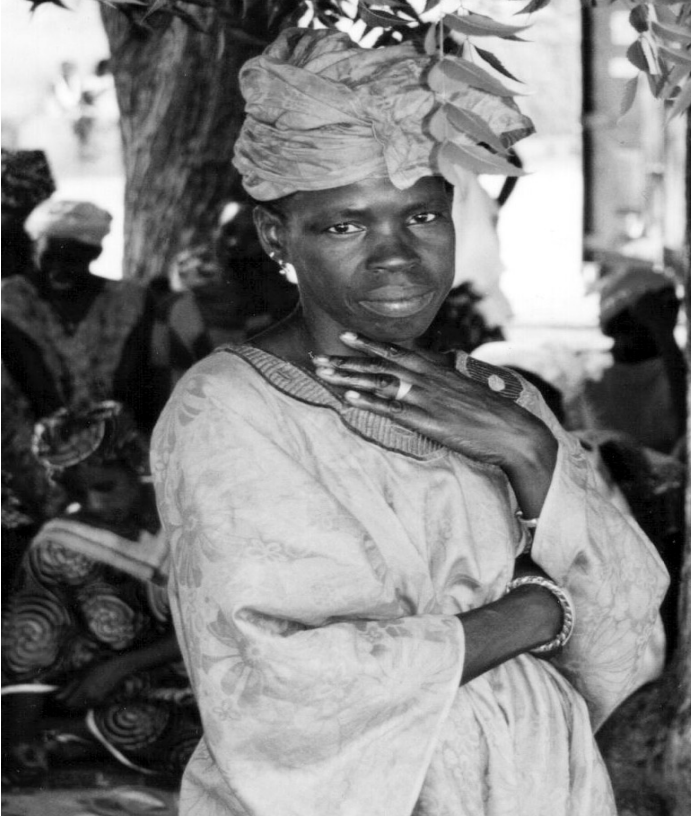


The People Part

Common Sense Advice in Motivating
Microfinance Clients and Staff

Susan Gibson



MICROFINANCE

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Catholic Relief Services (CRS,) founded in 1943, assists the poor and disadvantaged outside the United States. CRS works to alleviate human suffering, promote the development of people, and foster charity and justice in the world. CRS assists the poor solely on the basis of need, not creed, race or nationality, and maintains strict standards of efficiency and accountability. CRS currently operates in over 80 countries and supports microfinance activities in 33 countries.

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May 2000

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The Big Picture

There are two essential ingredients in a successful microfinance program:

- 1) A **market** for your product which has lots of potential clients.
- 2) A **well-trained staff** of sales people well-suited to delivering the product.

This practical tidbit compendium is intended to support CRS staff who are starting or currently managing a microfinance program and summarizes my eight years of experience working with more than 150 microfinance programs in over 50 countries. I've focused on the "how" of providing the best environment to run a successful program. In my view, concentrating on client needs and staff capabilities is the best way to sustain a program in the long run.

Put clients and staff at the front of your mind, and you have the best chance to succeed in operating a sustainable microfinance operation. All other aspects of a microfinance institution are based on these two fundamental principles of programming. Think of microfinance in terms of two groups of people, clients and staff members, and their relationship with each other.

These concepts are not new, merely unconventional in the NGO world. Guess what? We need to stop thinking like an NGO and start imitating the private sector by using sound business principles. To reinforce those ideas, I've included a common sense quotation at the end of each topic.

Since music can be a wonderful motivator, I've put a theme song at the top of each section. I have compiled a cassette with these songs (See Appendix IX: Microfinance Music Selection). It's like a soundtrack of a movie, but better. The inspiration came last May in northern Armenia. As we were driving to visit a delinquent group, I put on the song "Takin' Care of Business," which seemed to be just the right message to motivate the team to collect payments.

The following sections of the text are organized under the two fundamental components of a microfinance program, clients and staff, but many of the ideas can be applied to both. I've put clients first--since they create the demand for your product.

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Part One: Clients

"Takin' Care of Business"

—Bachman Turner Overdrive

Microfinance is a Business: Understand Client Needs

If you want to be a business, start acting like one! What I like to do is take people to any local market right away, since that is where micro-entrepreneurs – our target clients – are located.

At one of the first large regional workshops I did in Africa, I proposed a field visit as the afternoon activity on the second day. One of my colleagues questioned why we should go to the field since that was what staff members do every day. Hmm, I thought, that's an interesting assumption, given that most of the participating organizations had a small number of clients. My bet was that they were not in the field enough, and were making a lot of decisions from the office. Sound familiar? We're all guilty of getting too comfortable in the office, and we have to make a concerted effort to visit clients as much as possible.

The best advice that will emerge many times over is that, you **HAVE TO GET OUT THERE WITH CLIENTS**, and that means everyone. It's hard to make a lot of mistakes when you are really close to clients. Most staff members usually aren't as close to clients as they could be, and that's why there can be so many problems. **Good businesses spend most of their resources on developing relationships with clients and understanding their needs.**

Beyond getting out of the office, start thinking more like a business by reading business magazines like *Fast Company*, *Entrepreneur, Inc.*, and *The Economist* and books by Tom Peters, Stephen Covey, Peter Drucker and Ken Blanchard (See Appendix VIII: Book List). You don't have to agree with everything they write, but their ideas should challenge you to think of new ways to make your product appealing to clients and to motivate your staff.

Also, strike the words "beneficiary" and "project" from your vocabulary. These words reinforce a charitable mentality, not a business venture. NGOs are influenced by different and often conflicting goals, so don't use the structure of CRS as a model for setting up your microfinance operation. Remember that making a loan is a business proposition.

And, as in any other business, the client is everything. The only way to cover your costs and provide a truly useful service to the community is to think of developing long-term client relationships. Microfinance is not about making a one-time loan. In fact, the first loan is simply a starting point to test a client's interest, commitment, and repayment capacity. **Repeat business is the driving force behind any business.** You can only start to cover costs after making several loans to the same group, so your strategies should all focus on keeping good clients for years on end.

1. Get out and visit clients now!

- Too busy? Heard that before and it's no excuse. The priority is being with clients. At every level, make time to be with clients.

2. Get out and visit clients now!

- Talking to a few clients here and there is not sufficient. More time spent with lots of clients will lead to quality.

3. Get out and visit clients now!

- You know the saying about the three most important points about real estate? It's location, location, location. Similarly with business: it's clients, clients, clients, and it bears repeating again!

*"Always know who your client is –
no matter what your job is."*

—Richard Moran

"Sisters are Doin' it for Themselves"

—Eurythmics/A. Franklin

"I am Woman"

—Helen Reddy

Communicate with Clients and Identify Markets

Who Exactly is Your Client?

Before you decide to launch a microfinance program, decide who you want to serve. Using CRS' microfinance lending principles as a guide, poor entrepreneurial women are target clients, since they often have the least access to credit.

Women usually make good clients since they tend to be more market oriented, reliable and better suited to group lending than men are. Yet, in many programs that I have visited, staff members have told me that they have a difficult time reaching women. Not too surprising when you look at how many promoters are men. If you want to attract women clients, the secret is simple: hire women promoters. Microfinance, above all, is about forming relationships, and this may come as a surprise, but women are better able to form relationships with women clients.

Now that you've got a picture of a potential client in your head, how do you go out and find her? Begin by interviewing as many of these potential clients as possible. You can always find some target clients at a market, so that's a good place to start.

How do you get started and what do you ask? It never fails to amaze me when interviewers start asking potential clients questions about their businesses, and then say after a few brief moments that the clients did not provide good answers. Imagine for a moment that you are a market vendor and some stranger comes up to you and out of the blue asks, "Do you own this business? Good, I'm in microfinance and want to know if you'd be interested in a loan." Wouldn't you be highly suspicious and

not want to divulge any personal information to this strange, and rather rude person? A little courtesy goes a long way.

A better, more productive approach is to start by introducing yourself and the organization that you represent. Being respectful of a client's time, I always ask if they have a few moments to help me learn about businesses in the market place. Ask about how business is in general, how their business is progressing and how they got started. People usually like to be asked about themselves and their opinions – especially since for most target clients, few people have ever taken an interest in them. A good guideline for interviews: never ask a question that you yourself are not prepared to answer. Also, even if they do not become clients, they can provide you with lots of good information.

Take the time to have a conversation, and try to make a connection with a client. At most, interview clients in pairs – individually is better – and then just have one person conduct an interview, otherwise a client can feel interrogated and under fire. Whatever you do, **don't** use formal questionnaires or take notes, since people are nervous and leery of paper. Clients will think you are an evil tax collector, government spy or religious fanatic. And, freeing yourself from paper also makes you a better listener. However, it is important to document your results. Information can be recorded briefly on a chart after each interview. (See Appendix I: Market Survey)

It takes time and genuine interest to get good information. If you hire others to gather your market information, make sure that you spend sufficient time explaining in detail how you want to get that information.

Being very clear about to whom you want to provide loans will help you figure out how to best reach them. You will never be able to please everyone, so be specific, focus on your target clients and leave other levels of clients to other lenders.

“Clients don't care how you are organized – they care about responsiveness, cost and speed.”

—Richard Moran

Where Can You Find the Greatest Number of Potential Clients?

I need your attention here: If you make small loans, you need to have **hundreds** of potential clients in a **clearly defined market area**, so that you can come close to covering your costs.

I remember conducting market research in Lebanon six years ago. A group of us left Beirut and drove four hours to the north over some very rough roads, and we finally arrived at a village set in the mountains. The total population was 389, and represented less than 40 families. We had coffee with the village elder, who was supportive of our idea, and met a few women who "looked" like our target clients. The microfinance team was happy, since they felt they could form a group of seven members. However, from a business point of view, the closest market was one hour away, the village used a barter system (almost no cash), and we had already met the maximum number of clients. In addition to the limited market potential, the costs – gasoline, vehicle maintenance, staff time – and the lack of regular promoter interaction would never sustain an operation there. This was not an ideal place to start – so we didn't!

Now, where are the most potential clients? Get a map and start identifying markets close by. Ideally, the closer your clients are to your office, the better. If you are any distance from your clients, then consider getting office space where clients are located: being close to clients is a key ingredient for success. Since communication and relaying information is such a critical part of successful microfinance delivery, staff being physically close to clients can prevent a lot of miscommunication and can solve problems before they start.

Recruit the support of local leaders and respected community members to get the word out. But beware of politicians: money and politics are a dangerous combination and invariably lead to non-payment. Another common trap: don't just agree to work in different market areas that NGOs or donors prefer. **You have to be convinced, based on market research, that there are a**

sufficient number of clients in an area to make it worthwhile.

If the maximum number of clients is less than 50 in one area, it is unlikely that you will ever cover your costs.

At this stage, find out about your competition. Your competitors are **not** banks: if a client can get a loan at a bank, then s/he should do so. Instead, find out about what the "informal" lenders are doing. Copy the efficient services of moneylenders, pawnbrokers, suppliers and/or middlemen, and better yet, the informal credit and savings groups. Knowing how much your clients pay now for their money will help you figure out what payments they can afford.

1. Don't make assumptions: LISTEN – exercise your ears and not your mouth!

- Have you ever met this client before? How would you feel if someone assumed s/he knew all about you?
- It takes time: a ten-minute conversation is a good start.
- Don't generalize about a person's livelihood. Ask open-ended questions.
- Put yourself in your clients' shoes. How would you like to be treated?

2. Stress features and benefits of the product. Clients are not remotely interested in hearing about complicated procedures to get a loan.

- Why are they listening to you and what do you have to offer?
- **"WIIFM** (What's in it for me?)" Everyone wants to know this.

3. Work in areas with the most number of potential clients.

- Go to where the numbers are and you'll have long-term success.

"The first thing you have to do when you start a company in a new market is to look at whether that market is big enough."

—Eliot Kang, CEO Kang & Lee Advertising, New York

"I'm a Believer"

—Monkees

"Believe"

—Cher

Create a Vision and Mission: Know Where You're Going

Do you and your team know what you want to achieve? Can you explain what you do in one sentence? That sentence is your vision and mission.

I have a little story from my experience at a large UN agency about this topic. (My grandmother said you should only say the name or the story but not both, so we'll go for the story.) During my first week, I had to attend meetings where people presented project documents. Just before each meeting started, I asked what the idea of the project was, and each time, the person replied that it was there in the document for me to read. I inquired further and asked, "But just briefly, what is the point of the project?" And in each case, the person replied (somewhat irritated), "You can see the goal and objectives in the document, so why don't you read it?"

Everyone working on your team should be able to say in one sentence what your program is aiming to do. Saying, "I work for *Mikra*, a microfinance program" does not explain what you do. Microfinance probably makes no sense to potential clients nor to your family. Years ago, I told one of my aunts that I was working in microfinance and she said, "I know all about that dear. That means you do something with money and computers like that man Bill Gates." It isn't hard to see how she would confuse Microsoft, with microfinance, a term that practically no one knows outside the development world.

How about: "Our organization called *Mikra* makes loans to women with very small businesses in Bosnia"? Crystal clear to

me. The idea of a mission is to clearly define what you do, and your vision is what you hope to achieve. EVERYBODY on your team has to have 100% belief in both. For those of you who want to get technical about this, your vision is the foundation from which your organization generates commitment to the mission, goals, client population and the strategy that it pursues. Within the vision of a microfinance program, one of the main objectives is to become sustainable within a reasonable time period (three to seven years). If that is not one of your objectives, then DON'T bother to start lending money; consider a grant program instead.

Once you have your vision, the mission and goals are communicated throughout CRS, beyond just the microfinance team. Since microfinance is a business, it is important to discuss your objectives and your intended clients up front. This avoids potential misconceptions about what microfinance can and cannot do.

1. Always let your mission guide you.

- For example: "To provide an excellent lending service to poor clients" - then, let that guide you in EVERYTHING you do.

2. Get advice from an experienced practitioner to create realistic goals.

- Many well-intentioned advisors and donors with limited implementation experience can oversell the potential. Learn from someone who knows.

3. Prepare a ten-minute presentation about what you do.

- Have a flipchart presentation – exactly what you do for clients at an open meeting – prepared for CRS staff, NGOs and donors.

"There has to be absolute enthusiasm about the idea behind the business."

—Lou Dobbs, Former CNN Moneyline Newshour Anchor & Founder, Chairman & CEO of space.com

"Respect" & "Think"

—Aretha Franklin

Be Prepared! Demonstrate Professionalism to Inspire Confidence

When I was a little girl, I was a Brownie – a pre-Girl Scout group of 9 and 10 year old girls – and very proud of it. I wore a smart brown uniform, and on my left sleeve my mother sewed badges for my accomplishments in cooking, sewing and pet keeping. We were assigned to a "pack," a small team, and our goal was to do good deeds together. Our motto was "Be Prepared," and it has always stuck with me.

Preparation is everything! It is about *anticipating what will happen*. It is especially important since Murphy's Law – whatever you think won't happen, will – often rears its ugly head. Well-prepared people not only have Plan A in place, but also Plan B ready. They don't panic or get rattled when things don't turn out exactly the way they imagined. For example, arriving half an hour early for a meeting to ensure you have the place you agreed on, that it is set up the way you like it and that all your materials are organized, is sound preparation. When you are early, you have time to pull yourself together and greet people as they arrive. Having your head buried in papers or arguing about which room you reserved, does not send a professional message to clients. One new promoter even writes place cards for her solidarity groups so that they sit together, just like a formal dinner party! And, if you have to wait, always have something to do to make the time worthwhile.

In all the work you do, whether it's staff training, promotion, presentations, meetings, group formation, or loan disbursements, preparation up front will significantly influence the level of success. When any activity you attend runs smoothly, you know that lots of preparatory work was a key ingredient.

Preparation is all about planning for many possible

outcomes. Anytime you think a task will take you 15 minutes, budget at least 30 minutes. I find that a rule of thumb is that whatever time you estimate, in reality it will take twice as long. A good trick in planning is to always work backwards from the timing of any activity. Say you plan to have a reception to celebrate the launch of your program. You select April 14 as the party day, so you would want guests to receive invitations by March 31, two weeks ahead of time so they can reserve the date. That means invitations have to be sent on March 27 and written by March 24 and so on. Use a write-on/wipe-off calendar, a handy tool for creating a visual picture of timing between events.

Give promoters the tools that will help them do the best job they can. They don't each need a desk since it might entice them to stay in the office for prolonged periods. Instead, give them "portable offices," including planners and durable bags in which they can carry all the documentation necessary to process loans. It will make them feel professional, and inspire confidence among their clients. Also, make the office a creative space by having a bulletin board with quotes and interesting articles and a progress board with the number of clients.

- 1. Being organized and being prepared go hand in hand.**
 - Provide tools that help staff manage information and time.
- 2. Always carry brochures and business cards.**
 - There are many opportunities to promote your program – you never know when one might come up, so have information handy.
- 3. Good service is about anticipating client needs.**
 - This is your edge on competition.

The only things that get done, are the ones that get written down.

"Stayin' Alive"

—Bee Gees

A Corporate Identity is Key: Innovation Provides the Competitive Edge

Your business name is just the first step in a long line of ways to sell yourself effectively to clients and to differentiate your business from your competitors. Picking a great name is the first important step in creating a business image for your program. In Macedonia and Bulgaria, choosing a name turned into a successful team-building exercise during promoter training sessions. In each case, prior to the training, we announced a name contest and enticed CRS staff to enter by offering a fabulous prize to the winner: the Guinness Book of World Records in Skopje and a new Santana CD in Sofia. On contest day, we encouraged all workshop participants to come up with additional ideas by adding their suggestions to a flipchart listing the names already collected. Using a one-day deadline for the contest created additional excitement and encouraged people to brainstorm lots of ideas. In both programs, the winning name was entered at the last moment, generated from other ideas.

When the time came to choose the name, the facilitator announced each name and asked which suggestions should be crossed off the list. Everyone around the table participated, regardless of whether they were full-time staff or not. This process left about eight names. People then discussed the pros and cons of some of those names, including whether they would be proud to say that they worked for a program called "Womanhood," for instance, and what kind of visual concept came to mind for a logo. Each person had two votes by hand or by secret ballot. For the final vote, when only three of the names remained, only one vote per person was allotted. Everyone felt a part of the decision, and even those who didn't vote for the

winning selection felt it was a fair process. By the way, the participants chose **Horizonti** (Horizons) in Macedonia and **Ystoy** (Pillars/Foundation) in Bulgaria.

The name you pick should reflect the essence of your product and the spirit of the community you serve. A corporate identity is essential for marketing purposes, so that you can distinguish yourself as a separate entity from other CRS programs. It will also make it easier to collect repayments, since you can always use your brand name to clearly demonstrate that you operate a business, even though you are under the auspices of CRS.

Choosing a corporate identity is another way to go beyond the typical ways in which NGO programs promote their services. Remaining open to creative approaches from many sources will get you started thinking in new directions. Don't limit yourself to typical ways in which NGO programs promote their services.

A brief word about using the media: use them carefully. It is best to contact them when you have some concrete results. Then they can see what you are trying to achieve, and they won't be so likely to misrepresent you.

1. Have the microfinance staff, and even your clients, pick a great name.

- Staff and clients should both be proud of a catchy name.

2. Great ideas are everywhere. Keep your eyes and mind open.

- You never know where your next great idea will come from. Look for inspiration in unusual places, and don't think any idea is too crazy!

3. Change means being responsive. Don't be afraid of it.

- Prepare for change regularly. Even when things are going well, never rest on your laurels.

*"It is not the strongest species that survive,
nor the most intelligent, but the ones
most responsive to change."*

—Charles Darwin

"Mony, Mony"

—Tommy and the Shondells

"Money"

—Beatles

Loans for Microentrepreneurs: What's Reasonable to Lend and Charge

Most people say that they want large loans. It is better to ask a client how much can they afford to repay every two weeks or each month and that information will provide a better idea about an appropriate loan size. Also, try to get a range of how much potential clients borrow from moneylenders. Don't feel that you have to solve all of a client's credit needs at once. Have you ever dealt with this person before? Start with a short, small test, and then if s/he repays on time, on they go to the next level. Starting small means less risk to your program. And for the client, too large of a loan amount simply becomes another debt. If someone cannot repay a small loan, s/he cannot repay a big one. Plus, smaller loans are more attractive to low-income women, our target clients.

Resist the temptation to project personal experience about money onto your idea of an adequate loan amount. For example, in some countries people might feel that you couldn't do much with \$500. How much does a driver or promoter make per month at your office? Are they considered poor? Monthly salary amounts can help you put the first loan size into context. If you lend more than a decent monthly salary, then chances are, you are not really reaching poor clients.

Schedule payments to encourage rigorous discipline. I prefer bi-weekly payments within a four month (16-week) term since it allows you to establish a routine; eight chances to see if your group makes repayments on time. Get clients to think of a particular weekday as their repayment day, something not possible with a monthly repayment schedule. This is also a sales feature: the payment is more manageable and the amount clearly understood. Since the majority of client activities are trade-oriented, they usually earn daily incomes. Some programs offer a six-month term with monthly payments. You have to do what suits clients and also provides you with the best way of instilling discipline while developing long-term relationships.

Interest rates: You had to know that I was going to bring this up! Interest rates are NOT a big issue with our target clients! I know some

of you (because it usually is management that has the problem more than the promoters) think they are, but they aren't. Easy access to credit is the most important issue. Poor people pay the highest interest rates in the world, in every country. So if your clients complain bitterly about the interest, chances are:

- Clients can access or are aware of subsidized credit. Decide whether you want to compete in that type of market – for example, in refugee areas with non-business-minded donors.
- Microfinance staff believe that the interest rate is too high, and have a hard time selling the concept to their clients. (Remember 100% belief in the mission!)
- Clients are not that poor and are comparison-shopping with banks.

Focus on the amount of the payment, instead of dwelling on the interest rate, especially in countries where interest is not acceptable. Talk about a lump sum service charge rather than interest; I guarantee it works. Don't set interest rates based on what banks charge or on what business centers or government officials think are appropriate. Many efficient programs charge between 3% and 5% per month – a good rate for clients who have to pay 10% to 15% monthly from informal sources. When clients have completed a few loan cycles, you may consider lowering interest rates as an incentive. Set the interest rate based on the projected interest revenue, determined by the number of clients, loan sizes, and anticipated costs.

- 1. Clients care about getting money quickly, so don't waste their time.**
 - Have simple and quick application and disbursement procedures.
- 2. Focus on the amount of repayment and not the interest rate.**
 - Think of interest in a lump sum. It is a service charge paying your salary.
 - $\text{Principal} + \text{interest amount} = \text{total payment} \div \# \text{ of payments} = \text{individual payment}$.
- 3. Solid group formation is your collateral and the key to on-time repayment.**
 - Pre-credit training is for getting to know clients and ensuring they know each other!

*"I'd rather know some of the questions than
all of the answers."*

—James Thurber, Humorist

"I Heard it Through the Grapevine"

—Marvin Gaye

"It's Not Unusual"

—Tom Jones

"Monkey"

—George Michael

Delinquency (Arrears): When Things Don't Go According to Plan...

My first assignment with CRS was in May 1999. The first day I arrived at the office, I had a pleasant day. I was introduced to staff and the microfinance program (we didn't look at any touchy figures), and we discussed a list of activities to be worked on. The next day, I asked the Program Manager if the delinquency for the portfolio was about 50%. She looked at me quite astonished, saying that it was, but how did I know? I had met one of the promoters on my first day and noticed she didn't leave the office the entire day (and looked bored to boot!). On the second day there she was again at her desk, making arrangements for a CRS driver to take her to visit some groups two hours away. A promoter sitting behind a desk for more than a couple of hours is a sure sign that she either has late payments or too little work to do. There is a direct correlation between the amount of time promoters are with clients and on-time repayments.

Twenty years ago, an interesting psychological experiment took place at a large Midwestern high school in the U.S. One teacher was selected as the best among all of the teachers in the school and was honored with a special, but challenging assignment. She worked with 30 of the best students during the year, with the goal of scoring at least 90% on the annual state exams. What is incredible about this story is not that all students attained 90% on their exams (which they all did), but that their names had been *randomly selected*, as was that of the teacher! Because the students and teacher believed they were capable of achieving the goal and believed themselves to be the best, they succeeded.

The "theory of expectation" is very powerful and plays an important role in achieving 100% on-time repayment. Using a group guarantee as collateral, there is no reason to have late payments. You are collecting a group payment, not payments from individuals. Expect 100% on-time repayments, and reinforce it in all your pre-credit meetings. Then you have a good chance of achieving that goal. If you aim for 95% repayment then there is little chance of exceeding the goal because it is "acceptable" not to have 100% repayment.

Once again, here is where early **PREVENTION** helps. Delinquency is usually a result of a bad attitude, which means that group formation was probably rushed. "Attitudes" should have been weeded out prior to disbursement. Since fellow clients should be the experts in identifying potential problem members, a client having repayment problems is a strong indicator that group formation happened too fast. Promoters have to **CONSTANTLY FOLLOW UP** and support clients in the field. Late payers = poor groups = no future clients. This equation leads to groups that won't borrow in the future, which all leads to wasting time on groups that won't borrow in future - a poor investment of time and totally unsatisfying for promoters. Also beware that just because payments are on time does not mean that there are not potential problems in the making. As a promoter, it is much more enjoyable to take preventive measures, rather than trying to collect late payments.

1. **The only certainty is, that the longer you leave it, the worse it gets.**
 - Tackle late payments now! Figure out how to correct, not just collect.
2. **Delinquency is not a client's problem, it's yours!**
 - Hastily formed groups & loans that are too big are the two main reasons.
3. **Focus on prevention, not collection.**
 - See "A Proactive Approach to Delinquency" in Appendix V.

"The formulation of a problem is often more essential than its solution."

—Albert Einstein

Part Two: Staff

"Simply the Best"

—Tina Turner

"Smooth"

—Santana

Hire "Microfinance" People: Get the Right People to Do the Right Job

Microfinance is about relationship banking. Therefore, *the messenger is often more important than the message*. You want innovative promoters? Start using innovative methods to identify them! We used a "show us, don't tell us" approach in Armenia and Macedonia to form solid teams comprising four to five people. Here is the recipe for hiring a great team:

Step One: Get names of potential women promoters.

Use untraditional and traditional ways to recruit new sales types: call NGOs and other microfinance organizations, place ads, and ask around the office and town. You don't need to have formal resumes from your potential recruits, since you are looking for go-getters. After all, too much experience may not be a good thing, as experience can translate into pre-conditioned ideas about what work is and how it should be done.

Step Two: Bring the candidates in for a briefing. Hold a 15-minute briefing at the office for up to 10 potential promoters and introduce them to the program.

Step Three: Interview them in the market. Announce to the group that you are going to a pre-selected market (do not mention this until now) and that you want them to interview potential clients in the field to see how they interact with clients. More than likely, a person or two will drop out immediately: the self-selection aspect works quickly! In the market, divide them in pairs, and ask them to introduce themselves as CRS representatives conducting market research in lending programs for very small businesses. The team leader, with assistance, should follow candidates around to see how comfortable they are

in the market and how clients react to them. Being timid about approaching clients and/or looking at their watches are telling signs that they would rather be elsewhere.

Step Four: Pick the best to attend training. After several field interview sessions, pick those with the most potential to attend a week-long training in team building and open meeting presentations. Emphasize that the training is another step in the interview process and doesn't guarantee them a job. Pay them a per diem for attending and provide them with a certificate, so that they benefit from the experience.

Step Five: Pick your team. At the end of the training, based on their presentation skills and team player potential, pick four to five candidates. In Macedonia, the four main hiring criteria included personality, commitment, ability to sell, and long-term potential (See Appendix VII: Criteria for Hiring a Promoter). The Microfinance Team (the team leader, operations manager and MIS officer) selected the five best candidates. The team discussed the strengths and weaknesses of all candidates and recommended a promoter team to the Country Representative (CR). The CR, the Regional Technical Advisor (RTA) and I all attended the final presentations by the candidates, but we acted only as a silent advisory committee. Macedonia's Microfinance Team made the final selections. In the spirit of group self-selection, all candidates were asked to choose through secret ballot which five candidates they thought would build the best team. Overwhelmingly, four of the five team members selected by the candidates were also the choice of the Microfinance Team, which merely reinforced the selection process.

You now have your new, cohesive team of dynamic promoters. You also have a reserve of trained promoters for when you consider expansion and in case any promoter leaves.

The best analogy I can give for this type of hiring process is that of a Broadway musical. The candidates are auditioning, complete with a live audience. You are looking for raw talent and passion. Not quite getting a dance step right makes no difference (akin to methodology in our case) – you are looking to see if they just "get it" and do they look happy up on stage? And do you

want to call them back for an encore over and over again? You want to have those people promoting your program – the equivalent to the cast of "Cats" playing on Broadway for 18 years!

This process eliminates those who want to sit behind a desk. I don't even consider someone from the formal banking sector, and I am very skeptical about anyone with a lot of experience working with large donors. Also, this works because it sets you apart: candidates often link microfinance with what they know about other CRS projects. You can use this approach with other positions as well. If someone says s/he is a good trainer, get her/him to give you a sample of what they think is a good training.

Some of you are thinking, why hire a promoter team? Perhaps we should start small and see how it goes: let's hire a promoter and test the waters. ***Starting small does not mean starting with one promoter.*** It means conducting market research – in areas where there is a lot of potential – to determine if there are a sufficient number of CRS target clients. It is practically impossible to make a go of a microfinance program with only one promoter and try to scale up operations from there. If you decide you want to get into microfinance, you have to jump into the deep end, having done your preliminary research. There's no sticking a toe in the shallow end to see if you like the temperature and then make a couple of loans. How can you convince people about offering a lending service if you don't have a product name, business card, brochure, office, colleagues, etc? People will never take you seriously as a business unless you are visible, professional and client-focused.

A word of warning about charitable backgrounds: people who have prior work experience in relief efforts are usually inclined to think in a charitable way, rather than in a business manner. It is very difficult to change this attitude, and these people have the most trouble with interest rates, loan sizes, etc. Hire people who want to be in business. And a note regarding hiring a person specifically to be a trainer in countries where microfinance has not long been practiced; it's probably not a wise move. It is better to train a team of promoters and look for a

potential trainer and field office coordinator among them. Whoever is selected must excel in the field and at presentation skills, be highly organized and, above all, be an exemplary team player.

- 1. Hire a committed personality with a "can-do" attitude.**
 - Skills can be taught; however, having a positive attitude and wanting to be a team player can't. I use the "clear the table" test. Does the person take his/her coffee cups to the kitchen and wash them or does s/he leave them? This is very telling: it shows if people take initiative.
- 2. Try out potential staff before hiring them. You need a good fit.**
 - Have them interact with clients. Microfinance is not for everyone.
- 3. Staff belief and commitment is everything.**
 - You want staff to do whatever it takes to make the program succeed.

"The first people you hire form the DNA of the company and that team will drive your valuation in the future."

—Angus Davis, Chief, Tellme, tellme.com, Palo Alto, CA

"That's the Way I Like it"

—KC & the Sunshine Band

"The Way You Make Me Feel"

—Michael Jackson

Appreciated Staff are Motivated: The Importance of Recognition

I have a little note on my wall from a team member from three years ago that says, "Welcome back; we missed you." That note still makes me feel appreciated and motivated. I'm not alone – most people place a great deal of importance on feeling a sense of belonging and value, especially since not too many choose microfinance to make their fortune.

Appreciation cannot be overemphasized. There are lots of ways to recognize staff who do a good job and make your environment more enjoyable. First, remember all staff members' birthdays! Also, small things such as certificates created on the computer, photos, e-mail messages, and fun prizes to say thank you for doing well go an immeasurable distance. Sure it takes a little discipline, but often I see thank you cards I have written, displayed years after I've sent them. Any gesture that shows you took time to think about and recognize someone is appreciated. The only catch is that you have to be sincere and mean what you say – people can smell a phony gesture from a mile away.

Whoever said you couldn't have fun at work or that having fun wasn't being serious? Staff who enjoy themselves the most are the most productive and creative employees. If staff energy is low on Friday afternoon, why not have the wrap-up for the week over coffee at an outdoor cafe? It takes a little ummph, but the payoff is a more contented staff. People do their best work when they're motivated by a sense of purpose. Use positive reinforcement to motivate staff to repeat good performance; do whatever you can to keep them happy, especially promoters who

are your front line with clients.

Being appreciated is a key motivating factor, but there are lots of others. Any gesture that shows you took the time to think about and recognize someone is always appreciated. What motivates you? Music, good food, interesting people, beautiful surroundings, challenging work? Consider how you could add these dimensions for staff and clients, and you'll find people are more motivated.

Appreciate your clients too. The best example I've seen was in Lebanon in August 1998. The executive director of a now local NGO arranged for 120 tickets from a corporate sponsor for the International Festival at Baalbek, where the most beloved singer was giving a concert in the Roman ruins. A lottery was held in each region for all good clients, and the winning groups were treated to a day trip that they will never forget. Talk about client appreciation!

- 1. Treat others with respect, the same way you like to be treated.**
 - Be clear and specific about your expectations.
 - Give staff regular feedback. Don't wait for an annual evaluation.
- 2. Expect the most out of people.**
 - Your behavior reflects your confidence.
- 3. Use positive reinforcement as much as possible.**
 - Everyone likes being praised for a job well done, when it's sincere.

"You can have fun nearly every day if you approach work with the right attitude."

—Richard Moran

"We Will Rock You/We Are the Champions"

—Queen

"Here We Come"

—Monkees

Build a Team: A Good Team is Superior to an Individual

Think of a football team. The coach (in our case the team leader) provides support and each team member has a vital role to play. Consider the amount of training that a football team goes through prior to winning matches. Solid team formation takes time and patience. A team leader is not so much a manager, as s/he is a motivator and enabler. A leader has the courage to say what s/he's thinking and that usually turns out to be what everyone else is thinking. Since you've hired people with talent, you want to encourage them to be independent thinkers who will motivate clients. You need them to figure out solutions in their fieldwork, because you can't be there to advise them. Naturally they will make mistakes (we all do, especially risk takers) but we can incorporate these lessons in future actions.

The concept of a team is that a group of people with a shared vision, clear responsibilities and effective communication will always be superior to that of any individual. It also acts as a preventive strategy in case any staff member leaves; you are not putting all your eggs in one basket.

The team leader's role entails providing support for members to reach their individual potential. For example, at a client meeting, the promoter has to be in charge of the group at all times so as not to undermine the promoter's authority. Yet when the team leader starts talking, the promoter's role can be inadvertently diminished in the clients' eyes. Also, any guest (not a client or promoter) should just observe, and limit quiet

translation to an absolute minimum. Full, silent support with feedback after the meeting is the best way to assist a promoter.

Get to know the Myers-Briggs Personality Test, a personality assessment based on four basic aspects of human personality: where we direct our energy; the kind of information we naturally notice; how we make decisions; and whether we prefer to live in a structured or spontaneous way. (See Appendix VIII: Book List: ***Do What You Are.***) It's a great resource for team building, because it appreciates team members' strengths while recognizing their weaknesses.

Relationships are how things get done, hence the importance of establishing good lines of communication between team members and between staff and clients. Never underestimate the importance of face to face meetings. E-mail is not a way to create relationships, merely an effective way to follow up an existing relationship. Conflicts are a normal part of working life so don't try to avoid them. Create an environment that is open to airing differences in a non-threatening way, which then invites responses to solve them.

- 1. Let people learn from their mistakes and from fixing them.**
 - Challenge staff with an increasing number of tasks and decisions.
- 2. Work constantly on good communication.**
 - Be available when staff have to vent and then work together on solutions.
- 3. A team leader's job is to motivate and support, not manage.**
 - Figure out what people do best, and exploit their strengths.

**"Teamwork is more and more important.
Learn what it is and how to be a good
team member."**

—Richard Moran

Ready, Aim, Fire: Sometimes, You Don't Have the Right People

OK – it's a tough issue but a fact of life in every organization. There are basically three categories where you'll have to fire someone:

1. Doing something clearly unacceptable, like stealing or falsifying information.
2. Not performing up to expectations or targets.
3. Not being the right person for the job.

Lending is a tricky business, and the presence of money can be very tempting. Make very clear what is expected from staff, what is considered acceptable behavior, and what the consequences are for breaking rules of conduct. You also need systems in place so that staff and/or clients are not tempted to take advantage of any loophole. Regular feedback is essential so that staff members know where they stand, what areas they could improve, and what support they need.

Categories 2 and 3 above are most often connected, unless you are working in areas with limited potential. Having targets set by the team will help the team to determine what can be done about a low performer. Using incentives are a good way to go, but not until it is clear what the potential of an area is – perhaps between three and six months after the program starts is sensible. You want staff to feel that they have to earn their salary by making good loans, but incentives should be designed to positively motivate staff and not have staff fearful of not achieving them. Incentives that include minimum standards can help provide a way to diminish the emotional aspect from the firing decision.

When someone inappropriate is hired and doesn't add value, consult the team about what course of action to take. You are only as strong as your weakest link. Poor performance affects the bottom line and makes everyone suffer.

I know it is tricky to tell people that things aren't working out,

but being in denial and ignoring personnel issues is just going to make your whole team's job harder and more unpleasant in the long term. If remedial action is to be taken, you must give someone the benefit of the doubt so that s/he has a chance to correct it. If you expect that s/he won't improve, chances are, s/he won't. (Here is the theory of expectation again!) If, however, you decide that it's best to fire a staff member, try to find a way of letting her/him save face by suggesting that s/he might be happier in another job more suitable to their talents. Don't be cruel.

It is essential to spend time listening to staff members' concerns. Their issues are usually symptoms of bigger problems and could provide revealing information about how to improve the work environment. An American study conducted in March 1998 cited the five top reasons people between the ages of 25 and 40 leave their jobs: not doing something worthwhile; not being appreciated; not having support to overcome obstacles; not improving skills; and small pay increases. Think of your existing environment: what changes can you make to help staff do their job better?

1. **Firing is an unpleasant business.**
 - The longer you postpone it, the worse it becomes (just like delinquency).
2. **Confront people directly with issues, but never humiliate people; use tact.**
 - Have a private conversation with a staff member, discussing your concerns about weaknesses, then work together to find solutions.
3. **Consider the impact on clients.**
 - If a staff member is not serving the organization's mission, s/he is not acting in the best interest of clients, and the clients are paying.

"Past performance is the best indicator of future performance. Remember this whenever a leopard claims to have changed its spots."

—Richard Moran

"Jumping Jack Flash"

—The Rolling Stones

Make Training Relevant, Fun and Applicable: Learn by Doing

Several years ago, I went to Jordan to put together a two-day training for promoters at a microfinance program. When I got to Amman, I went to the field for two days to learn about the methodology and to get a feel for what the promoter's job involved. The next couple of days, I worked with the Field Coordination Officers and the Program Manager to plan the workshop. Naturally, since the promoters only spoke Arabic, the workshop would be conducted entirely in Arabic. The team expressed concern because they thought I would do the training in English and they would just translate. I explained that if we took that route, the next time training was needed, they would require another consultant. However, if we worked on the training together, then they would be able to do it for themselves in the future. That day, we came up with objectives and training activities that would appeal to promoters. Then we decided who would be responsible for each section, including all logistics.

The following two days were spent developing and preparing all materials. When the workshop started, I had a copy of the detailed program in English, so I could follow along, and the team would ask my advice when they needed it. Otherwise there was no translation needed. The workshop was a great success. At the end, the Program Manager said, "Look we did it! So, why should we pay you?" A little hard on my ego, but the important thing is that the team took ownership – this is effective local capacity building.

Here's a startling fact I've learned after having delivered more than 50 microfinance workshops ranging from one day to two weeks: most of the learning is done during warm-ups, coffee breaks and social outings. All of those beautiful materials and

handouts are really more for a trainer's sense of order, but that is not how information is most effectively transferred from one person to another.

Of those carefully prepared, perfectly sentenced, spell-checked, many-times-revised handouts, less than 10% are ever looked at again. You don't believe me? Just think about your filing cabinet and desk drawers. I'll bet you \$100 that there is a lot of material there that hasn't seen the light of day for a long time, and probably never will. Information is everything, but only when it is shared and applied. I tell people at workshops not to bother writing anything down because I know that the most important concepts they will apply are the ones they will most easily remember, usually as a result of a concrete example or a shared experience from a peer.

Adults learn best when they "learn by doing". So instead of talking about any topic, create an activity that will demonstrate it. After you facilitate an activity (for example: a role-play of an open meeting), spend at least an hour to ask what the participants learned from the experience. This "processing" stage is key, since they are telling you what they discovered and learned. Finally, present a short summary that will reinforce what the participants have figured out for themselves. It's called experiential learning, and in my experience it is incredibly effective.

Combining interesting activities with a comfortable learning environment is the best way to have a training that will stick with people for a long time. If people are not at ease or physically uncomfortable, then it will be even more challenging to get ideas to take root. A colleague once accused me of letting participants have too much fun. I considered it a compliment, because when people are relaxed and enjoy themselves, they feel free to say what they think and are much more likely to absorb new and sometimes challenging ideas.

When giving a presentation, always consider what thought you want people to walk away with.

Structuring an Effective Training Session

Repetition is the way to go. Think of the three main points you want people to remember in a day and find ways of repeating them over and over during the training, even using warm-ups as a way to make your point. Basically, by the end of a workshop, you want your key objectives to become a mantra for participants. It sounds sort of cultish, but you do want participants to be fanatical about microfinance.

When tackling presentation skills – a key element for promoters to effectively sell microfinance to potential clients – always consider what particular thought you want the audience to walk away with. A good technique is to complete the training of presentation skills by actually doing it, don't just talk about it. Make an open meeting presentation yourself and then give trainees time to individually prepare and give a presentation. After each presentation, have participants provide positive feedback first, and then bring up points for improvement. In this way, the presenter will be open to refinements after hearing praise.

A mistake that is made over and over is that people sweat over details much too much. ***Relaying details are not important*** – people will figure out what to do, and probably better than you. Staff members need to understand the basics, have standardized, simplified materials as an outline, and then they can do the rest. There is a seven page detailed agenda for an open meeting with exact step-by-step instructions floating around. I hate to break it to you, but no-one ever reads all that information that you give them. Nor do they follow it the way you envision, and then chances are they will get stuck on a boring, sticky little point and ignore the key point – say, listening to clients.

Training on the job is the only way to learn microfinance lending. Peer training involves experienced staff members taking responsibility for new members by showing them the day-to-day operations. Exchange visits to good programs are also helpful and instructive for staff with some experience and can act as

incentives for good performance.

A final, essential consideration is who will do the actual training. S/he has to meet the same criteria as a top promoter and more (See Appendix VII). Anyone in a training capacity in microfinance has to be crazy about microfinance and really love being with clients in the field. It is best to have promoter training done by the team leader, with advice from a RTA or perhaps a training consultant at the start of a new program. ***Training is all about motivation.*** You cannot force someone to learn something. The person responsible for presenting new ideas has to have 100% belief in them, and then have the ability to transmit those ideas creatively to others.

- 1. Adults only retain 10% of what they are presented in a speech or from paper.**
 - If adults learn by doing or by example, they can retain up to 90%. You can't learn to drive without doing it.
- 2. Stick to a few key objectives. Too much information is overwhelming.**
 - The more you present, the more diluted the most important messages become.
- 3. Effective training takes time.**
 - Each day of training requires 2-3 days preparation and 1 day to follow up.

Less is more.

"Ain't No Mountain High Enough"

—Diana Ross

"A Hard Day's Night"

—The Beatles

Lead by Example: Actions Speak Louder than Words

I went to Bangladesh eight years ago, where I learned first-hand about microfinance from Professor Muhammad Yunus and from Grameen Bank employees and clients. Dr. Yunus started the bank some twenty years ago based on the needs of poor village women who had only moneylenders to rely on for credit. In the beginning, all sorts of people said that it was not possible to lend to poor women because they would never repay without collateral. Experience and spending time with clients proved otherwise: he used common sense to build up a bank that today serves more than 2.5 million clients (96% women) and has set an example for people around the world.

The success of Grameen Bank, in addition to other well-known microfinance organizations, has inspired micro-lenders to challenge conventional lending wisdom. Dr. Yunus led by example, going to the field over and over again with his students to learn from the villagers. "The poor women became my teachers," he often said. This fundamental principle of considering the needs of clients first was instilled in me during my four-month stay in Bangladesh and to this day provides sound direction for all microfinance programs.

Working in Jamaica four years ago, I set up a microfinance window at a credit union in a small, but bustling market area in the southeastern part of the island. Before going out on the first day, several potential promoters listened attentively to a quick overview of what this thing called microfinance was. When I

announced that we were going to the market to interview potential clients, one woman said, "But it's raining." My immediate response was, "Well then, we need to take umbrellas!"

If you want people to get out there, you have to go too and use the means of transportation that you expect promoters to use. Your example is the foundation, the example you want them all to follow. Coping with the elements is part and parcel of the job. After all, the clients manage every day, so you have to as well.

Your willingness and reliability will convince people to work with you, and your prompt follow through will set a good example for all staff to deliver what they promise. Fellow staff members and clients alike need to be able to depend on you and vice versa. By doing what you say you will, you'll quickly establish a reputation of dependability and enhance the credibility of your program.

Here are a couple of examples of getting results:

- If you want professional, attractive flipcharts, make beautiful flipcharts for promoters to copy.
- If you want clients to be on time, arrive early and show them that you are ready for them.
- If you want payments made on time, hold meetings and disburse loans on time.
- Don't tell people what you want: show them.

1. Leading by example is not just important, it is everything!

- Do what you want your staff to do, and then you will see desired results.
- Stop talking about it, and just do it (thanks Nike!)

2. Don't promise what you can't deliver. Your words mean little, but what you do is EVERYTHING.

*"Let the business shape the organization,
not the organization shape the business."*

—Richard Moran

"Born to Run"

—Bruce Springsteen

"Jump"

—The Pointer Sisters

Create Ownership: Responsibility Leads to Accountability

To lead the microfinance operation, you need a local leader with passion, drive and with something to prove. It takes a lot of energy: it is not just another project. The staff of the microfinance program is laying the groundwork for a long-term institution, which requires energy, tenacity and perseverance. Donors and agencies in general need to take a back seat in the creation of developing microfinance institutions. You want the local staff to take responsibility for decisions.

For expatriate advisors, country representatives and NGO executives, I highly recommend taking an advisory role, not a managerial role. From the beginning, provide advice only in consultation with local staff, so that the seeds of ownership are planted. The local team is the nucleus that has the best chance to make a success of the microfinance program. The team can certainly benefit from advice and ideas, but lending models often require some adaptation. Transferring skills and advice differs from decision-making and telling people what to do. Your input has the best chance of being truly useful when you act as a catalyst: the team says that they did it, with you cheering them on. Being an advisor is not just a nine to five job – it requires passion to provide quality programming and setting a good example. Real capacity building, where local staff are provided with tools to do it themselves, allows for flexibility to make mistakes and learn from them.

It is very tempting to want to make decisions for staff and not with staff. When you leave, or even before, if anything goes wrong, staff will always point to the person who told them to do it that way. For instance, in most countries where I've worked,

there has been a lengthy and often somewhat contentious discussion about loan size. People have said, "You are not from here. We are Ugandans, and we know best." The fact is that most people who I've worked with in microfinance are new to the field of lending and don't know much about the needs of low-income clients. So here is how we can put some perspective into appropriate loan size. The following criteria are plausible loan size benchmarks for our target clients:

- An average monthly salary.
- The national per capita income (divided by twelve months).
- A laborer's daily wage (multiplied by 30).

I have never forced a decision on staff, but as a consultant I offer the best advice I can with full appreciation of my limited knowledge of any place I work. I also point out examples and trends in loan sizes in other microfinance programs for some comparison. And as a final suggestion, if the organization wants to pursue larger loan sizes, I request that the team leave open the option to make later adjustments.

- 1. Local staff leadership, combined with advice from advisors who have implementation experience, is the best combination for long-term success.**
- 2. Allow staff room to make mistakes and to learn from them.**
 - Does any advisor/consultant know so much better?
- 3. Find or cultivate a local champion who will eat, sleep and live microfinance.**
 - Microfinance is challenging at the best of times, so find a truly committed local person with the absolute passion to make a go of it.

"Managing a startup requires learning to let go, and part of letting go is developing others – creating opportunities for people to move up and run organizations on their own."

—Mary Houghton, Co-Founder and President, Shorebank Corporation, Chicago

Part Three: Conclusion

"You Ain't Seen Nothing Yet"

—Bachman Turner Overdrive

"Don't Stop"

—Fleetwood Mac

Characteristics of Successful Microfinance Programs

- **Client responsive:**
Knowing clients, understanding their businesses and meeting their needs.
- **Mutually accountable:**
Creating a partnership where both clients and credit staff have a stake.
- **Financially sustainable:**
Making good loans while covering costs of operations.
- **Operationally efficient:**
Providing efficient client service using stream-lined policies and procedures.

There is no mystery involved in setting up a successful microfinance program. However, it does demand a lot of hard work, determination and creativity. You become successful when you meet the needs of target clients, while covering costs. That does not mean making only a few hundred loans; microfinance is a volume business. Making thousands of loans is the only way a program can possibly develop into an institution that will serve the community's interest in the long-term.

Well-designed microfinance programs act as catalysts in assisting micro-entrepreneurs, those who take the initiative to meet local market demands, to become self-sufficient. To really make a go of a long-standing institution, you need a lot of passion combined with a healthy dose of common sense. Spending lots of time with clients will steer you in the right direction and help to develop the confidence necessary to

establish roots in communities you want to serve. Ultimately, clients and staff should form close partnerships, based on trust and respect, to sustain an institution in the long-term.

Access to credit for any business needs to be on-going. Think of the credit process as the beginning of a long-term relationship. In the initial phase of lending, it is not necessary to give clients all that they request, especially since they do not have track records with you. Providing a loan of any size is probably an improvement on the existing credit facilities. Clients have to demonstrate that they are committed and capable to repay a few loans, before you consider lending more sizeable amounts.

I will leave the last bits of advice to my parents, whose sensible and fair approach to life has always motivated me and set examples I try to follow:

From my father: "There is no time like the present." In other words, don't procrastinate, do it now. And my mother says, "Anything worth doing, is worth doing well."

*"Look sharply after your thoughts.
They come unlooked for, like a new bird
seen in the trees, and, if you turn to your
usual task, disappear."*

—Ralph Waldo Emerson, U.S. Philosopher & Poet

Appendices

- I. Market Survey
- II. Plan, Conduct and Follow-up on Training
- III. Tips for the Open Meeting
- IV. Sample Flipchart Texts for Open Meetings
- V. A Proactive Approach to Delinquency
- VI. Description of a Promoter
- VII. Criteria for Hiring a Promoter
- VIII. Book List: Creative Thinking, Leadership Skills and Team Building
- IX. Microfinance Music Selection

Appendix I: Market Survey

Before promoting your program, you should **interview a minimum of 150 potential clients** in a defined market area to gauge interest in CRS' microfinance program. You should have at least a 60% positive response rate; not everyone who appears interested will apply or will be eligible.

Please **do not take notes during the brief interviews** since it can be very intimidating (potential clients will think you are a government tax collector!) Instead, strike up a conversation by introducing yourself as a representative from CRS, an organization interested in providing loans to entrepreneurs, mainly focusing on women. Ask the potential client if it is a convenient time to ask a few questions for a market survey.

General Information about Each Market

CRS intends to work in market areas with the most potential clients in _____ (town/city) and needs to know the following:

- Approximate number of entrepreneurs in the market.
- Percentage of women entrepreneurs and their ethnic background.
- Range of businesses (grocery, clothes, food producers, etc.).
- Is there a system of informally raising money in a group (each person puts an amount in every day or week and then each takes a turn taking the whole amount) – what is it called?
- Are there competitors like moneylenders in the market and how much is the monthly interest rate?
- Location of the market in relation to CRS' main office.
- Conservative estimate of the number of potential clients in that market.

Specific Information about Potential Clients

- Respondent's first name (just an informal record for follow-up).
- Gender.
- Type of business (retail, type of product, producer etc.).
- How long has s/he been in business?
- How did s/he get the business started? (Capital from family, relatives, bank, etc. and if they tell you how much, that would be helpful).
- How much could s/he afford to pay every two weeks?

- Would s/he agree to guarantee four others to form a group, as a guarantee?
- Is s/he a potential client? Do you think s/he has the capacity to repay a loan in bi-weekly installments of \$35?

Summary of Clients Interviewed

At _____ Market, in _____ by _____

On _____, 2000 (date)

Entrepreneur's First Name	Gender	Type of Business	How long?	How started?	Repayment amount?	Group 5 /10 guarantee?	Potential client?
1.							
2.							

Appendix II: Plan, Conduct and Follow Up for Training

Good planning is essential and sets a solid foundation for getting all work done in a non-frantic way. Keep all people directly involved in the training in the loop and make sure you reconfirm all major details. Once you get agreement from all participants about location and dates, do not change them for any individual, since it will send a message of not being dependable.

The goal in microfinance training is to consistently provide support, inspire new ideas and MOTIVATE staff to serve clients as well as possible. Always keep a list of things that could be covered for the next training.

For microfinance staff, frequent training sessions that last a few hours, at least once a month or ideally bi-weekly, are more beneficial than one semi-annual three-day workshop. In addition, gathering two days twice a year outside of the office to participate in a team building session (never underestimate the value of team building!) is important.

Pre: Getting Ready

- Identify participants' needs:
 - Consider their background and how much they know about the topic.
 - What do you want to achieve in training? Methodology ("what", the technical aspects) and skills ("how", including communication, team building, management, motivation, etc.)
 - Don't separate knowledge (methodology) and skills (communication, listening, etc). You can combine them together to reinforce both.
- Set objectives & create the agenda (SMART = Specific, Measurable, Appropriate, Realistic, Timebound).
- Arrange logistics: never spend more than 20% of your time on logistics; focus on substance and relationship building.
- Set dates: minimum one-month notice for international workshops and two weeks for in-country workshops. The more notice the better.
- Review and develop materials: make professional looking flipcharts. Flipcharts are more interactive than overheads; people tend to fall asleep when the overhead projector is on and the lights are dimmed.
- Decide on methods of presentation and experiential activities
- Identify resources needed.

- Specify time for each activity.
- Budget for two to three days of preparation for every one day of training.

During: Making sure things go smoothly

- Arrange for at least two facilitators per day for variety. To break up the intense involvement required by facilitators; get participants involved in warm-ups, etc.
- Nominate a fun committee: a social element adds a great deal.
- Make sure all participants fill out an evaluation before they leave.

Post: Following up with the next steps and compiling materials

- Evaluate & follow up; summarize the evaluations and distribute.
- Compile a copy of all handouts and write a one-page summary for future reference.

Key Points for Facilitators

1. Acknowledge each member and encourage active participation.
2. Keep the group purpose in mind.
3. Stay focused.
4. If you don't know, say so.
5. Be yourself and adaptable.

Appendix III: Tips for the Open Meeting*

- Aim for no more than 40 to 50 people at a meeting, otherwise it will be too difficult to speak and answer questions. In case more people show up, have an action plan in mind: for example, you could arrange for two meetings that day, divide the group in half and ask one half to come back in an hour. When people call to say they are interested in attending an open meeting, make a list of names and phone numbers so that you have an idea of how many people will be at the open meeting.
- Make arrangements for a good meeting place, with sufficient chairs and comfortable atmosphere. If there will not be many people, you may hold the meeting in the office; otherwise you will need to find space in a public building, such as library, conference hall, etc.
- Arrive early. This is your first chance to set a good example for your potential clients.
- Greet participants as they walk in the door, give them a brochure, and begin to take an interest in them. Be friendly!
- Pay attention to your presentation skills:
 - Smile, especially as you introduce yourself!
 - Practice your first sentence and begin with confidence.
 - Breathe deeply and maintain a strong voice.
 - Make an effort to speak more slowly than usual.
 - Make eye contact with several individuals as you speak.
 - Always face the audience and avoid talking into the flipchart.
 - Use a pointer to explain items on the flipchart.
 - Stand on two feet, and plant them in the ground if you have to!
 - Introduce each point to make a smooth transition between topics.
 - Use phrases like "We offer, We encourage, The program requirements are..."
 - Avoid phrases like "You must, you will have to..."
 - Be positive and enthusiastic about your program.
 - Try to talk more and read from the flipchart less, but practice concise sentences beforehand.

* Elissa McCarter, Kamurj, CRS Armenia

- Keep your presentation of the program to a maximum of 15 minutes.
- Encourage people to ask questions and respond positively.

Tips for Visual aids (flipcharts)

- Simple with lots of white space.
- Keep it organized and create a path for the eye.
- Make it dominant (greens, reds for borders/accents, blue, black for words).
- Divide space in an interesting way and highlight key words.

From Susan: Have important points **JUMP OFF THE PAGE**. A good flipchart has between 20 to 30 words on it and only about 4 to 5 points. Your participants shouldn't have to try and read every word. The idea is to have the flipchart reinforce what you are saying and for you to remember which point to talk about next. Get your hands on "smelly" markers by Mr. Sketch. They cost about \$8 for a packet of 12 gorgeous colors and smells; they really make a difference in good presentations and inspire creativity.

Appendix IV: Sample Flipchart Texts for Open Meeting*

HORIZONTI

CRS Macedonia's Microfinance Program

February 2000

Cover page

HORIZONTI

CRS' Microfinance program

Provides small loans to women who have their own businesses.

page 2

The First Loan

Principal	MD 15,000
Interest	<u>1,800</u>
Total	16,800

Eight bi-weekly payments of MD 2,100 over four months

Up -front savings: 10% of loan amount (MD 1,500)

(Note: \$1US = 60 Macedonian dinars (MDs): initial loan = \$250)

page 3

HORIZONTI Loans

1. Cycle	MD 15,000
2. Cycle	MD 30,000
3. Cycle	MD 40,000
4. Cycle	MD 50,000
5. Cycle	MD 60,000

* Based on model from MikroPlus, CRS Croatia, by Marta Bogdanic and her team.

page 4

Up-Front Savings

10% of loan amount:

- Serious commitment to the program.
- Additional guarantee to loan repayment.

After you repay, you get it back.

page 5

Eligibility Criteria

- Women, 18 – 65 years of age.
- Residents of Macedonia.
- Have small businesses for at least six months.

Eligible Businesses

- Small production
- Trade & services
- Not for agriculture

page 6

Community Bank

5 + 5 + 5 = 15 people

page 7

Role of Solidarity Group

Members guarantee each other

Why?

- Solidarity replaces collateral.
- To enable microentrepreneurs to get loans.

page 8

Role of the Community Bank

- Provides additional guarantee for repayment of loans.
- Meets once every two weeks:
 - To make on-time payments.
 - To exchange business ideas and advice.
 - To possibly purchase in bulk.
- Adopts by-laws and elects president and treasurer.

All members are responsible for each other's payments

page 9

Steps to Obtain the First Loan

1. Contact promoter.
2. Form solidarity groups & community bank. Meeting 1
3. Elect Management Committee, create by-laws,
fill out loan applications. Meeting 2
4. Loan Analysis and Approval. Meeting 3
5. Loan disbursement. Meeting 4

From application to disbursement takes only 2 weeks!

(Questions and Answers)

page 10

Summary

- For women micro-entrepreneurs.
- First loan 15,000 dinars, payable in 8 bi-weekly payments of MD 2,100.
- Form a solidarity group and community back to guarantee loan.
- Pay on time; get more money.
- Call me!

Appendix V: A Proactive Approach to Delinquency

Below are some ideas about how to prevent late payments in comparison with how to collect payments. The simple fact is that promoters have to be proactive rather than reactive, otherwise the program will never reach its potential.

Prevention

- Proper group formation
- Clearly explain the program
- Emphasis on group repayment, not individual payments
- Promoter regularly follows up with clients
- Follow loan policies and procedures
- Importance of self selection and group guarantee
- Assess loan repayment capacity
- Involve spouses
- Accurate assessment of group organization
- Avoid sharing meals/personal gifts

Collection of Late Payments

- Make all members wait at a meeting until all payments are made
- Set example: sacrifice groups with defaults (no more loans for these groups)
- Insist on following by-laws
- Special meetings to fix the problem
- Visit client's house
- Send a warning letter and legal action
- Persistence and constant follow up
- Assistance from supervisors encourages teamwork for collection
- Wait until end of cycle and then withhold earnings and savings of village banks

Appendix VI: Description of a Promoter*

The promoter is a:

- **Facilitator.** In the credit group, the promoter assists the members to manage their own resources, make their own decisions, and find their own solutions to problems.
- **Service provider.** S/he provides key services to clients, such as training in program methodology, provision of loans, guidance at repayment meetings, linkages with other business services. Always remember that the client knows best. Promoters are there to serve.
- **Good communicator.** Promoters keep open the lines of communication within the group, among groups, and between the group and the microfinance program. Group lending is more than just money; it is a support network for micro-entrepreneurs that aids information sharing, and experience sharing. Other clients are often the best practical advice-givers. They have been there and done that!
- **Role model for clients.** Always set a good example for clients. If you are late, your clients will be late. If you do not keep your appointments and promises, your clients will not either. Earn respect through actions.

The most important thing to remember is that ***YOU MUST KNOW THE CLIENT***. Think of the loan as ***your money***. Would you lend to this person? It is your responsibility to carefully screen clients and to build a solid relationship with the group so that you have confidence in them and they have confidence in you. However, remember that ***clients must select themselves***, among the people they know and trust best. Solidarity will not work if you select the clients.

* Elissa McCarter, Kamurj, CRS Armenia, September 1999

Appendix VII: Criteria for Hiring a Promoter*

Personality and Character:

Comfortable with people, especially clients; can relate well to clients; good listener and communicator; is a team player; is able to stand her/his ground when faced with trouble makers; willing and able to learn; is confident, approachable, open-minded, adaptable, committed, honest, trustworthy, dependable, enthusiastic, convincing, confident, concise, helpful, reliable, dynamic, innovative, objective, receptive; presentable; and has a positive attitude!

Commitment:

Belief in the program; availability; dedication; know it is not a 9 to 5 job.

Presentation Skills:

Professional; prepared; understands and communicates the methodology; has devoted time to flipchart design; uses language and terms that would appeal to clients.

Potential:

Has the possibility of graduating to supervisory level; is a team player to create an institution.

Skills:

Good facilitator and problem-solver; able to form groups; punctual and good time keeper; speaks language of clients and comes from the target area; systematic and organized.

* Compiled at a Promoter Training Workshop in Skopje, Macedonia, January 2000

Appendix VIII: Book List: Creative Thinking, Leadership Skills, and Team Building

Resources are meant to be shared, so that people can apply them. Books and any information are useless when they are squirreled away on a shelf at home or hiding in your desk! You want people to have easy access to good information that will make them think and be creative. I am pretty sure you can find almost all of the titles mentioned below on the Amazon.Com website. The following are my favorite books on my bookshelf. New publications on team building, leadership, and creative thinking appear every week, and I have not yet had a chance to read many of them. By using Amazon.Com, you can review some of these titles that come with recommendations and readers' reviews.

Creative Thinking

- *A Whack on the Side of the Head*, Roger von Oech, 1983
- *Pursuit of WOW!*, Tom Peters, 1994 (and anything else by Tom Peters)
- *Six Thinking Hats*, Edward De Bono, 1985
- *Five Star Mind*, Tom Wujec, 1995
- *Aha! 10 Ways to Free Your Creative Spirit and Find Great Ideas*, Jordan Ayan, 1997
- *Thinkertoys*, Michael Michalko, 1991

Team Building

- *1001 Ways to Energize Employees*, Bob Nelson, 1997
- *Do What You Are* (Myers-Briggs Personality Test), P. Tieger & B. Barron-Tieger
- *Rewarding Teams*, Glenn Parker, Jerry McAdams & David Zielinski, 1999
- *The TEAM Handbook*, Peter R. Scholtes Joiner Associates Inc., 1989
- *The Winning Trainer*, Julius Eittington, 1984

Facilitation

- *The Art of Facilitation*, Dale Hunter, Anne Bailey and Bill Taylor, 1995

Project Management

- *The Project 50*, Tom Peters, 1999
- *The Manager's Tool Kit*, Cy Charney

- *Management Challenges for the 21st Century*, Peter Drucker, 1999
- *The Dilbert Principle*, Scott Adams, 1996

Leadership

- *Churchill on Leadership*, Steven Hayward, 1997
- *The Leader's Guide: 15 Essential Skills*, Randall Ponder, 1998
- *Leadership and the New Science*, Margaret Wheatley, 1992

Marketing

- *Guerrilla Marketing Attack*, Jay Conrad Levinson, 1989
- *Selling the Invisible*, Harry Beckworth, 1997

Time Management

- *One Minute Manager*, Kenneth Blanchard & Spencer Johnson, 1982
- *Putting the One Minute Manager to Work*, Kenneth Blanchard & Robert Lorber, 1984
- *The Overwhelmed Person's Guide to Time Management*, R. Eisenberg & K. Kelly, 1997
- *First Things First*, Stephen Covey, 1994
- *Time Management for Dummies*, Jeffrey J. Mayer, 1996

Quotations

- *Never Confuse a Memo with Reality and Other Lessons Too Simple Not to Know*, Richard A. Moran, 1994

Magazines

- *Fast Company*, An excellent monthly magazine focusing on creative thinking and the new way of doing business especially in the internet world: www.fastcompany.com
- *Inc.*
- *Entrepreneur*
- *The Economist*

Appendix IX: Microfinance Music Selection

The following musical selections are meant to be motivational and reinforce the ideas of the people in microfinance. Each song is "high energy" and fits in with the theme of motivating clients and staff. If nothing else, it's great music for the car, and hopefully some of the messages will sink in.

Clients

<u>Song</u>	<u>Page #</u>	<u>Artist</u>	<u>Why chosen</u>
1. Takin' Care of Business	10	Bachman Turner Overdrive	Microfinance is a business
2. Sisters are Doin' it for Themselves	12	Eurythmics with Aretha Franklin	Focus on women clients
3. I am Woman	12	Helen Reddy	Focus on women clients
4. Believe	16	Cher	100% belief in your mission
5. I'm a Believer	16	The Monkees	100% belief in your mission
6. Respect	18	Aretha Franklin	Respect your clients
7. Think	18	Aretha Franklin	Think about your clients
8. Stayin' Alive	20	Bee Gees	Be competitive to stay alive
9. Money	22	The Beatles	What your product is
10. Mony, Mony	22	Tommy James & The Shondells	I thought it was money, money...
11. I Heard it Through the Grapevine	24	Marvin Gaye	Keep your ears open to get good info
12. Monkey	24	George Michael	Delinquency – get the monkey off your back!
13. It's Not Unusual	24	Tom Jones	It's not unusual to have a problem now and then

Staff

1. Simply the Best	28	Tina Turner	Your staff are the best!
2. Smooth	28	Santana	Staff are smooth

3. That's the Way I Like it	32	KC and the Sunshine Band	Positive reinforcement works
4. The Way You Make Me Feel	32	Michael Jackson	Positive reinforcement works
5. Here We Come	34	The Monkees	A team approach works
6. We Will Rock You/ We Are the Champions	34	Queen	A team approach works
7. Jumping Jack Flash	38	The Rolling Stones	Have fun, especially in training
8. A Hard Day's Night	42	The Beatles	It takes a lot of long hours
9. Ain't No Mountain High Enough	42	Diana Ross	Staff will do whatever it takes
10. Born to Run	44	Bruce Springsteen	You have to challenge the status quo
11. Jump	44	The Pointer Sisters	You need energy & passion to create ownership
12. Don't Stop	48	Fleetwood Mac	Once you've got it all together, keep going
13. You Ain't Seen Nothing Yet (reprise)	48	Bachman-Turner Overdrive	Wait till you see what we can do!

A Last Note...

In the Zurich Airport on February 26th, 2000 on route to Bulgaria, I came upon a concert combined with a going away party for someone named Annelies in the main terminal building. I am not exaggerating when I say that the typically reserved Swiss were clapping away in time to a 50 piece brass band playing "Jesus Christ Superstar," "Cats," "I Did It My Way," and "Jailhouse Rock." Travelers were craning their necks from many vantage points and were singing along and moving to the music in an airport on a Sunday morning! It totally confirmed my belief in the power to use music to motivate and unite people. People were actually smiling as they passed through immigration – not a sight one often witnesses.

Catholic Relief Services, founded in 1943, assists the poor and disadvantaged outside the United States. CRS works in solidarity with all people of good will and similar vision to promote human dignity, alleviate human suffering, promote the development of people, and foster charity, justice, and peace in the world. CRS assists the poor solely on the basis of need, not creed, race, or nationality, and maintains strict standards of efficiency and accountability. CRS currently operates in 88 countries and supports microfinance activities in 33 countries.

CRS Microfinance

<p><u>West Africa</u> Benin Burkina Faso Ghana Niger Senegal</p> <p><u>Eastern Africa</u> Ethiopia Kenya Rwanda Uganda</p> <p><u>Southern Africa</u> Madagascar Zimbabwe</p> <p><u>Middle East and North Africa</u> Egypt Jerusalem, West Bank, and Gaza</p> <p><u>South Asia</u> India—Eastern India—Hyderabad Pakistan</p>	<p><u>South East Asia</u> Cambodia Indonesia Philippines Thailand Vietnam</p> <p><u>Europe</u> Armenia Bosnia-Herzegovina Bulgaria Croatia Macedonia</p> <p><u>Latin America and the Caribbean</u> Bolivia Dominican Republic Ecuador El Salvador Guatemala Haiti Nicaragua Peru</p>
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