

MicroSave Briefing Note # 46

Catalysing Capacity Development: Assessing the Need for Training¹

Graham A.N. Wright, Ramesh S. Arunachalam, S. Mishra and S. Narayanan

Background and Methods

Training and capacity development remains the single biggest challenge for microfinance worldwide. This challenge is also central to the performance of microfinance in India. *MicroSave* conducted a study to understand and analyse the need for training/capacity development, optimal contents and structure of training courses as well as the organisations/institutes best placed to deliver training in the different regions of the country. The team identified and analysed secondary data sources from previous studies, the records of MFIs, wholesalers and training institutions. Primary data collection involved:

- Focus Group Discussions² (using Participatory Rapid Appraisal tools);
- Individual In-Depth Interviews; and
- A Quantitative Survey Questionnaire.

[There is an] “urgent need for a systematic and holistic approach to large-scale capacity building in the Indian microfinance sector”.

These instruments were used to obtain the views of 25 (nascent, emerging, expanding and mature) MFIs, donors, wholesalers and experts, bankers, individual consultants and capacity builders, regulators, auditors and credit rating agencies. The key findings reflected many of the issues in capacity development that are so prevalent in microfinance across the globe.

Key Findings and Recommendations

Selecting Training Courses

The large-scale and diversity of courses required by the MFIs will necessitate the development of a system to assist MFI to diagnose their key issues and thus to assess and prioritise their needs. Using participatory methods to identify training needs will increase buy-in and understanding of the role that capacity building can play in the overall development of the organisation. This should reduce the number of participants sent to courses as a reward, and increase the expectations of the MFI for those trained to apply the skills they have learned. In addition, it will be important to look at methods for sequencing the courses – so that MFIs first take and implement the more basic courses that necessarily underpin subsequent (more sophisticated) ones. This will also relate closely to the state of evolution of the MFIs seeking the courses.

“... those sent are not necessarily the best suited to apply the training skills learned, on the job”.

Follow Adult Learning Best Practice PLUS

Respondents clearly articulated the need for training courses to follow basic adult learning best practices in terms of using group exercises with plenary sessions and summary discussions and practical examples. *MicroSave*'s experience shows that having participants conduct much of the classroom work on their own institution's data/issues, thus leaving the classroom with a significant part of the work completed and ready for implementation, is extremely effective for driving change within the organisations.

“Facilitators must involve trainees rather than merely lecture. He/she should integrate participant experiences to the concepts”.

Use Classroom plus On-Site Follow-up Technical Assistance

The study highlighted the need for post-training assistance to implement what has been learnt in the classroom. Worldwide there has been a move toward training that combines classroom-based learning with on-site, follow-up technical assistance, under which the participants work with the trainers/consultants to implement and institutionalise the training/changes within their MFIs. Thus, for example, after three days

“There should be a practical follow-up immediately after the course to facilitate better application of concepts learned”.

“A key output from the training should be a draft plan for subsequent implementation”.

¹ The full study “Catalysing Capacity Development: Micro-Finance In India - Training Needs Assessment” is available on the *MicroSave* website www.MicroSave.org.

² At some MFIs, these exercises lasted for as long as between 12 – 20 hours (1 –2 days)

working on portfolio management (ideally using their own data), participants return to their MFIs with a trainer or a consultant to work on institutionalising portfolio management systems and skills within their MFI.

This approach is much more resource and labour intensive, and requires a special quality of trainer (one that can put the classroom theory into practice in a variety of institutions). However, this approach has been demonstrated to lead to far more effective change and improvement within MFIs participating in the training programmes. The approach also means that the use of training courses as a reward system for staff members will probably be reduced since the MFIs will know that the participants will be expected to work with the trainers/consultants to implement the training. This approach also offers a better business model for trainers/consultants in that the revenue stream generated is for 3 days training, plus 5-8 follow-up, on-site assignments of a week or more - rather than simply a 3 day classroom based training.

“... practical and practiced focussed trainings are the critical need today - so that people can go back and use the skills and concepts learned within their MFIs”.

Develop an Integrated Curriculum for Microfinance in India

Many of the participants in interviews and focus groups emphasised the need for an integrated, broadly standardised, India-specific, national curriculum for key core competencies necessary for the design, delivery, management and governance of financial services. Several of the participants (from the MFIs, experts, capacity builders, service providers and training institutions) offered to assist in the collaborative effort to develop such a curriculum. Such a collective effort would be necessary and desirable to complete the massive task that such curriculum development would entail. This Integrated Curriculum would be designed and produced to the highest possible standard using industry norms and would typically contain a Participant’s Manual/Workbook and a Trainer’s Kit (manual, slide show, handouts and exercises). The curriculum would then be available in the public domain for use by MFIs, training institutions, individual consultants and capacity builders.

“There is a critical need for a national curriculum (i.e., a core curriculum capable of being adapted to different strategic contexts) for microfinance in India and that can really facilitate large scale and high quality capacity building – both of which are absolutely necessary for scaling up of microfinance services in India today.

Develop Comprehensive, Easy-To-Use Training Packages

Given the huge market in India, it will be essential to engage and empower as many trainers as possible to use the courses in an Integrated Curriculum for Microfinance in India setup. Several training institutions and independent consultants expressed the need for training materials they could adapt and offer to the industry. Some of the expanding and mature MFIs expressed the desire to conduct some of the training “in-house” tailored for their specific institutional systems and needs. It will be important to develop and disseminate training materials that can be adapted and translated for local needs and delivery through as many channels as possible.

“Development of a workbook/ toolkit that provides a step by step orientation is key”.

Target Inputs Carefully

There are around 1,000 NGO-MFIs in India, plus nearly 300 Regional Rural Banks, plus 100,000 cooperatives. Choosing the institutions in which to invest scarce training and technical assistance resources will be a key challenge. The wholesalers/donors, national level capacity building institutions and the regional training centres will need to define and implement a transparent, easy-to-assess and market-responsive system for selecting and screening which financial institutions to work with. Selection criteria are likely to be based on:

- a. # of clients served (with financial services);
- b. Size of the portfolio/deposits mobilised;
- c. Strategic plan of the institution with regard to delivering financial services for ‘low income people’; and
- d. Financial statements (balance sheet, profit and loss, cash flow and portfolio report).



To learn about *MicroSave*’s approaches to training and capacity development visit www.MicroSave.org.