COMPETITIVE ADVANTAGE OF MFIS THROUGH QUALITATIVE TRAINING & CAPACITY BUILDING

SHAM Abeyratne
Director General
IBSL
ISSUES TO BE DISCUSSED

- Present Status of MFIs in Sri Lanka
- The importance of capacity building in MFIs in today’s context
- The IBSL Microfinance Diploma Course
Present Status of MFIs & the need of Qualitative Training

Sri Lanka Case
Distribution of MFIs in Sri Lanka

- MPCS: 1628
- TCCS: 6075
- Samurdi Bs: 1040
- AGS: 471
- People’s Comps: 870
- NGOs: 278
- Sarvo S S & SEEDS: 2030
- Total: 12392

(Source CBSL)
Present States. . . . .

- The establishment of MFIs and providing financial accessibility has contributed to alleviate poverty in some countries over the last 30 years.

- However, it is questionable to what extent those Institutions are capable of utilizing full potential of available resources to gain competitive advantage, amidst current global economic environment.
Present States

- The number of financially sustainable MFIs with proven track record is small, even though the overall outreach is impressive.

- Many more MFIs need to gain competitive advantage in order to ensure their sustainability which in turn trickles down to the poor.

- MFIs can no longer claim to be insulated from shocks in the real economy – They are depend on financial markets, investors, on global eco trends, and fortunes of its customers.
Present states.

- 15.2% of the population under the national poverty line
- 2.8mn persons are living in HH whose per capita expenditure is less than Rs 2233/ per month
- 12,392 MFIs in Sri Lanka,
- Players on MF training
  - Government, Banks, Financial institutions
  - NGOs, Universities, professional bodies
The importance of capacity building in MFIs in today’s context

From HR point of view
Why Capacity Building?

- The services and scope of MFIs are widening in line with emerging economic environment & market conditions.
- Hence training and capacity building of MFIs should focus on the skill demanded by the industry today and tomorrow.
- Trainer/Educator should be knowledgeable of what is happening in the MF industry tomorrow.
The importance HR & Capacity

Building

- 80% of the global leaders think people issues are more important today than before.

- 67% of the global leaders believe retaining talent has become more important than acquiring new blood.

- A century ago most valuable US corporation was US Steel, whose primary assets were smokestack Factories. Today’s most valuable corporation is Microsoft, whose most valuable assets go home every night.

- Companies that want those assets to return every morning must pay attention to the work place.
What does Capacity building involve?

- **HR development**: the process of equipping individuals' KSA to perform effectively

- **Organizational development**: manage orgs structures, processes and procedures within the organization

- **Institutional and legal framework development**: making legal and regulatory changes to enhance its capacities
Successful MFIs...

Focus on profitability

Improve internal processes

Use market opportunities

Empower staff and create change culture

Promote transparency and access new funding sources
The IBSL Microfinance Diploma Course

MFIs need on Capacity Building
The IBSL Microfinance Diploma Course

- Developed jointly by IBSL and Frankfurt School of Finance and Management with support of GTZ
- Difference to “Training Only”: Establishment of Standards & Quality Control
- IBSL conducted Training of Trainers (ToT) Programme
- 25 trainers underwent the ToT, 12 of them were selected to function as resource person
- Diploma course is now up and running since August 2009. Next batch will be around April / May 2010.
- IBSL to conduct same ToT soon for Jaffna University staff & Jaffna MF practitioners
The IBSL Microfinance Diploma Course

- Content of the IBSL MF Diploma course:
  - MF and Economic Development
  - Accounting
  - Financial analysis of MFIs
  - Asset-liability management
  - Credit Analysis
  - Credit Policy
  - Delinquency management
The IBSL Microfinance Diploma Course

- MIS
- Operational Risk management
- Product development
- Business planning
- General management
- Good Governance
- Regulation & supervision
Reasons for success of the Diploma

- Course materials were developed by involved experts (Frankfurt school Trainers)
- ToT program was offered only to needed practitioners
- Selection of trainees were done in professional manner
- Diploma program includes Knowledge skills and tools for successful teaching
- At the end of the training all participants had to pass a MC test
Why should we change?

Changing Business Environment

- New Technologies
- New Sources of Funds
- New Markets

New Laws & Regulations

Fraud

Delinquency

Competition

Opportunities

Microfinance Institution

Threats
Open for Discussion

Any Comments?