 1 Distribution per area of investment per client group



Source: de Ruijter de Wildt 2004

developing new products, upgrading product quality, and improving the production process (see Figure 1). Almost 20 percent of participants added jobs in the previous year, against 5 percent of non-participants.

Because a baseline was not established for the study, no definite conclusion can be drawn regarding causality between the IYB training and the above preferences and behaviour, but at the very least it may be said that those who participated in the training were more likely to make investments in their enterprises and by doing so contributed to accretive job growth. Additionally, based on the results from an evaluation form handed out after the course, those that underwent the additional training also expressed that they were very satisfied with Financiera Solución, which indicates the supplemental benefit of improved client loyalty.

Box 2a.

Client Effects		
<b>Costs</b>	Direct costs to clients	<ul style="list-style-type: none"> <li>• 15 USD on average, mostly for transportation</li> <li>• Otherwise free</li> </ul>
<b>Employment</b>	Employment creation	<ul style="list-style-type: none"> <li>• 20 percent of participants added at least one job in the year following the training, versus 5 percent of non-participants</li> </ul>
<b>Business practices</b>	Managing business activity	<ul style="list-style-type: none"> <li>• Participants were more likely to put efforts into developing new products, upgrading product quality, and improving the production process</li> </ul>
<b>Business profits and sales</b>	Asset-building	<ul style="list-style-type: none"> <li>• 27 percent of participants reported an increase in income (versus 17 percent of non-participants)</li> <li>• Participants more likely to invest in assets than non-participants</li> </ul>

Box 2b

Institution Effects	
<b>Costs (USD)</b>	<ul style="list-style-type: none"> <li>• Total cost for training roll-out into FS branch offices: \$78,000</li> <li>• Marginal cost of in house capacity building: \$30 per participant</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Strengthened trust relation between the client and financial provider</li> <li>• Clients are better equipped to manage business finances, becoming more desirable clients for the provider</li> <li>• Estimated \$42,000 leveraged profits from investment projects in the first two years</li> </ul>



### 3. PRIDE in Uganda

PRIDE is a microfinance institution in Uganda that provides financial services to micro, small and medium entrepreneurs in rural areas. In 2012 the ILO partnered with PRIDE to test the business and household effects of offering loans, cash grants, SIYB, and a combination of these to business owners from semi-urban areas in the northern and central regions of Uganda using a randomized control trial.

In February 2012, a research team (Fiala, 2013) conducted 4,637 surveys as a baseline in central and northern regions of the country, with 2,383 indicating interest in expanding their businesses and receiving financial and business development services. This sample was further reduced to 1,550 microenterprises after a follow-up baseline in May 2012. Businesses in the sample represented a wide range of sectors, such as hair salons, retail shops, and tailors, with 61 percent women and 64 percent aged 24 to 35 years old.

Interventions took place from August to October 2012, for which participants randomly fell under one of five groups: those offered a cash grant, those offered a loan, those offered SIYB with a cash grant, those offered SIYB with a loan, and a control group. All cash grants were 200 USD, and all loans were between 180 and 220 USD with a 20 percent interest rate. PRIDE provided the loans that were guaranteed by the ILO (unknownst to the participants), and the ILO provided the cash grants through PRIDE bank accounts.



Follow-up data was collected at both 6 and 9 months (March and June of 2013) post-intervention. The most notable business improvement was observed in profits earned by male-owned enterprises who received both a loan and training—in the first 6 months they realized increased profits of approximately 224,000 Ugandan shillings (or 93 USD), and they continued to improve after 9 months as well. While there were a number of other improvements in the initial 6 months, most of these disappeared by the 9 month measurement. One example is that total employment by male-owned enterprises who received a loan plus training increased with statistical significance by 0.68 workers after 6 months, but regressed by the same amount after 9 months. The grant plus training group showed a similar trend but without statistical significance. Males in both training groups improved their business practices through seeking advice from other business owners after 6 months, but this behavior also decreased by nearly the same amount (by more in the grant plus training group) after 9 months. Finally, sales for male-owned enterprises in both training groups increased (without significance) after 6 months and fell again after 9 months.

Female-owned enterprises that received a grant and training saw statistically significant losses after 6 months in terms of household consumption, but greater gains after 9 months. Those women receiving grants only saw a very similar trend; thus it is not likely that training in this case had any direct impact. For the female loan and loan plus training groups, household consumption also fell and rose between 6 and 9 months, but the losses were not completely regained. No other significant improvements were realized by female-owned enterprises.

For the training component, expenditures amounted to 63,906 USD for 396 trainees: 50,184 USD on training workshops, 12,138 USD on consultants, and 1,584 USD on materials. Therefore each trainee cost approximately 161 USD to train.

PRIDE benefited from the program through a larger client base and an increase in profits. Accumulated interest amounted to 22,189,311 UGX (8,068 USD) from the 169,025,000 UGX (61,463 USD) in loans during the program. 29 loans were written off, totaling 6,834,491 UGX (2,485 USD), although some of this was recovered later. Considering the total cost of 63,906 USD and the initial difference in earned interest and write-offs of 5,583 USD, if PRIDE had implemented the program without any financial assistance from the ILO, it would have regained about 11.5 percent of the training costs after the original round of loans. After repaying their initial loans, 130 of the clients previously enrolled in the program took out new and larger loans amounting to 322,468,143 UGX (117,261 USD) at PRIDE's standard 26 percent interest rate.

According to PRIDE's Head of Operations, the institution also benefited from referrals given by new clients, further expanding its client pool. When asked about the usefulness of linking financial services with business management training he stated, "business management training is key to the success of financial services," mentioning also that those trained were passing on their skills to the youth in their villages, thus further improving business acumen and perceptions about credit (Taremwa, 2014).

According to an interviewed SIYB trainer, follow-up with the MFI revealed that participants showed better account and business management and greater openness to share problems they were experiencing in their businesses. However, it is unclear if these were lasting benefits as the data shows that many of the business gains were only temporary. With respect to why there were no observed benefits to female trainees, one trainer explained that although the majority of those trained were in fact women, the men in the group were more highly educated, were more likely to already have had a business set up, and had greater motivation to attend and make use of the training. Another trainer reported that some men did not allow their wives to attend the training after one day, as no one would be running the business. Also worth noting, one SIYB trainer explained that past trainees who had contributed to the costs of the training (not a part of the study) in the amount of about 5-10,000 Ugandan shillings (2-5 USD) had greater business drive and realized greater benefits (Amoding & Canwat, 2014).

While there is a clear improvement in profits for male-owned enterprises who received both a loan and training, it is uncertain why the other business gains regressed after an additional 3 months. Evidence of long-term results has also yet to be understood, which could potentially be realized in additional future data collections. For the purposes of this paper, however, it can be seen that overall the groups that underwent training alongside a financial product performed better than the groups who received only a grant or loan, and the financial institution recognized some significant benefits to the combined services early on.

**Box 3a.**

Client Effects (from midterm review)		
<b>Costs</b>	Direct costs to clients	<ul style="list-style-type: none"> <li>Opportunity costs of not working, transportation, etc.</li> </ul>
<b>Employment</b>	Employment creation	<ul style="list-style-type: none"> <li>Men who received a loan and training reported 0.68 more workers than the control group 6 months after the intervention, but this decreased back to zero after 9 months</li> <li>Both hired and family employees increased significantly after 6 months for male-run enterprises, but hired and the total number of employees decreased significantly after 9 months</li> </ul>
<b>Business practices</b>	Managing business activity	<ul style="list-style-type: none"> <li>No significant change for either men or women in planning or marketing</li> <li>For men, grant + training elicited a positive effect on seeking advice from other business owners after 6 months but a negative effect after 9 months</li> </ul>
<b>Business profits and sales</b>	Asset-building	<ul style="list-style-type: none"> <li>Sales for men in both training groups increased 6 months after intervention, but decreased 9 months after</li> <li>Men who received training and a loan experienced a 54% increase in profits</li> </ul>

**Box 3b.**

Institution Effects	
<b>Costs (USD)</b>	<ul style="list-style-type: none"> <li>• Total cost: \$63,906 <ul style="list-style-type: none"> <li>- Training workshops (venue, meals, facilitators): \$50,184</li> <li>- Consultants/trainers: \$12,128</li> <li>- Materials: \$1,584</li> </ul> </li> <li>• Marginal cost: \$161 per participant (excludes grant money)</li> <li>• Loan write-offs: \$2,485</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Earned interest on initial loans: \$8,068</li> <li>• Increased client base, both through participants ensuing referrals</li> <li>• 130 new clients paid off and graduated to larger loans valued at \$117,261</li> </ul>

## Moving Forward

The link is clear—business management training helps entrepreneurs to improve their financial competencies and money-handling skills, allowing them greater opportunities to maintain viable business planning and to make more informed investments. The challenge remains to develop a sustainable model for establishing a partnership between financial and non-financial service providers and MSEs. The provision of SIYB by specialized staff of financial institutions is a possible solution but also faces some implementation challenges. Often, the staff of the financial institutions delivering the training services had little to no prior training experience. While this is likely to have an impact on the quality of training, little can be deduced about the comparative impact of the quality of training.

The above three cases show that while the extension of SIYB training does have clear cost implications for the financial institution (although marginal costs can be reduced with scale, as can be seen in the case of *Financiera Solución*), it can result in a number of tangible benefits for both the institution and the clients. In all three cases, there was an increase in profits at the client level. In the Philippines and in Peru, clients grew their businesses and created jobs. NWTf developed a more skilled client profile and a stronger retention rate. PRIDE in Uganda increased its client base directly through retained clients from the program and indirectly through referrals. Additionally, it improved the perceptions of financial services in new regions. *Financiera Solución* saw increased investment activity, while also strengthening its client relationships.

As these are relatively new projects, it will take time to unveil the long-term benefits and make a strong business case for the added service. However, the immediate returns infer that the investment in offering business management training will not only improve client loyalty but holds the potential to eventually result in a profitable venture for the MFI or bank. Nevertheless, without larger scale trials and further studies on how to reduce some of the costs of training provision, the commercial viability of the combination of services will remain a major challenge in the years to come. Future research should attempt to identify other existing approaches and tools for adding non-financial services to financial service provision in different regions around the world. Entrepreneurship training programs and other BDS providers should continue to forge relationships with financial services providers by sharing information on the benefits realized in past projects and by supporting new initiatives.

More clarity and transparency on the measureable costs and benefits is key for institutions to start developing business models that can cover the costs of implementing these training schemes. In depth cost-benefit analyses should also be conducted to further understand the impacts that similar projects have on enterprise development and at what cost they will come to the institutions that implement them. Once a sustainable model for how business and financial services can truly be linked to further the interests of the institutions as well as the clients, this type of collaboration could potentially become a leading tool in enterprise development.

## Bibliography

- Amoding, F., & Canwat, G. (22 May 2014).** SIYB Trainer Interviews. (M. Sievers, Interviewer)
- Ayyagari, M., Demirguc-Kunt, A., & Maksimovic, V. (2012, April).** *Financing of Firms in Developing Countries: Lessons from Research (Working Paper 6036)*. Retrieved June 2013, from The World Bank: [http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2012/04/12/000158349\\_20120412092338/Rendered/PDF/WPS6036.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2012/04/12/000158349_20120412092338/Rendered/PDF/WPS6036.pdf)
- Cho, Y., & Honorati, M. (2013).** *Entrepreneurship Programs in Developing Countries: A Meta Regression Analysis*. World Bank Policy Research Working Paper No. 6402. Available at SSRN: <http://ssrn.com/abstract=2247233>.
- Eduarte, J. D., & Castro, R. (2011).** *Microfinance for Decent Work in the Philippines -- Risk Management Innovations*. Pasig City, Philippines: SUCCESS Corporation.
- Fiala, N. (2013).** Stimulating Microenterprise Growth: Results from a Loans, Grants and Training Experiment in Uganda.
- Froelich, M., Kemper, N., Poppe, R., Breda, V., & Richter, P. (Forthcoming).** *Microfinance and risk management: An impact assessment of entrepreneurship training, NWTF Philippines*.
- International Labour Organization. (2013).** *Start and Improve Your Business Programme*. Retrieved June 2013, from <http://www.ilo.org/empent/areas/start-and-improve-your-business/lang--en/index.htm>.
- Karlan, D., & Valdivia, M. (May 2011).** Teaching Entrepreneurship: Impact of Business Training on Microfinance Clients and Institutions. *Review of Economics and Statistics*, 93(2), 510-527.
- McKenzie, D., & Woodruff, C. (2012).** *What are we Learning from Business Training and Entrepreneurship Evaluations around the Developing World?* World Bank Policy Research Working Paper No. 6202. Available at SSRN: <http://ssrn.com/abstract=2149390>.
- Negros Women for Tomorrow Foundation. (2013).** Retrieved June 2013 from <http://www.nwtf.org.ph/>
- Ruijter de Wildt, M. de (2004).** *Linking Business Development Services to Financial Services: The case of Financiera Solución in Peru*. International Labour Organization.
- Sievers, M., & Vandenberg, M. (August 2007).** Synergies through linkages: Who benefits from linking micro-finance and business development services? *World Development*, 35(8), 1341-1398.
- Taremwa, A. (16 December 2014).** Head of Operations at PRIDE Microfinance Limited. (C. Ham, Interviewer)





