

MicroSave India Focus Note # 16

Delivering Training and Technical Assistance

Lessons Learned from *MicroSave's* Action Research Programme 2007-2009

"Worldwide (and in India too) training and capacity development remains the single biggest challenge for microfinance¹".

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Background: The Indian microfinance industry is unique in that there is an abundance of financial capital chasing opportunities to invest, but a clear lack of adequate human capital/capacity to manage it. Most MFIs have limited (and often no) credible second-tier management to manage the institutions and their growth. There is therefore a pressing need to develop the management capacity of MFIs in India. Furthermore, the support services industry for microfinance in India is limited in scope and scale. What little exists is focused primarily on external (and occasionally internal) audit, delivering 4-5 CGAP toolkits and extending basic "hand-holding" services to nascent MFIs.

In *MicroSave's* India Focus Note # 11, "Capacity Building – Needs and Challenges in India" Brij Mohan notes that, "In addition, to maintain the confidence of (and thus fund flows from) the bankers, MFIs will need to improve their systems, governance, management and transparency. Surveys and informal discussions reveal that the central bank, and commercial banks lending to the MFIs, continue to be concerned about their *weak governance and second-line management*. ... In line with private sector business, MFIs need to start seeing *training as an investment rather than expense*. As part of this they need to pay more attention to training and capacity development as a part of an integrated HR management that includes HR retention."

MicroSave's Action Research Partner programme financed by the Bill and Melinda Gates Foundation seeks to provide training and technical assistance to MFIs (of a wide variety of institutional forms – from SHGs to commercial banks), offering a wide variety products (from group-based lending to savings and remittance services). In doing this, *MicroSave* has learnt several lessons about the opportunities and challenges, as well as the market for providing training and technical assistance in India. This note discusses the lessons learned to date.

Options for Training in India: There is still remarkably limited training available in India, particularly for MFIs implementing joint liability group- and individual lending-based systems. Most non government training institutions (APMAS, Chaitanya, Reach, the Dhan Academy, Myrada etc.) are focused on the development

of Self Help Groups and their federations. The government agencies are also typically not serving the joint liability group-based institutions. The main government agencies are BIRD in Lucknow (which is largely focused on the regional rural banks and cooperatives) and the Vaikunth Mehta National Institute of Cooperative Management at Pune (which is, as the name suggests focused on cooperatives).

Perhaps the best known training organisation in India for joint-liability group based systems is EDA Rural Systems, for which training is a sideline, relatively unimportant segment by comparison to its extensive rating activities. EDA typically runs around one training course a month using the CGAP courses. BASIX provides some training and "hand-holding" for some selected MFIs, as does the new CARE Access programme – however, these inputs are better suited for nascent rather than mature or maturing MFIs.

MicroSave is therefore working to significantly scale-up and improve training and follow-up technical assistance for the upper and middle management MFIs in India. *MicroSave's* training programmes are also focused on providing more technical, detailed, and above all, practical training with a focus on "how-to", rather than just "what you ought to do" that characterises many of the offerings in India and elsewhere. In the longer run, the development of a high quality, respected distance learning programme will be essential for field-based staff such a branch managers, *MicroSave* will continue to look for options to offer this. Finally, the Indian microfinance industry has been largely isolated and inward looking for too long. Many managers have little idea of the alternative approaches and excellent work going on outside India, and so would greatly benefit from meeting peers from across borders to exchange experiences and ideas. Similarly, many Asian MFIs (and their clients) would greatly benefit from understanding more about the remarkable efficiency of Indian microfinance. To this end *MicroSave* has been proposing Applied Microfinance Institute – Asia, a regional training event for upper management of MFIs, modelled on *MicroSave's* hugely popular Applied Microfinance Institute – India events.

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Technical Assistance and Managing Action Research Partner Relationships

MicroSave uses a time-tested approach to delivering technical assistance to its partners, using discrete packages of inputs on the basis of its toolkits, which provide simple step-by-step guides to undertake basic aspects of the management of MFIs. Thus *MicroSave*'s 30 toolkits cover a range of management tools including strategic business planning, market research, costing and pricing, process mapping, internal audit and control, human resource management etc.

In delivering this unique combination of training and technical assistance, *MicroSave* has developed a reputation for very high quality, technical inputs that add real value to its partners. As a result, *MicroSave*'s services are in huge demand, and those partners in the programme want to access as many inputs as quickly as possible – even when they are not always ready to absorb them. Thus partners often ask for too many deliverables in a short span of time, wanting quick results regardless of sequencing needs and without waiting for the technical changes to take effect and become integrated into their management and delivery systems. For similar reasons, *MicroSave* staff members are also often confronted with additional add-on demands and expectations when they arrive to undertake an assignment. As partners discover new needs, so they turn to *MicroSave*'s technical expertise for an instant solution. *MicroSave* staff members have had to learn to help partners prioritise their needs and meticulously plan the schedule of inputs, thus reducing *ad hoc*, reactive management.

Over demand is not always the problem. Several missions and relationships have struggled when the key contact person at the partner changes, thus disrupting communication, and the common understanding of the goals of the *MicroSave* programme of inputs. *MicroSave* has been working to broad-base the understanding of its inputs within partners, and this has been largely successful. Other disruptions have occurred when the partner suddenly seeks to change of dates of an assignment at the last moment. *MicroSave*'s planning horizon is 3-4 months, and most staff members are fully scheduled in advance. Thus, last minute cancellations of assignments cause disruption and waste of precious resources ... and leave the partner at the back of the queue, likely to have to wait a long time before the staff is available to undertake the cancelled assignment. As the relationships deepen, partners understand this better, and last minute cancellations are becoming much less frequent.

There are also occasional, interesting clashes of cultures and experience, which are enriching ... if a little stressful. *MicroSave* staff members sometimes make

observations and recommendations with which the partners are not comfortable, or which conflict with partners' approaches and line of thought. Similarly, *MicroSave* staff members come with a particular experience, and have been trained to approach the work in a specific manner, which leads them sometimes to struggle to understand, and empathise with, partners' approaches and ideas. These issues are sometimes exacerbated by *MicroSave*'s belief in its relatively young staff, who are soon leading assignments – so older CEOs often find themselves being advised by consultants many years their junior. However, the technical competence of *MicroSave* staff, combined with careful training on partner management in the team meetings and learning days that are held every two months, has reduced these problems significantly.

Finally, because of their packed schedules, in some instances *MicroSave* staff members have struggled to complete the comprehensive reports and recommendations matrices that must be delivered to the partner for each assignment. *MicroSave* has responded by initiating a move towards reporting on some assignments using powerpoint-based pitch book formats that, it is hoped, are better for CEOs and senior management, who often struggled to internalise the dense and complex reports and recommendation matrices.



Conclusion: *MicroSave* has made a good start on the provision of training and technical assistance services in India, and indeed is acknowledged as setting new benchmarks in many areas. To do this, it has had to learn and adapt new approaches. This is an on-going process that will further strengthen and improve its offerings over time.