



Enhancing the Financial Health of Micro-entrepreneurs: Beyond a mere assessment

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List of acronyms

| | | | |
|-------------|--|-------------|---------------------------------------|
| ADA | Appui au Développement Autonome | MFI | Microfinance institution |
| CFSI | Centre for Financial Services Innovation | SME | Small and Medium Enterprise(s) |
| CGAP | Consultative Group to Assist the Poor | MSME | Micro, Small and Medium Enterprise(s) |
| EMN | European Microfinance Network | NFSP | Non-financial service provider |
| FHN | Financial Health Network | NGO | Non-governmental organisation |
| FSP | Financial service provider | SEF | Small Enterprise Foundation |
| MFC | Micro Finance Centre | YBI | Youth Business International |

Why this second version of the report?

Financial support from J.P. Morgan enabled the European Microfinance Network (EMN) and Appui au Développement Autonome (ADA) to lead a joint research project to help improve the financial health of micro-entrepreneurs. The purpose of the research was to: (1) understand the financial health issues faced by micro-entrepreneurs, particularly those supported by non-financial service providers (NFSP) who provide technical assistance/business development services and financial service providers (FSP) who provide (micro)finance services, and (2) develop an operational guide for the staff of FSPs and NFSPs to assess the financial health of micro-entrepreneurs and support micro-entrepreneurs in dealing with financial issues that affect both the financial performance of their enterprises and personal well-being.

This cross-country research activity, including testing of the manuals and tools developed, covered sixteen pre-selected FSPs and NFSPs across four European countries and four emerging economies. The data and information obtained from the sixteen organisations generated in-depth understanding on the financial health issues of micro-enterprises, the financial well-being of the micro-entrepreneurs and the ways in which their financial health and well-being might be enhanced.

The research was carried out between July 2018 and September 2020 by Klaas Molenaar (Timpoc Consultants) as lead researcher contracted by EMN, and Mathilde Bauwin as field researcher, working for ADA. The research was based on literature reviews, surveys, field studies, interviews, and consultative discussions with a strong qualitative approach.

Given the geographical scope of their activities, EMN managed the regional coordination for Europe, while ADA managed coordination in the emerging economies. In all phases of the project, an expert group provided support, guidance and oversight to ensure quality deliverables that focused on the needs of project beneficiaries. Project partners (NFSPs and FSPs) were also actively engaged at all stages of the research.

During the testing phase of this research, the world was confronted with the Covid-19 pandemic. Micro-entrepreneurs, FSPs and NFSPs were suddenly confronted with a new reality that not only caused economic and financial health problems, but most certainly also led to mental and psychological health issues for the micro-entrepreneurs. While in 2019 the future might have been characterised by optimism and opportunity, since early 2020 that same future is now shaky and uncertain. In this revised version of the report, special attention is dedicated to dealing with financial health problems when things go wrong. The micro-entrepreneurs consulted made it pretty clear that when things go wrong, it is absolutely critical that mentors, coaches, or staff of the FSP or NFSP seek contact with those entrepreneur by to find out what can be done. Tools and methods to assist during crises are presented in a new chapter (chapter 6) of this report.

The two major outputs of the work done are:

- i. This second, revised version of the technical report, which synthesises the major findings and serves as a reference document for those who wish to learn more about the financial health of micro-entrepreneurs; and,
- ii. A revised version (including tools to deal with financial health issues in times of crisis) of the manual or operational guide for FSPs and NFSPs, coaches, and mentors to use in their work.



The key take-away from the research: In promoting financial health of micro-enterprises, one must not only focus on assessing a micro-entrepreneur's understanding of the financial issues related to his/her business and be able to measure their capacity to deal with those issues, but more relevantly, actions must broaden and deepen the understanding and capacity of micro-entrepreneurs.

1. A practice-based research to understand the financial health of micro-entrepreneurs

What does financial health have to do with financial inclusion? Financial health has been one of the key questions raised by CGAP¹ when talking about the financial inclusion of the most vulnerable. However, for a long time, the concept of financial health was mainly used to comment on the financial situation of companies. Strangely enough, financial health has yet to be extended to people.

1.1. What does financial health have to do with it?

The Centre for Financial Services Innovation (CFSI)² took the first structured initiatives to deal with the topic of financial health from a human perspective. Since then, financial health has been an emerging topic on the development agenda³. There is also a growing understanding that the financial health of businesses is influenced by the financial understanding of the entrepreneurs themselves, and their capacity to deal with such issues subsequently impacts the financial well-being of the household.

As a matter of fact, while access to financial services has been a core focus for years, the idea that financial inclusion is not the ultimate goal of concerted development efforts is becoming more prevalent. The case of dormant accounts is just an illustration, as is the recent study from Gallup showing that there is no relationship between account ownership and financial security or perceived financial control.

By contrast, financial health is a broader, more demanding concept that includes financial inclusion. Financial health appears to be a more desired state, or a positive outcome, for people and their businesses. Financial health is indeed more challenging for people to achieve and is particularly so for many micro-entrepreneurs. This report focuses on the financial health of micro-entrepreneurs, who represent an increasingly dynamic segment in developed and developing countries.

This report discusses insights generated by an explorative research on the financial health of micro-entrepreneurs in eight Northern and Southern countries. It provides guidance for organisations that support micro-entrepreneurs with financial or non-financial services and helps to better assess and improve micro-entrepreneurs' financial health. In addition to introducing a variety of approaches and methods to assess and enhance financial health, case studies are also presented to highlight interesting methodologies and best practices considered relevant for all actors in the sector.

This report is based on research funded by J.P. Morgan and implemented by the European Microfinance Network (EMN) and Appui au Développement Autonome (ADA), aiming to better understand and help address the financial health issues faced by micro-entrepreneurs. Complementary to this publication, a practical guide dedicated to staff, mentors and coaches working with organisations supporting micro-entrepreneurs on their financial issues has also been developed.

1.2. Sixteen organisations studied in eight countries

The explorative research (based on literature reviews, surveys, field studies, interviews, and consultative discussions) was carried out between July 2018 and September 2019 and testing (online interviews, surveys, and consultative discussions) took place in 2020.

1 Sour Sourian M. (2019), "What's Financial Health Got to Do with It?", CGAP, blog.

2 CFSI is now the Financial Health Network (FHN)

3 The first publication of CFSI on the topic was published in 2015: Gutman A., Garon T., Hogarth J., Schneider R. (2015). Consumer Financial Health Study. Chicago, IL: CFSI

4 Gallup (2018), Gallup Global Financial Health Study

From the outset, the focus of the research was to analyse the financial health of micro-entrepreneurs working with a maximum of five employees. Given that the definitions of various segments of micro-, small and medium enterprises vary from one country to another (and even across institutions in a single country), it was not possible to rely on official definitions, especially since financial thresholds depend on the living standard and the economic situation of each country. Consequently, a threshold in terms of the number of employees was set. Furthermore, the research focused mainly on the work of financial service providers (FSPs) and non-financial service providers (NFSPs) working with this universe of micro-, small, and medium enterprises (MSMEs).

In line with the prevailing understanding of the various types of self-employment activities that people opt into, the micro-entrepreneur universe was sub-divided into (hybrid) self-employed, solo self-employed (with special attention to lifestyle solo employment), opportunity driven and growth-oriented micro- (sometimes labelled small) enterprises⁵.

- During the desk study existing publications on financial health were reviewed, those dealing with micro- and small entrepreneurs' financial health. A selection of existing tools and methods to assess financial health and provide entrepreneurs with support related to financial issues was also evaluated, some of which are included in this report.
- The field surveys took place in eight European and Southern countries to obtain both qualitative and quantitative data about their performance and supporting information was collected from the staff of FSPs and NFSPs and selected samples of their clients;
- Expert consultations were held to obtain additional information and explore interesting practices; and,
- A peer review was organised to discuss preliminary findings and ideas emerging from the previous steps.
- These actions led to an analysis of the subject and development of a method to assess and improve the financial health of micro-entrepreneurs. Then, we attempted to validate and test the materials.
- During the testing phase, staff of FSPs, NFSPs, coaches and micro-entrepreneurs were asked to apply the methodology, use the developed tools and share their opinions.
- Revision of the first report and manual took place afterwards

In the research and development phase, sixteen organisations cooperated with EMN and Ada across eight countries (United Kingdom, Italy, Spain, France, South Africa, Mexico, Brazil, and Peru). In each country, one financial service provider (FSP) and one non-financial service provider (NFSP) was identified and had their staff interviewed.

Nine of the FSPs and NFSPs (France, Italy, Spain, South Africa, and Mexico) participated in the subsequent testing phase. With the exception of Outset Finance in the United Kingdom⁶, the surveyed FSPs are institutions that deliver microfinance services; some were set up as NGOs while others are legally constituted as private limited companies. The surveyed NFSPs offer a broad range of business development services, with most NFSPs assisting clients access financial services or make better use of financial services. Most NFSPs depend on external financing. They were typically founded as NGOs or as projects by private companies (e.g. Outset Finance was set up by YKTO Ltd).

During the research phase, 83 micro-entrepreneurs were interviewed. In all eight countries, three to five entrepreneurs provided feedback and additional information on how they were dealing with financial problems arising from Covid-19, how they were impacted by the measures taken by authorities and offered their perceptions of the response from society more generally.

In the testing phase, 37 entrepreneurs shared their views on the proposed financial health process and the usefulness of the related financial health tools. In addition, they were asked how they were dealing with Covid-19 related financial problems. Procedurally, FSPs/NFSPs first shared the method, questionnaires, and tools (primarily the action plan) with preselected mentors/coaches and subsequently invited entrepreneurs to join the testing. In cases where real testing would be difficult, FSPs/NFSPs asked preselected entrepreneurs to complete only a questionnaire on how Covid-19 was affecting their livelihoods. One FSP (SEF in South Africa) carried out a comprehensive survey and interviewed (online) 160 entrepreneurs; those results were studied by the research team as well. The personal opinions of mentors, coaches, and staff of FSPs/NFSPs, and entrepreneurs have also been integrated into this second version of the report.

⁵ See also (Molenaar, They are not yet seen ... but...Hybrid Entrepreneurship in a changing society, 2016) in which the classification of MSMEs as originally presented by Farberman/ Lessik, see (Gosses, 1989), has been expanded

⁶ Both Outset and Nwes have similar operations and can be considered both FSP and NFSP.

Additionally, other stakeholders working on the topic of financial health or in the field of entrepreneurship and business development were also consulted. See Table 1 and the related appendix with detailed information about the organisations and micro-entrepreneurs participating in the research.

Table 1 // Organisations and micro-entrepreneur participating in the stud - by country and service provider⁷

| Country and Financial service provider | # micro-entrepreneurs | | Country and Non-financial service provider | # micro-entrepreneurs | |
|---|-----------------------|----------------|--|-----------------------|---------------|
| | Research stage | Testing stage | | Research stage | Testing stage |
| Selected EU Member States | | | | | |
| France - Adie | 5 | 4 ⁸ | France- Positive Planet | 5 | d.n.p. |
| Italy- Permico | 5 | 3 | Italy - Fondazione Welfare Ambrosiano | 5 | 7 |
| Spain- Oportunitas | 5 | 5 ⁹ | Spain- Incyde | 5 | 3 |
| United Kingdom- Outset Finance/ YTKO Ltd. | 5 | d.n.p | United Kingdom- Nwes | 5 | d.n.p. |
| Selected emerging economies | | | | | |
| Brazil- Credisol | 5 | d.n.p. | Brasil- Aliança Empreendedora | 5 | d.n.p |
| Mexico- Promujer | 5 | 5 | Mexico – ProEmpleo | 5 | 10 |
| Peru- Norandino | 5 | d.n.p | Peru -ADEC ATC | 5 | d.n.p |
| South Africa- SEF | 5 | 160 | South Africa- SAICA Enterprise Development | 5 | |

A final online workshop was held to present this final (second) version of the report and manual to the wider public during the 2020 EMN International Conference.

⁷ Details of the 16 organisations that participated in this research are presented in the appendix.

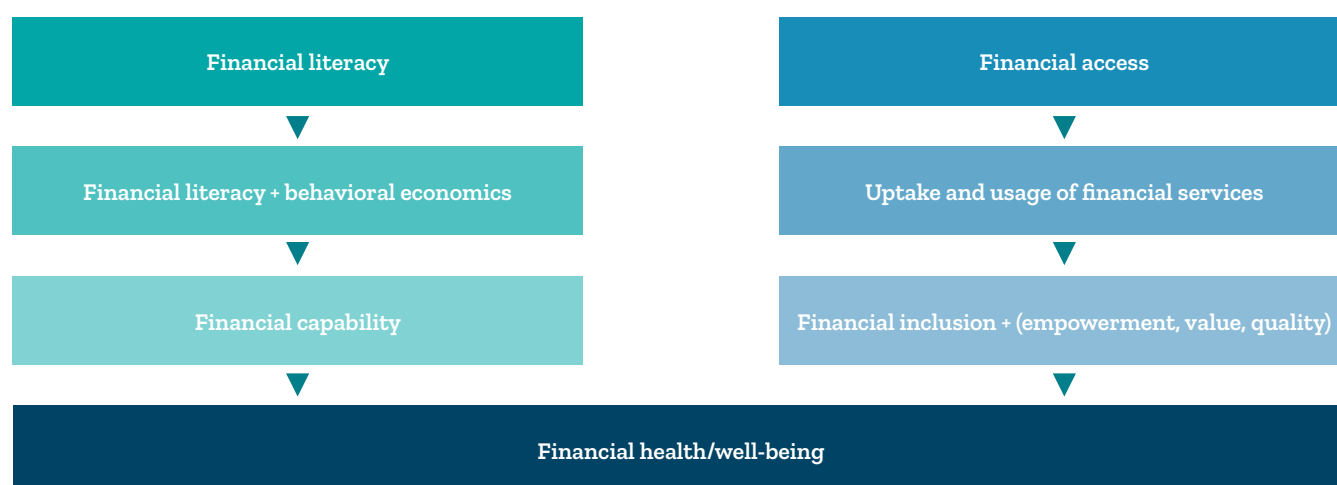
⁸ One entrepreneur could not finalise testing

⁹ Two entrepreneurs only answered general questions re Covid 19; three fully participated in testing

1.3. Financial health and how it is defined today

Financial health embraces a variety of financial topics, with many references to it made at seminars and workshops, as well as on the internet, websites, and platforms. Debates over the past decade about financial inclusion (i.e. for people excluded from the formal banking system) have introduced a variety of expressions and concepts such as financial health and well-being, financial literacy, financial access, financial inclusion, and financial capability. The Consultative Group to Assist the Poor (CGAP) has attempted to put these various concepts into perspective (see Figure 1).

Figure 1 // The many paths to financial health



Source: Soursourian M. "What's Financial Health Got to Do with It?", (2019).¹⁰

In CGAP's conception, financial health appears as the ultimate goal while financial access, financial literacy and financial inclusion all contribute to its achievement. It is also implicitly understood that the financial health of micro-enterprises has a direct effect on the financial well-being of the entrepreneurs and their households.

Similarly, a recent survey conducted by Gallup¹¹ and funded by MetLife Foundation described financial health as an "umbrella" term encompassing financial inclusion, financial literacy and financial control. That survey, based on interviews conducted in ten countries, suggests that there is no relationship between account ownership, or access to financial services, and financial security or perceived financial control. The study concludes that financial inclusion is not sufficient to achieve financial health and that financial control is another important and complementary dimension of financial health.

In a similar fashion, Accion, a global NGO working on financial inclusion, refers primarily to individuals and household when discussing financial health¹². Accion sees financial health as directly related to the capacity of an individual to balance daily finance/systems, to weather financial shocks and to pursue important life goals.

For MFC, one of the leading microfinance networks in Eastern and Central Asia and Eastern Europe, financial health is defined as the "condition in which a household effectively manages its income and expenses, is resilient to financial shocks and plans its financial future with the long-term perspective"¹³.

¹⁰ The article is accessible through the following link: www.cgap.org/blog/whats-financial-health-got-to-do-it

¹¹ Gallup (2018). Gallup Global Financial Health Study. Washington, DC: Gallup.

¹² Elisabeth Rhyne Managing Director, Centre for Financial Inclusion at Accion International Conference on Customer Centric Businesses Mamallapuram, India February 2018 – read June 2019, 17th

¹³ <http://mfc.org.pl/financial-health-2/>

The Financial Health Network (FHN) -formerly CFSI- , which initially raised the issue of financial health to the financial inclusion sector, started by working on the concept applied to individuals, especially consumers, through their Consumer Financial Health Study in 2015. FHN mentions in its mission statement that it “envision[s] a future where all people, especially those who are most vulnerable, have the day-to-day financial systems they need to be resilient and thrive¹⁴”.

Over the years, FHN has arguably made the most progress in describing the financial health of a small business. FHN classifies a small business (mainly US based) as healthy when “its daily systems help it build resilience and pursue opportunities over time.” It considers nine indicators to determine the financial health of businesses, which can be subdivided into three main categories:

Managing your finance, which includes:

1. Meeting financial obligations;
2. Maintaining sufficient cash reserves; and,
3. Maintaining a comprehensive financial management system.

Planning your future and finance, which includes:

1. Planning (or foreseeing) for significant business risks;
2. Planning for cash flow variability; and,
3. Possessing appropriate insurance.

Building up your Capital by:

1. Having access to affordable, timely (trade) credit;
2. Having a sustainable debt load; and,
3. Having access to investment capital

However, few debates or reports focus on the role of coaches, mentors, and technical staff of FSPs/NFSPs in developing or enhancing the financial health of micro-entrepreneurs. Similarly, few (if any) programmes or projects endow those coaches, mentors, or technical staff with understanding about the financial health of micro-entrepreneurs and equip them with tools and instruments to assist micro-entrepreneurs deepen their financial understanding and capacity to deal with financial challenges.

1.4. Defining micro-enterprises/entrepreneurs

For staff of FSPs and NFSPs to understand the financial health of micro-enterprises and micro-entrepreneurs, it is helpful to be more specific about the type of end clients they serve. Are these (solo or hybrid) self-employed, micro, and small enterprises or about small and medium enterprises?

This research focused on FSPs and NFSPs that provide services to micro-entrepreneurs (e.g. entrepreneurs owning and running a business with less than five employees/co-workers (including the entrepreneur). With this threshold still a vast spectrum is encompassed of self-employed persons and income generating activities. Before proceeding it was felt needed to determine how this “market” could be segmented. To voice an opinion on the financial health of micro-entrepreneurs (within the context of this research), a generally accepted classification or segmentation was adopted that considers:

- the actual aspiration levels of individuals engaging in self-employment activities;
- the asset base and capabilities of enterprising individuals and,
- the structural changes taking place in society.

The economic activity of women and men alike depend on their aspirations, entrepreneurial capabilities, and their asset base. That asset base can be further differentiated into three types of capital: human, financial/material, and social capital. However,

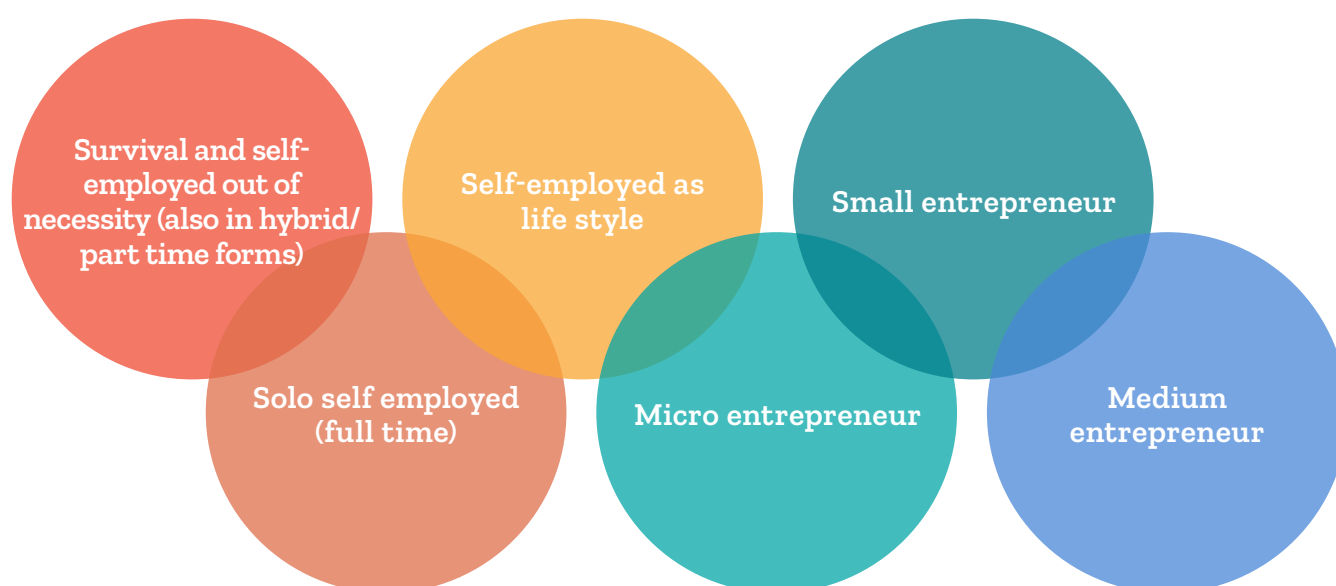
¹⁴ <https://finhealthnetwork.org/who-we-are/our-mission/>

not all entrepreneurial individuals possess the same capability mix. As a result, the type of businesses they create and manage will differ. Entrepreneurial activities range from survival activities that generate some additional income to self-employment, micro-enterprises and small or medium enterprises that exploit opportunities and target high growth.

In this report, we use a general classification to describe income-generating activities and business types (presented visually in Figure 2). The classification covers all types of economic self-employment activities, ranging from survival self-employment to the medium-sized entrepreneurial venture.

This classification should be viewed as a continuum since there is substantial overlap between categories and oftentimes some transition from one category to another.

Figure 2 // Classification of income generating activities and types of businesses



Source: Based on the classification of Farman and Lessik (Gosses, 1989) and further adapted by (Molenaar, 2013)

European societies are rapidly changing, and citizens are also reacting to the new social and work environments. People look more critically at options related to "life-long employment" and "life-long self-employment." Today, men and women might seek new options to become economically active and develop new forms of entrepreneurship. These options may be either part-time or intermittent, leading to hybrid forms of entrepreneurship where an individual combines formal wage employment (or social welfare benefits) with self-employment (either as freelancer or as small or micro entrepreneur) simultaneously. These new forms of entrepreneurship may include:

- Part-time entrepreneurship: a person without wage employment who often may take-up household tasks (unpaid work) or who operates a few days a week as an entrepreneur (or self-employed person);
- Intermittent entrepreneurship (or intermittent self-employed): a person who engages in wage employment for a given period, becomes self-employed and will perhaps seek employment again at a later time and may repeat such several times in life;
- Hybrid entrepreneurship: a new entrepreneur who combines formal wage employment (or social welfare benefits) with self-employment (either as freelancer or as small or micro-entrepreneur) simultaneously; and,
- Network entrepreneurship: individuals who seek to collaborate with other self-employed where collaboration makes sense for both parties (see Figure 3).

Hybrid entrepreneurial forms might represent a new way to start a business. Subsequently, FSPs and NFSPs face a challenge to develop a new range of services to meet the demand for this new entrepreneurial class.

Another key aspect to understand financial health relates to the various motives of people to set up an enterprise and become self-employed. Some are driven into self-employment out of necessity (e.g. to survive in society seeking ways to generate some income through self-employment without actual aspiring such) , others may wish to exploit an opportunity, set up a business with a clear drive to grow or consider it as an integral part of a (modern) lifestyle. In this report, we identify four distinct options:

- Necessity driven entrepreneurs: individuals who have no access to formal wage employment or with relatively low social security benefits and decide to engage in income-generating activities survive thus become “entrepreneurs” to sustain their livelihood by necessity rather than choice;
- Opportunity driven entrepreneurs: people who decide to exploit an opportunity and engage in self-employment or create an enterprise. These individuals start their own business with a clear plan and pursue the idea, ultimately continuing, stopping or selling the business at an attractive price, as often observed in the IT sector);
- Growth oriented entrepreneurs: individuals with clear entrepreneurial talents and capabilities who decide to deliberately start and develop a business with relatively high capital accumulation or job creation potential, often with great innovation capacity and clear market orientation; and,
- Lifestyle entrepreneurs: individuals for whom working independently and for one’s own purpose is seen as an investment in self-development, which are often realised in creative industries and through social enterprises.

Table 2 integrates all these factors into a market or end-client segmentation and the related financial challenges. This segmentation will be used to link categories of entrepreneurs to the specific financial issues affecting the financial health of their entrepreneurial activity, as well as the financial well-being of the entrepreneur. The specific related financial issues are mapped in Table 6 of section 2.3.

Figure 3 // Full-time and hybrid forms of entrepreneurship

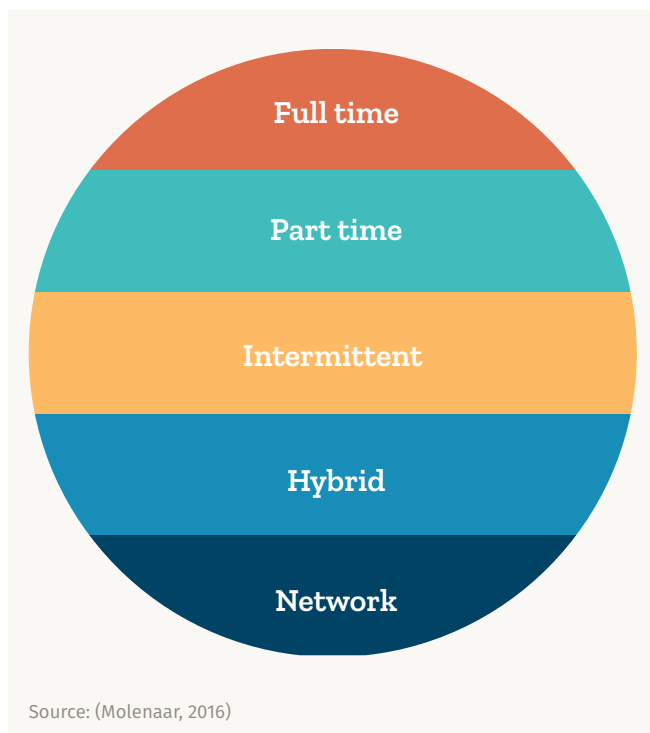


Table 2 // Classifying self-employed micro, small, and medium entrepreneurs/enterprises

| Type of economic activity | Indicative number of jobs affected ¹⁵ | Entrepreneur's objective/ aspiration/ financial strength | Main financial challenges |
|--|--|--|--|
| Survival and self-employed out of necessity (might as well be in combination with gainful employment or social welfare benefits) | Less than 1 FTE | Not focusing on economic expansion but aiming at survival; survival mentality by combining personal and business finance | Struggling to make ends meets, mixing personal with business finance; various sources of household income |
| Solo Self-employed – opportunity driven | 1 FTE | No real vision to expand; investing (relatively small) own funds; sense of ownership; prudent control over funds | Striving to get control over financial matters; difficulty on setting prices based on costs; debt collection problems; weak administration |
| Micro entrepreneur – opportunity driven; Activity often related to professional qualities of owner; and opportunities in the market | 1 to 4 FTE ¹⁶ | Exploiting opportunities in the market with gradual, organic growth if chances occur; technical skills and ability to adjust to new opportunities; costs consciousness | Focus still on obtaining financing from traditional sources that are less interested in this category, some control over liquidity; problems in bookkeeping and accounting |
| Self-employed / lifestyle Growth oriented; Often in hybrid form and sometimes even virtual | 1 FTE | Combination of focus on fast earning and self-development; not necessarily with longer term horizon; own funds and assets; capability to operate on the internet | Often tempted to solve problems on their own; seeking financing on the internet; short horizon |
| Micro-enterprise – growth oriented | 1-5 FTE | Growth orientation and capital accumulation; Stabilization of income; accumulated reserves and savings; business experience and relations with third parties such as accountants, advisers, financiers | Interested in complete financing packages and need of well-balanced growth and financing plan; over optimism might be bottleneck |

Source: Adapted classification based on (Molenaar, 2016) leaving out medium enterprises

¹⁵ FTE includes the entrepreneur.

¹⁶ The average FTE in this category is 1.7 FTE; see also EMN MFC overviews of microfinance sector; confirmed during field visits during this research

2. Findings – Part 1: Categories of entrepreneurs and their specific financial issues and support requirements

Different types of MSMEs are served by the FSPs and NFSPs; each category faces different financial issues and has unique requirements to improve financial health. How FSPs/NFSPs can best serve these clients is an outstanding question. The data and information obtained from the sixteen organisations establish a general consensus that merely assessing financial health is insufficient. In general, we find that an integrated approach is needed. Of course, substantial cross-country differences also need to be considered.

2.1. Shifts in MSMEs attended by FSPs and NSFPs and their service packages¹⁷

The surveyed FSPs and NFSPs showed variation in the type of clients they serve, core objectives and working environment. Table 3 and Table 4 present an overview of the FSP/NFSP target groups and the shifts in specific target categories of the MSME universe served.

FSPs and NFSPs in the selected EU member states:

- Tend to serve a broad spectrum of clients, however, FSP clients can mainly be classified as opportunity driven self-employed/micro-entrepreneurs with marginal employment creation (just reaching ~2 FTE including the entrepreneur¹⁸). In reports FSPs tend to refer more to the type of legal designation (registration) of their clients rather than the actual entrepreneurial profile of their clients¹⁹.
- A limited number of FSPs/NFSPs consciously decided to focus on growth-oriented SMEs and succeed in developing special programmes to reach to this segment (as an add-on to their overall service package); this is partly attributable to funding from municipalities that expect more jobs to be created by growth-oriented businesses than by opportunity driven micro-entrepreneurs.
- The self-employed lifestyle segment has not been widely recognised as a potential client group; it might well be that this group seeks its own form of financing (e.g. via the internet) and does not require the intervention of third-party financiers.

In the selected emerging economies, FSPs and NFSPs do not serve the same segment of micro-entrepreneurs.












- FSPs operate at the low end of the MSME universe and mainly serve the necessity driven self-employed and opportunity-seeking micro-entrepreneurs.
- The financing institutions (mainly microfinance institutions – MFIs) serve older and less educated clients than NFSPs.
- The size of businesses are not necessarily different (some MFI clients had several employees), although the entrepreneurial profile is typically different of that in the European market.
- NFSPs serve a broader spectrum of clients and focus less on the lower end only.
- Contrary to the tendency in Europe to gradually serve a broader spectrum of clients, FSPs and NFSPs in emerging economies tend to focus on the specific, target segments of the MSME sector they had chosen as target groups at the launching of their programmes.

¹⁷ See the appendix for more details of the eight FSPs and eight NFSPs.

¹⁸ Organisations typically present their client base based by legal designation and then report a broad range of target segments. In-depth analysis revealed that most clients belong to the opportunity driven self-employed and/or micro-entrepreneurs.

¹⁹ See also the recent EMN- MFC microfinance in Europe sector overview(s).

Table 3 // Eight European services providers and their target group

| Country | FSP/NFSP | Part time self-employed - survival | Solo self-employed - opportunity driven | Micro entrepreneur- opportunity driven | Micro/small entrepreneur – growth-oriented | Small, growth-oriented enterprises | Lifestyle entrepreneur (self-employed)- self-development driven | Major shifts taking place in reaching to target groups |
|----------------|-------------------------------|---|--|--|---|---|---|--|
| FSP | | | | | | | | |
| France | Adie |  | | | | | | Broadening scope from extremely poor to generally excluded from banking sector |
| Italy | PerMicro | |  | | | | | Broadening scope and to attend small entrepreneurs as well |
| Spain | Oportunitas SL | | |  | | | | Micro-entrepreneurs and gradually small enterprises |
| United Kingdom | N-Wes | | | |  | | | Gradually more growth-oriented entrepreneurs and growth-oriented SMEs |
| NFSP | | | | | | | | |
| France | Positive Planet | |  | | | | | Gradually more growth oriented micro and small entrepreneurs |
| Italy | Fondazione Welfare Ambrosiano | |  | | | | | Gradually adding social small enterprises |
| Spain | Incyde | | |  |  |  | | Attending all segments of MSME universe; no shifts |
| United Kingdom | Outset Finance/ YTKO- Ltd | | | |  |  | | Gradually more growth-oriented SMEs |

Note. Darker colours in the respective rows refer to main area of operations and the arrows give an indication of notable shifts (as interpreted by the researchers) in attention to specific target groups by the FSPs or NFSPs studied.

Table 4 // Eight emerging economy services providers and their target groups

| Country | FSP/NFSP | Part time self-employed - survival | Solo self-employed - opportunity driven | Micro entrepreneur- opportunity driven | Micro/small entrepreneur – growth-oriented | Small, growth-oriented enterprises | Lifestyle entrepreneur (self-employed)- self-development driven | Major shifts taking place in reaching to target groups |
|--------------|-----------------------|------------------------------------|---|--|--|------------------------------------|---|---|
| FSP | | | | | | | | |
| Brazil | Credisol | | ● | ● | ● | ● | | Majority of solo self-employed |
| Mexico | ProMujer | ● | ● | ● | | | ● | Majority of solo self-employed and lifestyle self employed |
| Peru | Norandino | | ● | ● | ● | ● | | Majority of micro-entrepreneurs - opportunity driven |
| South Africa | SEF | | ● → | ● | ● | | | Recently started targeting opportunity-driven and growth-oriented micro-entrp |
| NFSP | | | | | | | | |
| Brazil | Aliança Empreendedora | | ● | ● | ● | | | Majority of opportunity driven micro entrepreneurs |
| Mexico | ProEmpleo | ● | ● | ● | ● | ● | | Majority of self-employed - survival |
| Peru | ADEC ATC | | | ● | ● | ● | | Majority of opportunity driven micro entrepreneurs |
| South Africa | SAICA | | ● | ● | ● | ● | | Majority of solo self-employed and opportunity driven micro entrepreneurs |

Note. Darker colours in the respective rows refer to main area of operations and the arrows give an indication of notable shifts (as interpreted by the researchers) in attention to specific target groups by the FSPs or NFSPs studied.

As to the service package (see the appendix with details of the NFSPs/FSPs studied), interesting developments in the EU countries are noted:

- Nearly all FSPs appear to gradually start offering and organizing mentoring and coaching services for their clients (mainly with volunteers) in the post-loan stage (and to a lesser extent in the pre-loan stage); and,
- NFSPs also prioritise creating access to finance for their clients;
- Both FSPs and NFSPs appear to recruit (unpaid) volunteers to offer such services; and,
- A limited number of FSPs and NFSPs have started charging small fees for business support services²⁰.

A market-rate fee for mentoring

INCYDE works closely with FSPs throughout Spain on a project basis and co-finance coaches and business advisers for small and micro-enterprises at pre- and post-loan stages. Endowed with large public and ESF funding, it is in a position to pay business advisers market-rate fees. This stimulates the emergence of independently operating business advisers.

In the non-European countries:

- FSPs (all four operating as NGO/MFIs) mainly focus on delivering financial services (e.g. extending microloans to their clients who are interested in receiving such finance);
- When MFIs offer business development services (training), they struggle to make their clients attend; sometimes they make these services compulsory (e.g. subject to become eligible for financing in the pre-loan stages) and in this case, it helps to raise awareness among entrepreneurs about financing issues;
- NFSPs primarily offer stand-alone business development services (training and advice) to entrepreneurs who are more conscious of their support needs; and,
- NFSPs have more difficulty than their European counterparts to collaborate with FSPs.

Table 5 presents an overview of the notable differences between FSPs and NFSPs.

Table 5 // Notable differences between FSPs and NFSPs across EU countries and emerging economies

| | Selected EU countries | Selected emerging economies |
|-------------|--|--|
| FSP | <ul style="list-style-type: none"> • Broad and diverse spectrum of clients • Tendency to add growth-oriented entrepreneurs (encouraged by funding partners) • Adding business support services to financing | <ul style="list-style-type: none"> • Mainly focusing on lending • Clients have limited formal education (but possess technical skills) |
| NFSP | <ul style="list-style-type: none"> • Strong links towards access to finance in coaching and mentoring • Growing number of volunteer coaches/mentors • No structured mentoring approach | <ul style="list-style-type: none"> • No explicit links to financing • Structured approaches in training, coaching and mentoring |

Source: Authors based on interviews and field visits (2019)

²⁰ This is in line with lessons learned over the past years showing that entrepreneurs value services received higher when they pay for it, even when it only is a nominal amount.

2.2 Differences between the approaches and methodologies of FSPs and NFSPs

Structured coaching and mentoring

Positive Planet is a global initiative operating both in emerging economies. Its operations in France are run by Positive Planet France. The latter uses experiences learned abroad and then adapts them to the local situations found in France. Its structured mentoring and coaching serves as an example to the industry.

A number of differences as well as unique geographical features between FSPs and NFSPs across the four emerging market countries and four EU member states were observed in the research and development stage and conformed in the testing. Among the methodological differences, the following observations emerged:

- The promotion of economic and social participation (i.e. fighting economic and social exclusion) and the creation of economic wealth are more central in the strategies and mission statements of the European FSPs and NFSPs, while poverty alleviation and the generation of a decent income are more prevalent objectives in the four emerging economies.
- In emerging economies, FSPs appear to have a very clear focus on their defined target group and adhere strictly to the financing methodology that has been developed for such target groups. Such methods serve as the basis for their business models and financial sustainability plays a central role. By contrast, NFSPs in the emerging economies often face difficulties to develop a sustainable business model and depend on grant funding from donors and public authorities.
- Emerging market NFSPs provide an offer of structured training, coaching and business advice, but these services are not always linked to finance. In most cases, their business models do not rely solely on public subsidies, however, these NFSPs sometimes also rely on their respective national corporate tax systems (large companies provide funds to support entrepreneurs, sometimes in specific sectors and in exchange for tax reductions).
- European FSPs tend to integrate business support and mentoring services into the financial service package. They assume that the integration of non-financial services will lead to higher success in launching and developing a financed business.

Although mentoring and coaching are seen as relevant services in the European market, FSPs and NFSPs have difficulties to structure these services. In most cases, volunteer coaches and mentors decide independently how to offer their services. In a few cases, an effort is made to organise introductory courses and hold regular evaluation or intervention sessions with coaches and mentors²¹.

- MFI clients in the South are not necessarily looking for non-financial services whereas NFSP clients in Europe are willing to learn and improve their business, seeking financing afterwards.
- Charging clients (even a nominal fee) for business development services and mentoring has not yet been accepted by service providers. Interesting to note is that clients in the global North have indicated that they would be willing to pay if they see the added value of the coaching/mentoring.
- MFI clients in the four selected emerging economies are less likely to be aware that they may face financial issues and could therefore benefit from non-financial support, whereas NFSP clients see the value in business support services. Such is the case even if MFIs offer those non-financial services. MFIs typically struggle to make their clients attend non-financial services. Some MFIs make these services compulsory, assuming that it may help raise micro-entrepreneurs' awareness regarding those support needs.
- Entrepreneurs in the self-employment and micro-enterprise sector in the EU member states are often endowed with sufficient formal education and training to independently search for management tools, templates, digital instruments and applications offered through various websites. However, they still need support from coaches and mentors to select, apply and use these tools. Knowing which platform to trust is a difficult task given that there are so many resources available today.
- In the emerging economies, the clients of the FSPs and NFSPs showed little take-up of digital tools and methods. They prefer the person-to-person methods of mentors and coaches to explain how to use such tools in practice. In addition, NFSP clients are more interested in a tool than MFI clients, but even in this case, entrepreneurs should receive institutional support to use a tool rather than using it alone. Clients were more interested in a tool to help them track records, properly perform costing and pricing, and assist with invoicing.
- In all cases, it became evident that entrepreneurs who have run into financial problems have difficulties (and may feel ashamed)

²¹ Some FSPs/ NFSPs mentioned the valuable guides and information that Youth Business International (YBI) offers for mentor training.

to admit it and seek external advice. Detecting a problem at an early stage is therefore incredibly valuable and is needed (as evidenced by programmes such as Early Warning Europe). This observation was further reinforced due to Covid-19, where micro-entrepreneurs faced an onslaught of financial troubles and difficulty to manage the public measures and changes in society more broadly.

2.3 The financial issues faced by micro-entrepreneurs are quite uniform

Across the eight countries surveyed, entrepreneurs face a broad range of challenges and problems, which were further accentuated by Covid-19. Many of these challenges, whether general problems or those unique to Covid-19, have both direct and indirect effects on the financial performance of the business and on the financial well-being of the entrepreneur. An in-depth assessment of the various financial issues mentioned in the survey questionnaires and observed during the field work indicates that micro-entrepreneurs and the self-employed struggle with similar issues and appreciate proactive support from mentors, coaches and FSP/NFSP staff.

The importance of the cash budget (liquidity plan)

Per Micro and MicoLab Onlus (Italy) pay extra attention in mentoring and coaching in the pre- and post-loan stages to the cash budget of the (ne)company and the related personal / household budget. That approach is not only effective to analyze the financial position but in training the prospective entrepreneurs.

However, some differences between the respective categories of entrepreneurs were also observed. At the aggregate level, the most common issues include:

- Knowing how to separate private and business finance;
- Managing and dealing with personal and business cash budgets (including setting a salary for the entrepreneur);
- Costing and pricing of services and products;
- Setting up and using a (simple) administrative system;
- Dealing with debtors/creditors;
- Financial planning (including setting aside funds for future needs/investments); and,
- Dealing with traditional and new financiers.

These issues are typically related to:

- The personal situation of the entrepreneurs;
- Planning one's individual (economic) future;
- The financial management of the self-employment activity or enterprise; and,
- Planning and financing the business.

To confront these issues, entrepreneurs must first need to understand the issue, take steps to learn how to deal with it and then make use of that knowledge. This requires structured actions; during testing, it became evident that proactive support from FSPs, NFSPs, coaches and staff was particularly useful. Although there is a unique set of issues for each of the five categories of entrepreneurs, some issues are more relevant and important than others.

In terms of entrepreneurial skills, attitude, acumen, and characteristics as well as managerial knowledge and experience in business, the entrepreneurial profile differs across each category, and therefore, some issues will play a more dominant role than others as illustrated in Table 6.

Table 6 // Common financial issues across segments of the MSME universe

| | Self-employed out of necessity | Solo self-employed - opportunity driven | Micro-entrepreneur - opportunity driven (1-4 FTE) | Micro-entrepreneur - growth oriented (< 5 FTE) | Lifestyle self-employed - growth oriented |
|---|--------------------------------|---|---|--|---|
| Dealing with personal finance | | | | | |
| Separating personal and business finance | ● | ■ | | | |
| Managing cash in/out at the household level ²² | ● | ■ | | | |
| Keeping track of expenditures and income | ● | ● | ■ | | |
| Setting aside money for future (un-expected) events | ● | ● | ■ | | |
| Dealing with financial problems of the business | | | | | |
| Setting up an administration for the business | ■ | ● | ● | ■ | |
| Calculating costs/defining prices | ■ | ● | ● | ■ | |
| Tracking debtors | ■ | ● | ● | ● | |
| Managing a cash budget/liquidity budget for the business | ■ | ● | ● | ● | |
| Dealing with general planning problems | | | | | |
| Business planning | | ● | ● | ● | |
| Planning - defining financial needs | | ● | ● | ● | |
| Dealing with banks | | ● | ● | ● | |
| Saving/setting aside profits for future investments in the business | | ● | ■ | ● | |
| Dealing with financing options | | | | | |
| Knowing about financing options for growth | | | | ● | ● |
| Knowing how to present financing plans | | | | ● | ● |
| Knowing how to access external financiers (formal) | | | | ● | ● |
| Knowing how to deal with external financiers (digital) | | | | ● | ● |

● Key issues for solo self-employed out of necessity
 ■ Issues that deserve attention for solo self-employed

● Key issues for solo self-employed out of necessity
 ■ Issues that deserve attention for solo self-employed

● Key issues for opportunity-driven micro-entrepreneurs
 ■ Issues that deserve attention for opportunity-driven micro-entrepreneurs

● Key issues for growth-oriented entrepreneurs
 ■ Issues that deserve attention for growth-oriented entrepreneurs
 ● Key issues for life-style entrepreneurs

²² Including setting a salary for the entrepreneur

Two aspects to consider for each issue in a certain category include:

- i. The level of understanding of an issue and the possible effects it may have on the financial health of the enterprise or personal well-being of the entrepreneur; and,
- ii. The degree to which the entrepreneurs truly deal with the respective issue(s).

Additionally, three avenues that coaches and mentors should highlight include:

- i. In the short term: the liquidity problems affecting the immediate future of the enterprise (e.g. unable to pay expenses and bankruptcy risk) and the household (e.g. unable to pay bills), which is attributable to poor cash management/budgeting and inadequate savings. Not separating business from personal finance also contributes to such problems. With the persisting effects of the Covid-19 pandemic, liquidity issues have become a key issue for many FSP/NFSP clients.
- ii. In terms of evolution: the gradual evolution of the self-employment/income-generating activity due to a lack of planning and/or improper dealing with external parties and banks.
- iii. In terms of future growth: the growth of the business due to poor financial planning, inadequate information and/or dealing with various financing parties (traditional financiers as well as emerging funding partners). In the wake of Covid-19, many micro-entrepreneurs have decided to postpone the implementation of plans for growth and expansion. Some micro-entrepreneurs were forced to close their business and now need to formulate plans for a completely new type of business.

2.4 Keen interest in guidance and training alongside assessments

Interviews with entrepreneurs and organisational staff across all sixteen organisations indicated that there is a general interest in improving financial performance and dealing with financial issues.

Financial health should aim to deepen financial understanding and the consequences of business and personal decisions. Simply working with an (self-)assessment tool that measures financial health is not welcomed. There must be an integrated approach where assessment is combined with structured training, dissemination of information and focused mentoring and coaching. The measurement tool needs to be linked to both pre- and, more importantly, post-loan²³ coaching and mentoring. In a Covid-19 context, proactive engagement with micro-entrepreneurs appears to be the most fruitful method.

As a result, mentoring and coaching require more structure, particularly if these services were previously offered in an unstructured way. Coaching and mentoring must:

- be tailored to the type of entrepreneur/enterprise served by the FSP/NFSP (e.g. make difference between methods for self-employed, micro, or small entrepreneurs); and,
- properly consider the education (and aspiration) level of the clients.

An in-depth analysis of the collected data and information, which was confirmed during the testing phase, led to the following conclusions:

- i. Both the financial health of the micro-enterprise and the financial well-being of the entrepreneur must be central in any method to broaden and deepen understanding on financial health.
- ii. Segmentation of the MSME universe helps to identify appropriate methods to measure financial health and subsequently support entrepreneurs (see also paragraph 4.4.1). Once FSPs/NFSPs can focus explicitly on specific segments, they will be better positioned to offer appropriate services to such segments.
- iii. Organisational staff, coaches and mentors working directly with micro-entrepreneurs play a crucial role in convincing entrepreneurs about the importance of assessing their financial health and the acceptance of actions that might be required to enhance their financial understanding. This is even more desirable during the current Covid-19 crisis, which micro-entrepreneurs also indicated as desirable during the testing period.

²³ Most MFIs mainly provide post-loan coaching/mentoring. Linking coaching too explicitly to the pre-loan stage makes and making it compulsory might be seen by clients as a condition to access finance and not be considered relevant as such.

- iv. Coaches, mentors, trainers, and staff of FSPs or NFSPs working with micro-entrepreneurs must be willing to be trained and informed on best-practices to assist micro-entrepreneurs improve their financial health. During the testing phase, FSPs confirmed that they are considering integrating the methodology and methods presented in this report and the accompanying manual for ongoing training and orientation programmes of mentors coaches and trainers.
- v. Entrepreneurs would not welcome group-based training on financial health issues.
- vi. Entrepreneurs benefit most from jointly working with coaches and mentors; stand-alone exercises are less appreciated²⁴.
- vii. A method to assist micro-entrepreneurs should consider the entrepreneur's personal characteristics, experience, and stages of the business. A uniform approach is thus not recommended.
- viii. Staff, coaches and mentors must have access to tools, instruments and techniques that can help micro-entrepreneurs measure and develop financial understanding; continued updating of lists of applicable instruments by those who are using it and sharing those with colleagues are needed to ensure relevance and effectiveness.
- ix. Staff, coaches, and mentors are more effective in enhancing financial health when they tailor the various tools, instruments, and templates to the needs of the entrepreneurs.
- x. Access to (supporting) tools for coaches and mentors, could be provided through a platform/website created by the sponsoring organisations and network organisations representing NFSPs or FSPs.

The main conclusion is that both the staff of FSPs/NFSPs and micro-entrepreneurs expect the measurement of financial health to be effective if it is integrated into a training/learning process with active participation of coaches and mentors. It should be adapted to enhance the financial understanding of entrepreneurs who subsequently will become more capable to deal with financial issues that arise in the business and personal lives.

In the testing phase, FSPs and NFSPs indicated that they would address the issue of financial health and introduce the proposed methodology into the general training package of staff working micro-entrepreneurs. This would ensure that financial health issues are integrated directly into the service delivery to clients. The goal of the methodology is to assist clients/micro-entrepreneurs to establish and manage enterprises or income-generating activities that are sustainable and generate a decent income. This is more likely to be achieved if micro-entrepreneurs have a solid understanding of financial issues (both personal and business-related issues) and have learned how to deal with them.



Measuring financial health will be effective if it is integrated into a training/learning process with active participation of coaches and mentors. It should be adapted to enhance the financial understanding of entrepreneurs who subsequently will become more capable to deal with financial issues that arise in the business and personal lives.

The utility of linking trainings to financing

Maria, an entrepreneur who has been breeding chickens since 2012, decided to take a group loan from SEF, the MFI operating in her area, to better manage her business. However, to be eligible, she first had to follow financial education training. At the



beginning, she was not interested but since it was compulsory to get the loan, she participated in the training. She was also subject to compulsory saving to access the loan. But over time she decided to use her savings to support her business, which helped her solve a variety of problems in the start-up phase.

In 2018, SEF, which was piloting a new financial product for its best clients, selected Maria to receive an individual loan for a larger amount than what was offered through group loans. Once again, Maria followed the compulsory "Personal Initiative Training", which focuses on personal development and business planning. The

training helped and opened her eyes to the opportunities that she could seize, for instance by buying more stock. The programme helped her to think bigger, and she has started a complementary activity by managing a grocery store for the past six months. Today, she is more confident in running larger-scale activities. She still wants to expand her business and dreams of building a supermarket that would include her chicken activity as well. For that, a new and larger loan from SEF would be necessary, but apart from that, she does everything by herself, including keeping records every day, and "there is no husband in the story".

²⁴ This emerged clearly during the testing period

3. Findings - Part 2: The financial health of micro-entrepreneurs can be enhanced in many ways

There are many ways to measure financial health and assist entrepreneurs to improve their financial understanding, which ultimately leads to improved financial performance and well-being. The enhancement of financial health can be achieved through face-to-face advice (e.g. coaches and mentors) or through technology-based methods. There are numerous websites, platforms, and applications to assess financial health. These online tools have become more relevant since off-line coaching or mentoring has become nearly impossible as Covid-19 continues to disrupt daily life.

Many initiatives are location specific and do not focus on reaching MSMEs. Blended approaches are recommended whereby methods and tools presented on sites related to financial health are combined with structured mentoring and coaching. However, there are no uniform or unique approaches; each method will need to be adjusted to the context of the entrepreneur. Online mentoring and coaching have become more important and the work of coaches and mentors might become more effective if they integrate such methods and programmes more in their work.

3.1 Websites and platforms

Table 7 presents a selection of the most interesting websites, platforms and programmes identified during the research that deal with financial health issues.

The more relevant websites and platforms deal with financial education and claim that they help entrepreneurs overcome difficulties. They contain interesting assessment tools and applications that a micro-entrepreneur or mentor/coach may use to advance the financial health of the entrepreneur.

There is also a group of internet banks (such as Hi Bruno, Shine or Chime – see Table 7) that promote themselves as financial problem solvers for (micro and small) entrepreneurs. They offer several templates and tools for both existing entrepreneurs and those just starting. However, accessing and using the tools is often only possible after opening a bank account.

However, to date, no systems of programmes are offered through sites or platforms that both assess financial health or financial well-being and lead to establishing an action plan to improve one's financial health. During the testing phase, several coaches and mentors were developing initiatives to offer their services online. Incorporating elements of programmes or processes listed in table 7 in their present ways of working may result in new programmes. Regular sharing of new initiatives may boost such development.

Opportunities in IT

ADIE (France) makes use of IT platforms and chat bots to improve its service delivery. The platform to link coaches and mentors directly with clients and the chat bot to inform clients directly about the type of services it can expect from ADIE.

Table 7 // Platforms, websites and programmes related to financial health by entrepreneurial segment

| Method/name and segment of target groups | Organisation applying the method | Main features dealing with financial health | Individual consumer; loan users | Solo self-employed; necessity driven; opportunity driven | Hybrid self-employed; lifestyle entrepreneur | Micro-entrepreneur; opportunity driven | Micro/small ²⁵ entrepreneur; growth-oriented |
|--|---|--|---------------------------------|--|--|--|---|
| Financial Health Measurement project | CFSI – FHN (USA) | Research, tools, advisory work | ● | ● | ● | | |
| EWE - Early Warning Europe | Team U (Spain, Poland, Italy, Greece) ²⁶ | Assisting entrepreneurs in distress, comprehensive method, training coaches | | ● | | ● | ● |
| Crisis support and avoiding insolvency²⁷ | Team U (Germany) | Financial crisis support with hotline, app, advisory services | | ● | ● | ● | ● |
| Check Your Financial Health | MFC (Eastern and Central Europe) | Measuring financial well-being, quiz, advisory services, app ²⁸ | ● | | | ● | ● |
| Firmenhilfe²⁹ | Everts and Jung (Germany) | Financial crisis support by telephone counselling email, online advice, blogs/templates | | ● | | ● | ● |
| Global Financial Health Plan | IPA - Global project (Global South focus) | Quantitative metrics to measure financial health; programme design | ● | | | | |
| Poverty Probability Index | Innovations for Poverty Action (Global) | Tool for organisations and businesses to measure financial well-being at the household level | ● | ● | | | |
| Financial Capabilities Index (MFO) | MFO (Global South) | Web platform to measure the financial capabilities of low-income people | ● | ● | | | |
| Poverty Stoplight (platform) | Fundación Paraguaya ³⁰ | Technology platform offers a self-assessment survey and intervention model; links to solutions | ● | ● | ● | ● | ● |
| Business debt line | Money Activity Trust (United Kingdom) | Website with guides, fact sheets, budgeting tools and templates | ● | ● | ● | ● | ● |

²⁵ Primary focus on small (and medium) enterprises

²⁶ To be rolled out in Europe at a later date

²⁷ In German only

²⁸ Under development (in cooperation with CFI)

²⁹ In German only

³⁰ In Spanish and English

Table 7 // Platforms, websites and programmes related to financial health by entrepreneurial segment - cont.

| Method/name and segment of target groups | Organisation applying the method | Main features dealing with financial health | Individual consumer; loan users ³¹ | Solo self-employed; necessity driven; opportunity driven | Hybrid self-employed; lifestyle entrepreneur | Micro-entrepreneur; opportunity driven | Micro/small entrepreneur; growth-oriented ³² |
|--|---|--|---|--|--|--|---|
| Financial ratio analysis | Global | Set of tools to measure financial health position of enterprises | | | | ● ³³ | ● |
| Mesquestionsdargent.fr | Banque de France (France) ³⁴ | Comprehensive website dealing with all financial (health) issues, including information and training materials | ● | ● | ● | ● | ● |
| Crésus | Crésus/ France | Platform to link expertise on financial issues ³⁵ | ● | ● | ● | ● | |
| Outset online | YTKO Group (United Kingdom) | Interactive online learning tool content and tools information, video tutorials, resources | | | | ● | ● |
| Hi Bruno | Hi Bruno (France) | Internet bank with instructive tools to manage finance and savings | ● | ● | ● | ● | ● |
| Shine Finance | Shine Finance (Virtual) | Internet bank offering advice on financial issues | ● | | | | ● |
| Chime Bank | Various venture capital funds (Virtual) | Internet bank with instructive video and blogs dealing with financial issues | ● | | ● | ● | ● |
| Dilemme | Crésus (France) ³⁶ | Interactive game, websites, tools, guides, applications | ● | ● | ● | ● | ● |
| PROMIFIN Educación Financiera project | FACET BV (Central America) | Guide, games on financial education for individuals and micro-entrepreneurs | ● | ● | | ● | |

³¹ Might also relate to necessity driven self-employed

³² Primary focus on small (and medium) enterprises

³³ Provided ratios are adjusted to this category of enterprises

³⁴ In French only

³⁵ See also Dilemme, developed by Crésus Foundation

³⁶ All tools in French with some explanations in English

3.2. Applications (apps)

In addition to the various websites, micro-entrepreneurs, coaches, and mentors can also use specific applications that deal with financial issues. The number of applications dealing with financial issues has been quickly growing over the past years. Nearly every financial issue today has a dedicated application.

A simple search on the Internet returns several apps. Some examples include Investopedia's³⁷ "The 8 Best Personal Finance Apps of 2019" or The Balance's³⁸ "The 8 Best Personal Finance Apps of 2019" which presents a slightly different list. MFC has also identified useful apps related to the specific financial issues of micro-entrepreneurs³⁹.

The most relevant applications for micro-entrepreneurs and coaches working on financial health issues are presented in Table 8. In the testing stage, mentors and coaches confirmed that applications might be useful in the future but are not yet practical to use in their activities. To make effective use of it in their work, additional training and orientation is needed. Applications are likely to be more relevant for opportunity driven and growth-oriented entrepreneurs (including the lifestyle entrepreneurs).

Table 8 // Selected Applications to be used to deal with financial problems for micro-entrepreneurs

| Name application | Founded/ launched | Purpose/ use | Strengths/ special features |
|--------------------------|-------------------|--|--|
| Mint | 2006 | Money management / Personal finance | Simple personal budgeting |
| You Need a Budget | 2010 | Debt management | Budgeting (multiuser) and encouraging financial planning |
| Prism | 2012 | Controlling bills/ invoices | Fast collection of bills without third party |
| Every Dollar | 2015 | Budgeting | Personal budget tool with active stimulation of the user |
| Wally | 2013 | Tracking expenses | Easy uploading expenses |
| Acorns | 2012 | Easy saving | Automatic investing of savings |
| Coinbase | 2012 | Cryptocurrency | Crypto currency exchange platform |
| Robinhood | 2013 | Investing issues | Partly free investing and guides in investing and learning site |
| Tycoon | 2015 | App for freelancers | Attractive for debt collection/debt control |
| Unbury me | 2011 | Debt control | Controlling and managing personal debts |
| Venmo | 2009 | Cost-splitting | Sharing cost between individuals; fast collection of (personal) debts |
| Funding options | | Presenting offer of financial services | Mediating for funding for self-employed and micro-entrepreneurs |
| Hatch | 2017/2019 | Alternative credit scoring | n.a. |
| Settle go | 2015 | International transfers | Cross border collection of payments |
| Coconut | 2016 | Day to day financial matters | Personal control over financial administration and control over costs |
| Solna- F6S | | Day to day financial matters | Day-to-day business management including invoicing, payments and cash flow analysis and empowering entrepreneurs |

Source: Authors, combining lists of Investopedia, The Balance and MFC (2019) and selected reviews.

37 See <https://www.investopedia.com/personal-finance/personal-finance-apps/> (accessed 29th August 2019)

38 <https://www.thebalance.com/best-personal-finance-apps-4170650> (accessed 11th September 2019)

39 MFC, presentation at Workshop on Access to Finance of EM-Up, Barcelona, 4th April 2019

The list above is simply a selection of applications that can be used by individuals, self-employed or small and medium entrepreneurs. However, there is no specific focus on micro-entrepreneurs.

Since there is not a single, uniform method to assess and improve the financial health of the full spectrum of micro-entrepreneurs, a single app is unlikely to exist or be developed.

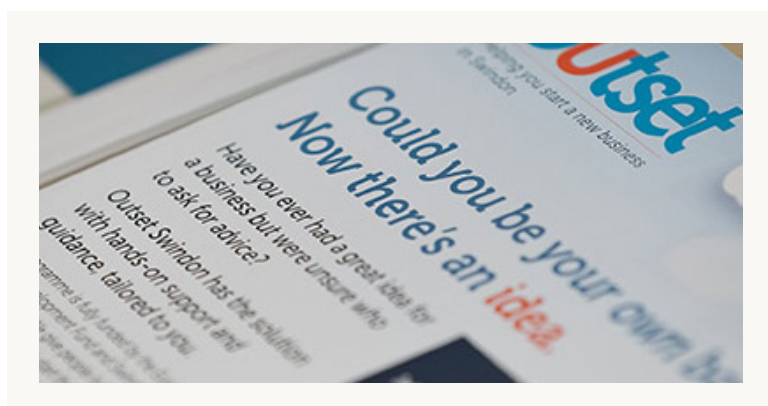
Coaches and mentors working with micro-entrepreneurs are thus expected to be informed about appropriate applications and need to select themselves the Apps they deem suited to the specific needs of their clients. They can then decide to recommend specific Apps to clients whom they expect to be able to use them without help or select the Apps best suited to solve a specific problem together with the entrepreneur (and/or give additional orientation or training).

Once the relevant Apps are selected, coaches and mentors need to stay informed of developments in the field. Establishing a platform that posts the latest developments is recommended.

3.3. Reaching out to larger numbers

There is a wide spectrum of methods to assess financial health and assist micro-entrepreneurs in dealing with financial problems. However, there are few programmes that succeed in reaching large numbers of micro-entrepreneurs. In our research, two initiatives were found that deserve further attention: (1) Outset Online and (2) Mes questions d'argent of Banque de France. Both offer online guidance to the general public dealing with a broad range of financial issues.

3.3.1 Outset and Outset Online



Outset Online⁴⁰ is a tool promoted by Outset, an enterprise start-up support service, and established in 2009 by the Outset Foundation. Outset helps to stimulate economic development, financial and social inclusion through the creation of sustainable jobs and businesses. It offers a flexible and client-focused programme of workshops, mentoring and coaching, and empowers people to take charge of their lives through restoring their self-esteem and confidence to overcome barriers. It gives them the skills and knowledge needed to test and start their own enterprises and provides support for

sustainability and growth for further job creation and helps with access to finance.

Outset Foundation is an independent UK charity dedicated to supporting self-employment and skills development across the UK, with a particular focus on helping people that may be struggling to find traditional employment.

Outset Online is an interactive online learning tool that offers a wide range of content and tools designed to support a prospective entrepreneur during the business start-up journey.

Through a combination of information, video tutorials, resources and activities, Outset Online assists in navigating the start-up process through its website: from initiating and refining your ideas and identifying your customers and competitors, to figuring out your marketing strategy and helping you plan finances. The user goes through a learning and empowering process with a range of activities and exercises that help to construct a ready-made business plan.

⁴⁰ <https://www.outsetonline.com/about-us/outset-online/> (accessed 15th October 2019)

Outset Online supports the client in the following ways:

- i. *Tools to turn an idea into a successful business and create access to finance* Outset Online has special (reflecting and exploring) tools to turn an idea into a strong, sustainable, and successful business.
- ii. *A system to learn from home, at one's own pace* Outset Online is designed to be flexible and the entrepreneur can work in his/her own time, and (s)he can get essential business support anywhere, anytime through the Internet.
- iii. *Videos, tools, and online calculators* There are over 140 video tutorials that help the entrepreneur navigate each stage of starting a business, plus a range of useful online calculators and tools that take the pain out of planning and managing the business finances.
- iv. *Tools leading to a business and financing plan* By completing a range of activities, entrepreneurs create an exportable business plan that can be used to guide decision making, apply for finance or track the progress of the business once started. Finance is generally arranged through the sister company, Outset Finance.
- v. *Connecting with others in the online community* The Outset Online system allows users to connect with other business owners, as well as a range of mentors and advisors to help brainstorm, network, trade stories and seek advice as the entrepreneur progresses through the business journey. Users typically seek assistance for financial health related issues in the pre- and post-loan stages.

Users are charged a fee of approximately EUR 85 plus VAT (a value of GBP 500) for 12-months access to the platform.

3.3.2. Mes questions d'argent of Banque de France



The French Government launched its national strategy on financial education with the goal of enabling every French person to gain the necessary financial education and information to participate in society. It has entrusted the Banque de France to take the necessary steps to attain these goals. The first step in that process was the creation of a web portal labelled, “Mes

Questions d' Argent” (“My questions about money”)⁴¹.

Mes Questions d' Argent was developed in collaboration with more than 20 French associations and professional institutions. The website offers general financial information ranging from how to open a bank account to how to prepare a loan application. It not only provides information to assess one's own financial situation, but also offers a wide range of templates that people can use to act.

The website reaches various segments in society; it even recently launched a programme (and website) directed towards the youth population. Through its website, users can find third party partners such as training and advisory organisations. The links found on the website are also relevant for entrepreneurs who are interested in specific services (beyond information and self-learning) such as training, coaching, or mentoring.

Effective use of this website depends both on the willingness of the entrepreneur to seek information and the proactive attitude of the organisations tasked to assist entrepreneurs once they have been referred to them through the main site.

3.4. Approaches in structuring mentoring and coaching

Structured mentoring and coaching could enhance the capacity of micro-entrepreneurs to understand and deal with financial problems. During this research, two novel approaches emerged as examples of structured mentoring and coaching that could be adopted by FSPs and NFSPs in their future programmes: (1) Youth Business International, and (2) Early Warning Europe project.

3.4.1. Youth Business International⁴²



Youth Business International (YBI) is a global network of 56 organisations in 52 countries supporting underserved young people to turn their ideas into successful businesses, create jobs and strengthen communities. Since 2008, YBI has supported over 40 member organisations around the world to start, build or strengthen their mentoring programmes for the benefit of young entrepreneurs.

Youth Business International aims to:

- Help members start their mentoring journey.
- Help members who are restructuring their mentoring programme.
- Provide a baseline to members to review their mentoring programme.

Structure in coaching and mentoring

According to YBI effective mentoring is determined by:

- A clear programme management structure
- An effective mentoring programme manager at the helm
- A well-designed mentor-mentee matching process
- Initial training and preparation to engage in mentoring, for both mentors and mentees
- Proactive, ongoing support for mentees, mentors and programme managers
- Regular reviews to continually evolve the programme
- Shared opportunities and ideas to allow programmes to flourish

YBI defines voluntary business mentoring as personalised support that helps young entrepreneurs develop their abilities and insights as they start and grow their own business. Through one-to-one support, mentees can access skills and resources, develop their leadership abilities, and foster professional connections. A good mentoring relationship will also help young people develop confidence and resilience, better equipping them to navigate the challenges of today's rapidly changing job market. YBI has developed a mentor training programme which it offers to its members. The framework has been structured to reflect a typical programme life cycle, from the planning phase through to the full implementation of a mentoring programme. Organisations will cycle through the process as they roll out their programmes, but its end-to-end structure enables programme managers to choose the most relevant content depending on the stage of the scheme.

The framework on its own is not enough to guarantee a successful mentoring programme. The YBI team of professional mentoring consultants works one-on-one with YBI's member organisations through the programme creation process, and nurtures new and existing partnerships with academic experts, who deliver expertise through a series of workshops and coaching sessions at annual masterclasses.

YBI's community of mentoring practitioners is sector-leading, with over 14,000 volunteer business mentors who inspire and empower the young entrepreneurs they support to reach their personal and professional potential. Special attention should be dedicated to Global Mentoring Masterclasses where YBI's approaches to mentoring is discussed and new insights on mentoring are generated.

⁴¹ www.mesquestionsdargent.fr (accessed 14th September 2019)

⁴² <https://www.youthbusiness.org/>

Our coach acted like “a good father”

It all started with brewing beer in a small kitchen. Now, four friends own a micro-brewery, based in two shipping containers, in Eastern London, stacked on top of one other. A third container has recently been added as a taproom where people can enjoy fresh beer straight from the source.

One of the founders has a university degree in business administration and knows reasonably well how to deal with financing issues. Up to now, he has convinced his partners that it is better to reinvest all proceeds back into the company. He also has not yet taken a salary.



When the team first approached a formal bank, that promoted itself as financing start-ups, the initiators were told to submit annual accounts for at least one year and firm orders. From the local FSP, the four partners each received a personal loan of GBP 10.000 for a total of GBP 40.000 equity. This arrangement was only possible after preparing a comprehensive business plan together with a coach of the FSP.

During the year after the release of the loans, the partners received regular business advice from the coach as part of the total assistance package. Although the coaching was not continued after the loans were repaid, both parties declared

that more sessions would have been welcome; however, neither party took steps to continue this service. Looking back, the partners mentioned that they would have welcomed additional advice on the following topics:

- The implications of financing;
- Ownership/legal issues; and,
- Setting up the administration of the business.

“And if nobody will support or advise us, we will seek information online”

3.4.2. Early Warning Europe – (Team U)

Team U – Germany⁴³ is the initiator of the Early Warning Europe project⁴⁴, which is funded by the European Commission. It has

been set up to provide advice and support to entrepreneurs who recognise that their business is facing financial problems. The project offers a broad range of services to assist entrepreneurs in preventing bankruptcies and its negative consequences such as job loss, increased economic risk for suppliers in the company value chain, and a potential economic, social, and personal shocks for the entrepreneurs and their families



The methodology was developed by Team U and is based on a proven approach in Germany. A key element is to create strong framework conditions for entrepreneurs across sectors that can help them face key challenges, including managing a crisis, dealing with bankruptcy, and getting a second chance. The project is a combination of structured coaching and mentoring to reach entrepreneurs facing difficult issues and methodical assistance. Methodical assistance helps entrepreneurs to detect their financial problems (e.g. assessing their financial health) and offers them structured assistance to improve their capacity to deal with such problems. It is thus based on the understanding that an effective financial health intervention requires both a proactive attitude on the part of entrepreneurs to seek advice and a proactive attitude on the part of coaches and mentors to establish contacts with entrepreneurs seeking help.

The European project started operations in Poland, Spain, Italy, and Greece, providing support to 3.500 companies in distress between 2017-2019. It is now preparing to roll-out in five additional EU Member States. The ultimate goal of the project is to establish Early Warning mechanisms in all EU Member States.

The programme increases the likelihood of a company turnaround that results in a stable economic situation for the company and leads to sustainable growth. Moreover, if a company in distress is closed down at an early stage of the crisis, the intervention can help avoid insurmountable debt for the company owner and therefore give him or her a chance to start a new venture (a 2nd chance).

Training and organising mentoring for early warning

Effective financial health intervention requires both a proactive attitude of entrepreneurs to take steps to seek advice when facing financial problems on the one hand and a similar proactive attitude of coaches and mentors to establish contacts with such entrepreneurs on the other hand. This requires structuring the mentoring, training mentors and coaches and equipping them with the right tools and instruments. Team U (Germany) develops such approach in the Early Warning Europe project.

In addition to offering a comprehensive set of services to MSMEs, the project is establishing a European Network of experts, authorities, associations, and chambers of commerce to improve framework conditions for SMEs and entrepreneurs across Europe. This work will be further strengthened by the development of an innovative, data-driven method to identify companies in distress. The ambition is to present a Next Generation monitoring and early warning method based on machine learning and big data to identify companies that are at risk of bankruptcy.

⁴³ https://www.team-u.de/en/team_u

⁴⁴ <https://www.earlywarningeurope.eu/> (accessed 16th September 2019)

4. Towards an integrated approach to assess and enhance financial health and well-being

Programmes on financial health issues should not only focus on assessing the level of understanding of a micro-entrepreneur of the financial issues in his/her business and the capacity to deal with them, but more relevantly, the assessments should be directly linked to action plans to broaden and deepen the financial understanding and capacity of the entrepreneur of dealing with financial issues.

4.1. A practical definition of financial health and identification of focal areas

For micro-entrepreneurs with less than five workers/employees, EMN and ADA have selected the following practical definition of financial health (embracing both assessments and actions that deepen understanding of financial health and broaden the capacity to deal with financial issues):

A micro-entrepreneur is considered financially healthy if (s)he possesses the capacity to deal with financial issues in his/her business, understands how to manage his/her finances and plans the future of the business in line with aspirations and capabilities.

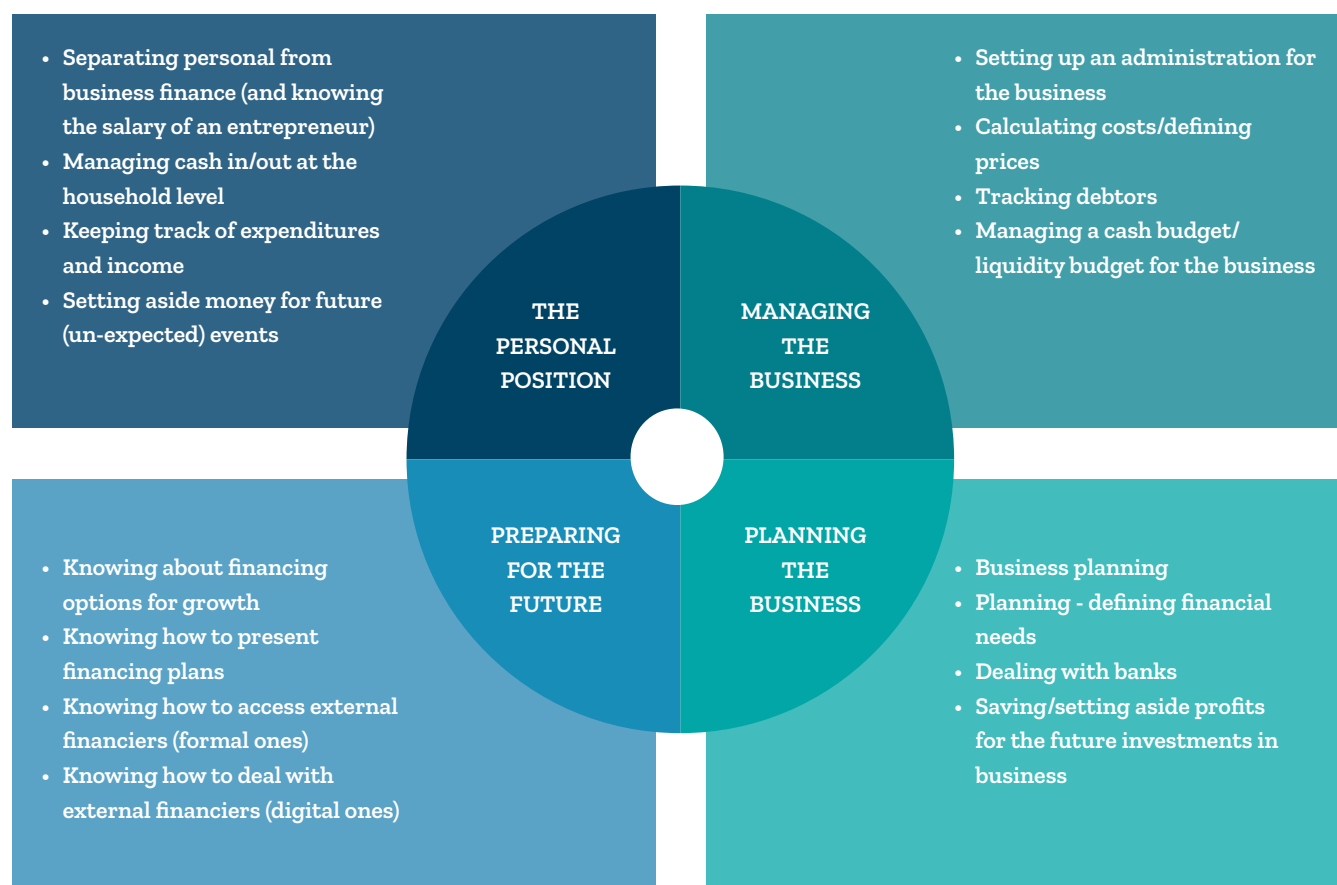
The implicit assumption is that once the financial health of the business is enhanced, this will subsequently contribute to the financial well-being of the micro-entrepreneurs at the household level.

There are four focal areas where micro-entrepreneur face financial challenges:

- i. The personal situation and how personal finances are dealt with,
- ii. The way (s)he manages his/her business,
- iii. The plans for the business and the way this will be financed, and,
- iv. The plans for the future and the way the financing is arranged for the future.

For each area, four specific issues determine the financial health of the enterprise and the micro-entrepreneur, which are presented in Figure 4. For each issue, it is important to find out the extent to which the micro-entrepreneur has adequate (sufficient and relevant) knowledge about the issue and the ability to take action.

Figure 4 // Financial health of micro-entrepreneurs



Source: Authors, partly adapted from a working definition used by CFSI/FHN (2018)⁴⁵

In the testing stage, entrepreneurs expressed that the problems they face due to Covid-19 are still more or less the same as before albeit that their liquidity position has severely deteriorated. In the short term, the most pressing issues pertain to liquidity constraints at the enterprise and household level. They are also concerned about proceeding with their plans for the future. To meet those challenges, active engagement of coaches and mentors is thereby highly appreciated.

The intricacies of the respective issues and the way to deal with them (1) need to be understood by the entrepreneurs and the mentors/coaches and, (2) coaches/mentors need to take into account that for each type of entrepreneur of the MSME universe, some issues are more relevant and important than others.

⁴⁵ See Cummings L., Ruales A. (2018). Addressing the Financial Health Needs of Small Business Owners. Chicago, IL: CFSI

4.2. An integrated approach to enhance financial health

The staff of the interviewed FSPs and NFSPs consider an entrepreneur's capacity to deal with financial issues related to the business key to improve financial health. The testing phase confirmed the importance of both measuring financial health and planning subsequent actions.

Tailor-made solutions

Since 2015, the couple has been running a photography and commercial video agency. They have both taken diploma courses at the best schools in the country, however, these courses did not provide them the tools to prevent or overcome financial problems in their business. For instance, nobody had taught them how to deal with pricing. Consequently, they looked for some advice from incubators and went to ProEmpleo, where they followed nearly all of the offered trainings and services.



ProEmpleo started with a diagnostic of the business. The couple had some financial problems, especially concerning the pricing of their services (such as defining the cost per hour, per photo, per video duration). Their business did not match the regular templates provided by ProEmpleo, but the advice allowed them to adapt the templates to their needs and thus determine more appropriate prices. Afterwards, they looked for credit support to control their liabilities. The couple found the human side of the support to be very useful, they felt that they had support.

ProEmpleo provided them with the basics, or what is absolutely necessary. Today they are looking for more specific advice from other actors, but stay in contact with ProEmpleo, especially to give advice to new entrepreneurs. Furthermore, they also now take pictures for ProEmpleo, which has become one of their clients.

The micro-entrepreneurs interviewed also expressed interest in the topic provided that it would help them better run their businesses and would be actively assisted. During the testing stage, simply answering questionnaires was revealed to be little benefit. The micro-entrepreneurs mentioned that they prefer to work in close cooperation (indirectly or directly) with coaches or mentors and expect follow-up actions from them. The FSPs/NFSPs were also expected to help with financial issues.

Therefore, an integrated approach must cover the assessment, measurement, and follow up together with the entrepreneurs. Coaches and mentors working with FSPs and NFSPs are expected to play a proactive role in that process. FSPs/NFSPs must also include financial health into the training and orientation programmes for their staff and (voluntary) coaches and mentors working with their clients. In the testing stage, FSPs/NFSPs and coaches/mentors confirmed that they are aware of the importance of financial health and are willing to incorporate (parts of) the methodology and related tools proposed in this report and the accompanying manual into their work.

During testing, coaches and mentors indicated that they would apply the financial health method as proposed in this report and the accompanying manual with the clear understanding that they are free to adapt it to local conditions and the specific needs and characteristics of the entrepreneur⁴⁶.

The proposed Financial Health Process contains the following steps (see Figure 5):

1. Learning about the financial health of micro-entrepreneurs so that the staff of FSPs/NFSPs, coaches and mentors can be trained to measure and improve the financial health of clients.

⁴⁶ See also Manual for coaches and mentors to set up and implement – A Financial Health Action and Enhancement Plan for Micro-entrepreneurs - version September 2020.

2. Segmenting the client base of MSMEs by staff of FSPs/NFSPs, coaches and mentors to develop insight into the target client segment (entrepreneurial profile, business type, etc.).
3. Identifying the various stages of the business life cycle by staff of FSPs/NFSPs, coaches and mentors to find out which financial issues need to be addressed at each stage.
4. Determining different working (learning and teaching) methods that can be used at various stages for different types of clients.
5. Assessing financial health jointly with micro-entrepreneurs and active engagement of coaches and mentors.
6. Drawing up action plans jointly with micro-entrepreneur and coaches/mentors to translate assessments into practical actions that increase the capacity and knowledge of the entrepreneur to deal with issues.
7. Measuring progress jointly with micro-entrepreneur and evaluating the degree to which the action plan has led to enhanced financial health.

Figure 5 // The logical steps in the Financial Health Process, the actors, and their roles



Each step is further discussed in section 4.3.

The tools and methods are described in more detail in the accompanying manual, Manual for coaches and mentors to set up and implement, A Financial Health Action and Enhancement Plan for Micro-entrepreneurs – second and revised version, September 2020.

4.3. The key steps and their rationale

4.3.1. Segmenting the market and classify micro entrepreneurs and related working methods

As argued in chapters 1 and 2, coaches/mentors must assess the personal characteristics, experience, and stage of the business to help micro-entrepreneurs improve their financial health. This is only possible after defining the client groups and determining the appropriate support methods (see Table 9).

Coaches and mentors can subsequently decide which tools/instruments might be appropriate, which might consist of existing tools, modified tools or even tools to be developed. Over the past years, the number of tools reaching the market (mainly in the form of web applications) has been rapidly increasing.

Before starting the coaching or mentoring process, the mentor/coach needs to know the type of entrepreneur asking for assistance as well as the most effective learning and working methods for each category of entrepreneur: hybrid or solo self-employed, opportunity-driven, or growth-oriented micro-entrepreneurs. Entrepreneurial type is determined by the prevailing entrepreneurial attributes (attitude, skills, or capabilities).

Clients of financial health programmes have different characteristics, educational backgrounds, and business experiences. They find themselves at different stages of (personal and business) development and will be subject to different financial crises. With a proper segmentation of the MSME universe that also reflect an understanding of the entrepreneurial characteristics that prevail in each segment, decisions can be made on the preferred learning/working method.

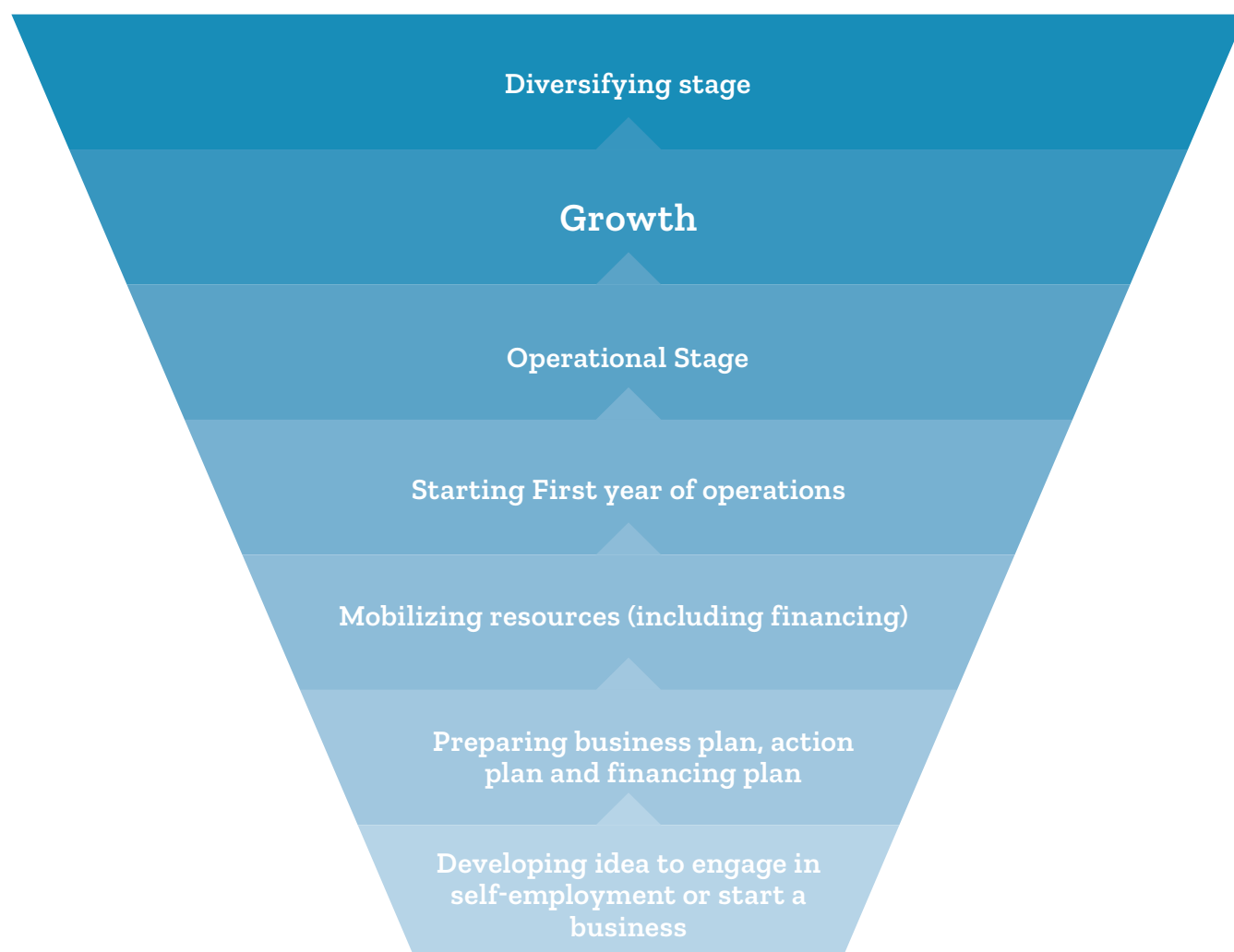
Table 9 // Segmentation, learning and coaching methods for financial health

| Type of economic activity/ entrepreneur | Part time self-employed - survival | Solo self-employed - opportunity driven | Micro-entrepreneur-opportunity driven | Micro/small entrepreneur - growth oriented and Lifestyle entrepreneur (self-employed) |
|--|--|--|---|---|
| <i>Learning objectives related to financial issues</i> | | | | |
| <i>Attitude</i> | Understanding that good household financing is a condition for active participation in society | Understanding that active participation in economic life requires control over one's money | Understanding that a viable business requires prudent management of personal and external finance | Wishing to plan ahead in business |
| <i>Knowledge/skills</i> | Knowing how to use money (at the household level) | Knowing how to invest in a small economic activity | Knowing how to manage finance in business | Knowing how to plan financing, where to find financing and related financing conditions |
| <i>Capabilities</i> | Managing own finances (household) | Managing business and personal finance | Managing business finance | Dealing with financing issues |
| <i>Type of training or coaching/ mentoring recommended</i> | Group training, information session, problem solving on the spot | Working together on completing templates, group training, one-to-one coaching | Group training; individual consultancy services; working together on interpreting completed templates | Referring to information sources, counselling |

4.3.2. Business life cycle and related working methods

Assistance for micro-entrepreneurs, also in financial health related issues, will likely vary over time depending on where the entrepreneur is in their business life cycle (e.g. contemplating self-employment, starting phase, growth stage, consolidation, or declining/diversification stage) (Figure 6).

Figure 6 // The various stages in the business lifecycle



Depending on the stage in the business life cycle, the entrepreneur could benefit from different forms of external support. Services may be provided by staff formally employed and paid by FSPs/NFSPs or even come from volunteers. The precise role of staff and volunteers will vary over time: at certain moments, micro-entrepreneurs will benefit from information sharing; at other times, they need problem solvers, expert advice, general business support or counselling.

Effective support in financial health processes depends on a clear understanding of the type of service needed at a certain point in time. Therefore, FSP/NFSP staff and volunteers should possess coaching/mentoring skills to know when to act as a coach/adviser or as a mentor/counsellor. As is the case in other businesses, micro-entrepreneurs typically advance through stages of the business life cycle. Financial issues typically differ by stage and thus, each stage requires different coaching and mentoring methods.

Table 10 provides an overview of the appropriate methods for each category of the MSME universe given the stage of the micro-enterprise and the typical financial problems micro-entrepreneurs may face during the particular stage.

Table 10 // Business life-cycle related to financial health and coaching

| Type of economic activity and business life cycle | Start-up | Operational | Growth | Diversifying/selling |
|--|--|---|---|---|
| Part time self-employed - survival | | | | |
| Most common financial issues causing problems | Not knowing what to do or how to do it | Running out of cash | n.a. | |
| Method and main instruments | Assisting | Problem solving by setting up personal cash budget | | |
| Solo Self-employed - opportunity driven | | | | |
| Most common financial issues causing problems | Not knowing what to do or how to do it | Running out of cash, mainly due to not properly separating personal and business finance | n.a. | |
| Method and main instruments | Assisting | Problem solving, direct assistance | | |
| Micro-entrepreneur- opportunity-driven | | | | |
| Most common financial issues causing problems | Poor plan/lacking a plan | Liquidity problems due to mix of late payment by clients, poor costs/ prices, weak administration | Lacking a financial plan | n.a. |
| Method and main instruments | Training and coaching | Developing control mechanisms, advising | Orienting, referring to training, providing templates | |
| Micro/ small entrepreneur - growth oriented | | | | |
| Most common financial issues causing problems | Poor plan | Liquidity problems due to mix of late payment by clients, poor costs/ prices, weak administration | Lacking a financial plan | Plan lacking |
| Method and main instruments | Training and coaching | Problem solving, direct assistance | Orienting, referring to training, providing templates | Advising, informing, linking to third parties |
| Lifestyle entrepreneur (self-employed)- self-development driven | | | | |
| Most common financial issues causing problems | Finding investors | Overspending | Lacking a financial plan | Finding investors |
| Method and main instruments | Informing, referring to websites | Developing control mechanisms, advising | Orienting, referring to training, providing templates | Advising, informing, linking to third parties |

Source: Authors (2019) based on classification of entrepreneurs in Molenaar (2016) and adapted to the MSME universe of micro-entrepreneurs defined in this study.

4.3.3. Assessment

The next step in the process is to assess the level of financial health for a given micro-entrepreneur, which means capturing an entrepreneur's understanding of financial health and his/her capacity to handle financial problems. This measurement can take place at any time; however, it would best fit in a predetermined series of steps and then systematically measured over time. Once a baseline has been established, the mentor and mentee can formulate and evaluate an intervention process and its potential effectiveness.

The assessment tools developed in the form of questionnaires, are based structured along understanding of financial health as presented in section 4.1, which indicates that a micro-entrepreneur is financially healthy if (s)he possesses the capacity to deal with financial issues in his/her business, understands how to manage finance and plan the future of the business in line with his/her aspirations and capabilities.

The measurement tool has been structured along the four focal areas and four related issues that primarily determine the financial health of enterprises and thus the financial well-being of micro-entrepreneurs. The assessment questions have been formulated to measure both the degree of comprehension on an issue and the degree to which the entrepreneur thinks he can deal with the problem. This reflects the basic understanding that the financial well-being of micro-entrepreneurs is directly affected by the financial health of business. To be willing to move forward and create an action plan, the entrepreneur must first reflect on his or her current performance. This self-reflection can be stimulated by active participation of the micro-entrepreneur during the assessment period. During the testing phase, entrepreneurs expressed a preference to answer questions together with their coaches or mentors and had difficulty to work on their own with standalone instruments.

The key instrument to use at this stage is a questionnaire to be used by both the micro-entrepreneur and the coach/mentor (labelled "Joint Questionnaire"). Based on the answers obtained through the questionnaire, both parties can then discuss which areas require attention and the specific actions that need to be taken to enhance the entrepreneur's understanding of a relevant financial issue or strengthen his/her capacity to deal with the selected issues.

The answers to the questions are weighted and the results are presented through a "spider" diagram. Rather than a single, unique score, the spider diagram is a visual presentation of the main factors, e.g. the personal situation and degree of preparation for the future and the capacity to manage the business and degree of business (growth) planning. This visualisation is subsequently analysed and discussed by both the mentor and mentee. This process is expected to bring issues to the table and enable discussion concerning the steps of action (if required).

A standalone questionnaire has also been developed that can be shared with micro-entrepreneurs who would prefer to work on their own (without the help of third parties). This questionnaire gives micro-entrepreneurs direct feedback on their comprehension of financial issues and their capacity to deal with them. The tool may also refer the user to a coach and mentor for any follow up action if additional assistance is advisable.

For more details on the questionnaires, please refer to the accompanying manual.

4.3.4 Action planning to enhance financial health

During the testing phase, both micro-entrepreneurs and coaches and mentors confirmed that simply assessing the level of financial health was not sufficient. Follow-up actions are needed to deepen and broaden the financial understanding of micro-entrepreneurs. This process can be visualized through a series of “SMART” iterative steps as presented in Figure 7:

- **Specific:** goals need to be clear and detailed
- **Measurable:** expected results need to be measurable.
- **Agreeable:** both micro-entrepreneur and mentor/coach must agree on the necessary actions.
- **Realistic:** the micro-entrepreneur must believe the action plan is possible to achieve.
- **Time-specific:** the set timelines must contain pre-agreed milestones at certain moments.
- **Support.** Not everything can be done by the micro-entrepreneur or the mentor/coach alone. For this reason, the FSP/NFSP must also arrange necessary support (such as regular training courses and business clinics, access to information platforms, and sector related advisory services).

Figure 7 // Steps to arrive at an action plan to deepen financial understanding⁴⁷



⁴⁷ All steps to be taken collaboratively.

⁴⁸ This can be by using the questionnaires mentioned in section 4.4.2. However, both mentor/coach and entrepreneur may also decide to apply other methods to assess financial health and well-being.

4.3.5 Evaluation and monitoring (measuring progress)

The action plan and its implementation are instrumental in the learning process and the related personal development of micro-entrepreneurs. And it is not simply leading to acquiring knowledge and understanding. Micro-entrepreneurs must eventually act and thus also need to acquire the skills and capabilities to make use of their newly acquired know-how and insights. To do so effectively will depend on his/her behaviour. As a result, there are three distinct (but interrelated) areas to monitor and evaluate the implementation of the action plan:

- Knowledge: this may be enhanced, deepened, or broadened by trainings offered or organized by FSPs/NFSPs, individual sessions by mentors and coaches, the sharing of information and self-learning.
- Skills: the way micro-entrepreneurs apply newly acquired know-how and insights, to be achieved by coaches and mentors stimulating micro-entrepreneurs to put new insights into practice.
- Attitudes and values⁴⁹: a process of unleashing entrepreneurial traits through focused entrepreneurial education sessions (either group based or in individual sessions with mentors/coaches).

Changes may take place in all three areas. The effectiveness of changes will be influenced by the behaviour of the entrepreneur (e.g. ability to respond to the financial issues encountered).

Rather than developing a theoretical model to measure changes across these three areas for all entrepreneurs, we believe that an individualised system could be more effective. Such individualised measurement of changes in knowledge, skills and attitudes/values will of course be subjective where coaches and mentors compare the initial stage with the changes over time. However, it will generate rapid insights into the effectiveness of the action plan. Part of the subjectivity can be reduced by inviting staff of the FSP/NFSP who are not directly engaged in implementing the action plans to participate in the change measurement process. The staff can subsequently plough back their observations and opinions to the management teams of FSPs and NFSPs for future programmes.

The ultimate goal is that, over time, the entrepreneur will gradually become fully independent when making decisions, running the business, and dealing with financial issues.

Balanced monitoring and evaluation should normally be related to all three areas. At the beginning, a rather straight forward approach can be taken by measuring the changes that have occurred relative to the targets established in the initial action plan. By following deviations from the original targets both parties can agree on the new actions to be taken and draw up a revised action plan.

The guidance and feedback that the micro-entrepreneur receives from the mentor or coach may then lead to changes in behaviour, which in turn could lead to the desired level of independence when dealing with financing issues.

⁴⁹ Such as opportunity-seeking, persistence, commitment to work/contract, demand for quality and efficiency, risk-taking, information seeking, goal setting, systematic, planning and monitoring, networking and persuasion, and self-confidence – see also Molenaar, N. They are not yet seen... but... Hybrid Entrepreneurship emerging in a changing society (2016).

5. Towards improved functioning of mentors and coaches on Financial Health

Effective support in financial health processes depends on a clear understanding of the type of service needed at a certain point in time, the roles coaches and mentors should play, the appropriate coaching/mentoring methods, linking coaching and mentoring to the provision of financial services and the issues to consider when organising coaching and mentoring.

5.1 The role of mentors and coaches

Assistance for micro-entrepreneurs, also in financial health related issues, will likely vary over time depending on where the entrepreneur is in their business life cycle (e.g. contemplating self-employment, starting phase, growth stage, consolidation, or declining/ diversification stage). Depending on the entrepreneurial stage, the entrepreneur could benefit from different forms of external support.

Services may be provided by staff formally employed and paid by FSPs/NFSPs or even come from volunteers. The precise role of staff and volunteers will vary over time: at certain moments micro-entrepreneurs will benefit from the sharing of information; at other times, they need problem solvers, expert advice, general business support or counselling. It has also become evident that many micro-entrepreneurs appreciate the active engagement of FSP/NFSP staff, coaches and mentors. This is especially required in times of crises (see also chapter 6).

FSP/NFSP staff and volunteers ought to possess the skills of either coach or mentor and need to know when to act as a coach/ adviser or as a mentor/counsellor as entrepreneurs will not always benefit from one single form.

Coaching services are often rendered on a contractual basis and aim to provide clients (i.e. micro-entrepreneurs) with skills, knowledge, external information, and solutions. In the coaching process, specific milestones should be clearly defined in advance and incorporated in the coaching process, as well as indicated in the accompanying initial contract. The milestones can then be measured and evaluated over time and corrective measures can be taken if deviations take place.

Mentoring is conducted more on the basis of equals (i.e. between the mentee/entrepreneur and the mentor/external professional). Mentoring is a service targeted towards the personal and professional development of the mentee. The mentor should be an experienced person but must also be adaptable to allow the mentee to gain insight and understanding from a perceived problem. The mentee is expected to learn how to solve an issue and works with the mentor to exchange views, enriched with practical advice and information from the mentor. Specific learning goals (and competences to be gained) may be defined in advance and may go beyond business related issues to encompass issues such as work-life balance, self-confidence, and well-being at large.

Effective support in financial health processes depends on a clear understanding of the type of service needed at a certain point in time.

Table 11 presents which role should be emphasized at various phases in the entrepreneurial journey.

Table 11 // Business life cycle, needs for coaching/mentoring and prevailing roles to enhance financial health

| Phases | Most prominent need with special reference to health financial issues | Prevailing role of coach or mentor assigned to the client ⁵⁰ | |
|--|--|---|-----------------------------|
| | | Coach | Mentor |
| Idea to start a business or to become self-employed | Information <i>Knowing financing options - both traditional and new – on internet - emerging ones</i> | ● Information provider | |
| Decision to become self-employed | Understanding what it is to become self-employed <i>Becoming aware of financial (personal and business related) implications of engaging in business</i> | | ● Sounding board / guide |
| Preparing the business plan | Information, guidance, assuring business, referral to source of information, market and technology data <i>Detailing cost, prices, cash budget, financing/ investment plans, searching financiers</i> | ● Business plan formulation | |
| Preparation for the start | Taking final discussions, seeking external partners <i>Committing one's own funds, presenting financing plans, attracting partners</i> | | ● Sounding board |
| Actual start | Implementation plan, solving unexpected problems that were not included in the business plan <i>Dealing with external parties (banks, financiers, government, suppliers, client)</i> | ● Business adviser, expert | ● Motivator |
| First years of operation | Dealing with daily problems <i>Administration, debtors/ creditors control, prices/ costs/ cash control</i> | ● Problem solver | ● Counsellor |
| Growth | Dealing with growth <i>Financial planning, setting aside funds for future</i> | ● Expert | |
| Diversification or winding up/down the business | Discussions in which direction to go and developing of diversification or exit plan <i>Financing plans, knowing which financier to approach, financing packages</i> | ● Expert in exit or diversification plan | ● Sounding board |

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● Dominant role as coach

● Dominant role as mentor



“My suppliers (of spare parts) must be my bank”

One hears his mentor speaking. Repairing bicycles and cycling were his passion. He found a nice place to start and now owns a bicycle repair shop in Milan.

He started on a modest scale and has gradually become established. He even competes with a larger bicycle shop selling top brands further down the street. However, there is no plan to grow dramatically, “I am happy with what I have, and I do not think I will employ somebody in the coming years, but interns from the vocational training center are always welcome.”

The owner pays himself a modest monthly salary, “if I want a salary increase, I need to negotiate with my boss,” he answered with a smile,

reflecting his understanding that private and business finances need to be separate.

He got a loan of EUR 17.000 from a local bank to start his business, guaranteed by the local business support agency. The cash budget was the central piece in his business plan that he prepared with his mentor. After the start, his mentor visited him bi-weekly. He learned to meticulously manage the accounting books, which he does after opening hours. His mentor also taught him how to calculate costs and prices.

When asked whether he would be able to use a tool to assess financial health of himself and his business, he answered honestly that he would only take the time for it when guided by mentor.

5.2 Linking coaching and mentoring to financial services

There are two distinct ways of linking financial and business development/support services:

- The integrated approach whereby clients are expected to make use of a complete package of training, financial services and mentoring and coaching; and,
- The interrelated and additional approach which acknowledges that MSMEs would benefit from either coaching/mentoring or financial services but would not necessarily need both services at the same time (Sievers, 2004).

The integrated approach implies that the FSP decides to offer all of the services to the clients simultaneously. For an integrated approach, the FSP needs to have all of the resources to deliver such services in house, and thus, must have all of these professional competencies within the organisation.

In the interrelated (or parallel/partner) system, NFSPs function independently and offer services individually to the clients alongside FSPs. Those can be done independently (parallel) or in coordination with each other (partner approach). As discussed in chapter 2, in emerging economies, FSPs appear to focus on their defined target group and adhere strictly to the financing methodology that has been developed for such target groups. They leave training and advisory work to independent NFSPs. Those (emerging market) NFSPs offer structured training, coaching and business advice. However, these services are not always linked to finance.

European FSPs tend to integrate business support and mentoring services into the financial service package. They assume that the integration of non-financial services will lead to higher success in launching and developing a financed business.

5.3. Issues to consider in coaching and mentoring

There are a number of issues to consider concerning the relationship between clients, coaches and mentors in the area of financial health. Figure 8 illustrates these issues, which are discussed in more detail in the following subsections.

Willingness to pay for services

Micro- and small entrepreneurs who have received effective mentoring or coaching are willing to pay a nominal amount for such services. Still the price they are willing to pay will not cover all costs. Cross subsidizing or financing remain required to offer those services in a sustainable way. Segregating mentoring / coaching from financing and treating it as a business unit (see Microlab Onlus, Italy) makes it possible to identify the real costs.

Figure 8 // The 8 C's relating Clients, coaches, and mentors



5.3.1 Covering the market (outreach)

The first step tackles how to best serve the market and, more precisely, how to reach more clients.

In recent decades, microfinance institutions have shown that they can reach large numbers of clients. The business models assume that sustainability can be reached by attending large numbers of clients with relatively affordable margins, and their working methodologies are of such nature that this indeed can happen. Even with a one-to-one relationship between borrower and credit officers, MFIs are capable of reaching large numbers. The time spent per client (and thus costs) is relatively short and recent advances in IT tools have improved the efficiency of receiving, evaluating, and monitoring (micro)loans.

Although group-based training programmes can benefit from economies of scale, one-to-one business development services are still the prevailing working method for coaching and mentoring. Over the years, attempts have been made to replace one-to-one advisory services with group-based counselling and peer-to-peer (P2P) advisory services (such as the SME Industrial Consortium model developed by UNIDO and experimented with by ILO for SME advisory services in the 80s in Central America). However, group-based advisory services have not seen much momentum but nowadays we see some P2P mentoring sessions in use used by some NSFPs in combination with one-to-one coaching and mentoring.

More recent initiatives have been launched to develop internet-based advisory services (e.g. coaching) by developing systems such as coaching platforms (e.g. Qredits⁵¹), tele-coaching⁵², crowd-sourcing⁵³ and crowd-based advisory services, and internet-based referral systems (a system researched by e.g. FINE research group of THUAS and the Department of Computer Science of the University of Stockholm in 2016).

Additionally, in some countries, FSPs and NFSPs have implemented programmes to recruit volunteers as coaches and mentors. For instance, NFBI such as Qredits have taken interesting steps in that direction with its coaching platform. Other interesting examples include Positive Planet in France who recruits volunteers directly, and FSPs like PerMicro in Italy that use volunteers through its subsidiary MicroLab Onlus. These methods have been devised to meet the increased demand for business support services and the desire to offer these services at a relatively low cost.

5.3.2 Capacity

It has become more common (particularly for European-based NFSPs/FSPs) to recruit and mobilise professionals (both retirees and the actively employed) to work as volunteer coaches and mentors. This strategy could help to solve the outreach problem, but a number of capacity-related issues need to be addressed:

- i. The capacity of service providers to handle the new volunteer staff, which requires additional management capacity at the FSP/ NFSP level to handle the larger number of staff (in terms of planning, managing and supervising the additional staff).
- ii. The capacity of coaches and mentors to effectively provide support. Service providers need to identify mentors who have the capacity and qualities to work with the entrepreneurs (or train them if candidates do not have sufficient capabilities).
- iii. The capacity of the entrepreneurs to receive assistance. To make effective use of coaching services, entrepreneurs need to know what to expect, how to relate to the coaches and mentors, be properly informed about the process, and understand their own roles and responsibilities. Service providers can additionally invest in training, information, and guidance for the end users of coaching/mentoring services if required.

51 See <https://qreditscoach.nl/>

52 See for instance <https://bizstarters.com/telecoaching/>

53 See for instance <https://tweakyourbiz.com/marketing/9-great-examples-crowdsourcing-age-empowered-consumers> and Invalid source specified.

5.3.3 Quality control

When service providers decide to work with professionals as volunteer coaches/mentors, they must also recognise that the quality of work is not guaranteed, even when working with seasoned professionals from the private and public sectors. Working with micro-entrepreneurs requires more than technical knowledge or managerial expertise. Even if recruited as volunteers, FSP/NFSPs still need to ensure and review the quality of volunteer coaches/mentors' work (programmes and training programmes, supervisory sessions, clear working methods and structured processes).

The quality of service delivery can be enhanced by structured and regular training. Financial health training should include advice on the following:

- Learning styles of micro-entrepreneurs (especially elements of adult education and action learning);
- The consultancy process and the need to structure the coaching/mentoring services;
- The varying roles to play as coach/mentor;
- The variety of intervention techniques that can be used by the coaches or mentors; and,
- The application of the tools discussed in the manual.

These trainings are best structured as a special module in the general training and induction programmes for coaches and mentors working for and with NFSPs and FSPs.

5.3.4 Costs (and prices)

Volunteer services do not come free of charge. Even when the services are rendered by volunteers, the actual cost and price should be determined. The following issues need to be assessed to determine the absolute and relative costs of coaching and mentoring (for financial health):

- i. The shadow rate of coaches and mentors. Working with volunteers suggests that the cost is extremely low. In practice, this is not really the case. To determine the real cost/price, the shadow rate for similar services should be observed on the market. This process will provide a clearer picture of the value of the services offered to micro-entrepreneurs;
- ii. The direct, operational costs incurred by the mentors and coaches while carrying out their tasks (such as transportation and use of stationary);
- iii. The indirect costs of managing and organising mentors and coaches, including the promotional costs to attract volunteers, supervise and monitor them;
- iv. The indirect cost to train coaches and mentors and ensure a structured delivery process; and,
- v. The indirect costs to retain the volunteer coaches and mentor (see section on commitment 5.3.5).

Once these costs are determined, the cost per unit of coaching/mentoring service can be calculated and an internal price (per hour or working day) can be established. Communicating this price to the entrepreneurs is important to increase their awareness of the value of service. Under ideal circumstances, it may also lead to the decision to charge entrepreneurs part of the costs (see subsection on contract 5.3.8).

To know more precisely the actual cost per unit is also relevant for the management of FSPs/NFSPs in order to monitor service delivery and assess programme efficiency: if management observes that the cost per unit (e.g. the cost per hour or working day of services) is going down, they might assume that more clients are being served (provided the coaching and mentoring per client has a fixed number of hours).

5.3.5. Commitment

Both micro-entrepreneurs and coaches/mentors need to be actively committed to ensure success. Such commitments can be safeguarded in various ways.

a. Commitment of micro-entrepreneurs

When micro-entrepreneurs receive coaching or training from NFSPs, we may expect that they have made a deliberate decision to seek such guidance or attend training programmes. However, (micro-) entrepreneurs are often not that familiar with coaching and mentoring and most likely do not know what to expect. This is particularly the case when business support services are offered to them by FSPs as part of financing. At the pre-loan stage, clients may consider it as an obligation to become eligible for financing. During the post-loan stage, they may feel it as a burden placed on them by the FSP simply to ensure that they adhere to the repayment schedules. In both cases, the challenge for coaches, trainers or mentors will be to motivate entrepreneurs and stimulate them to make use of the service. The key is to highlight the added value of the coaching services

The best way to ensure that entrepreneurs understand the relevance of the support service, and make use of it, is to offer it as a recognisable product with an easy-to-understand structure.

To create such commitment, the AIDA principles have been followed and are presented in this report (see Table 12).

The AIDA principles are:

- i. Create **A**wareness of the importance of financial health among entrepreneurs;
- ii. Generate **I**nterest to actively participate in a process;
- iii. Stimulate the **D**esire of the entrepreneur to act to improve his/her financial health; and,
- iv. Ensure willingness to **A**ct (i.e. the entrepreneur takes action that leads to improved health).

b. Commitment of coaches and mentors

Coaches and mentors might be highly motivated to become engaged in this type of work. This will certainly be the case when the volunteers present themselves to NFSPs/FSPs in reaction to calls for volunteers.

Placing demands on volunteers can be difficult – there is no real dependency or power relation between the service providers and the volunteers. Volunteers may decide “to quit the job” and little can be done about that. The challenge for the management of NFSPs and FSPs is to ensure that high levels of motivation and commitment will not disappear over time.

- i. One option is to enter into a clear contracting relationship with the volunteer that requires him or her to be available for a minimum time period with clear tasks and responsibilities.
- ii. Second, commitment can be ensured through regular training and clear supervision with positive feedback. Alternatively, organising annual events can highlight the importance of the volunteer coaches and mentors.

Table 12 // Elements that lead to sustained change in behavior related to financial health or micro entrepreneurs

| | Awareness | Interest | Desire | Action |
|---|--|---|---|--|
| Objectives | Make entrepreneurs aware of the relevance and added value of coaching and mentoring in financial health | Generate interest amongst micro-entrepreneurs in coaching and mentoring to improve the financial health at enterprise level and financial well-being at household level | Micro-entrepreneurs have the desire to improve their financial health and are willing to take actions to enhance their understanding of financial issues. | The entrepreneur takes actions to participate in the process that leads to enhanced financial understanding and improved capacity to deal with financial issues. |
| What coaches and mentors need to know and be able to do | Coaches and mentors have acquired the adequate information about financial health and well-being and know how to share it with entrepreneurs | Coaches and mentors have the skills and ability to transfer know how and insights to entrepreneurs and know how to train entrepreneurs | Coaches and mentors have the skills and ability to train in action related areas | Coaches and mentors work closely with entrepreneurs in defining action plans, supporting entrapperr in their actions ad with the entrepreneurs monitor an evaluate the actions |
| What coaches and mentors will do | Acquire information Systematize Make information accessible for entrepreneurs Make entrepreneurs curious | Setting up training programmes on financial issues Running training and information sessions | Setting up training and information sessions that build up the capability of entrepreneurs to act | Develop action plans together with entrepreneur Set up monitoring plans |
| Key actions | Share information | Train, transfer information | Train, coach, advise | Counsel, support, motivate, feed back |
| The effect of steps taken in this stage process | The entrepreneur is aware of the relevance and importance to ensure that the enterprise becomes/ is financial healthy | The entrepreneur has acquired adequate insights, information and knowledge about issues may affect the financial health and financial well-being | The entrepreneur has the intention (desire) and adequate capabilities to act | The entrepreneur sets goals (s)he wishes to achieve, has set up an action plan and will take actions to improve his/her financial health |

Source : Developed by authors (2020)

5.3.6 Communication

The following communication issues also need to be addressed and organised:

- i. Communication from FSP/NFSP to clients about the (added value) of coaching/mentoring;
- ii. Communication by coaches and mentors (especially the ability to speak as an entrepreneur); and,
- iii. Communication from micro-entrepreneurs demonstrating interest in coaching/mentoring and being able to tell their coach or mentor what is going in their businesses, how they feel and what their wishes are.

During the research and development stage, communication by FSP/NFSP with clients was still a mix of mainly offline and gradually more online, which was either one-to-one or in a group setting. Mentoring and coaching was mainly done in-person, on a one-to-one basis at the place of work of the micro-entrepreneur.

In recent months, with Covid-19 still impacting society, it has become clear that communications should primarily take place online. This requires significant changes in communication style in support systems (all parties need to be in possession of proper hardware and related software). There are a variety of online methods, which are summarised in Table 13. It is up to staff of FSP/NFSP, coaches and mentors to decide with method(s) to use, which depends on the type of entrepreneur, the facilities available and comfort with a given method⁵⁴.

Table 13 // Online learning and training methods

| Name | Description | Aim |
|---|---|--|
| Radio/TV | One-way communication to send messages and information | Primarily informing the (general) public; can be focused if dedicated programmes are organised |
| Websites | One-way communication to send messages and information | Primarily informing the (general) public; can be focused with dedicated webpages and search filters |
| Webinars | Seminar or other presentation that takes place on the Internet, allowing participants in different locations to see and hear the presenter, asking questions. | Generally a one-way communication which can become interactive with chat and Q&A functions. Can be recorded to use for further study. Depending on system, open to general public or for closed sessions. |
| E-Learning | A (series) of learning modules on a network to transfer information and knowledge | Self-paced learning and choice of learning environment. |
| Homework exercise distributed via internet | Micro-entrepreneurs who have subscribed receive tasks to perform in own time and space | Interactive communication if there is direct communication between trainer/user. Exercises to be completed. Information to be reviewed before discussion of the subject. |
| Personal conversation via Internet (Zoom, Teams, Skype) | The expression and exchange of individual ideas by talking to each other. | Direct, personalised communication between coach/mentor and micro-entrepreneur. Used for advisory and coaching and to stimulate self-eLearning after each session) provided there is a structured training outline |
| Joint action exercise via Internet | Group exercises - as part of formal training programme - on the Internet and led by a facilitator | Group/interactive learning with facilitators stimulating discussions between participants. |
| Online coaching, mentoring | After matching, entrepreneur and coach/mentor work together towards a predefined common goal | Key is the mutual understanding and communication in the right – entrepreneurial – language in an open and transparent way |

⁵⁴ In chapter 6, Table 14 lists online options for coaches, mentors and FSPs/NFSPs during times of crisis.

Although online solutions have become increasingly required and can be seen as an interesting new development that eventually may enable more cost-efficient coaching or mentoring, micro-entrepreneurs reported during the testing phase that they not only miss the personal contacts, but also feel that online guidance is less effective. Coaches and mentors have also indicated that stand-alone methods are not being picked up adequately by micro-entrepreneurs. The message from coaches, mentors, and micro-entrepreneurs is that online tools must be accompanied by proactive guidance.

5.3.7 Client relations

Micro-entrepreneurs receiving training, consultancy services or obtaining financial services from a FSP/NFSP should be treated as client. Even if they do not pay for services, they ought to be treated as such. They expect that services will meet their needs and help them solve problems. To ensure a clear client relationship:

- i. Coaches and mentors ideally follow a predetermined number of steps in the pre- and post-loan assistance process (in the case they intervene for an FSP); and,
- ii. Clients need to know the steps in advance (i.e. what kind of assistance/support will be delivered on behalf of the FSP or NFSP).

Over time, the challenge will be for coaches/mentors to retain contact, attention, and good relations with their clients. This depends on whether entrepreneurs value the services and whether the services produce results. Central to this is to respect the micro-entrepreneur as a client rather than a beneficiary.

Client relations are determined by the quality of coaching/mentoring and the perceived and reported output of such assistance. If the entrepreneur feels that his/her coach or mentor can contribute to a better understanding of financial issues and thereby improve financial health, clients will continue to appreciate contact with the coach and mentor. This requires a proactive attitude, whereby the coach or mentor regularly visits the client in accordance with pre-agreed action plans with a clear purpose of each visit communicated in advance.

5.3.8 Contracting

Support services and assistance will have a more positive effect when the micro-entrepreneur knows in advance what (s)he will receive and why, and when the person delivering the service is also aware what is expected from them. This is best established through a contract between both parties and experience has shown that such contracts contribute to better service delivery by coaches/mentors and a more effective use of services rendered by clients. As a result, services should be explicitly defined with a specified time horizon. Entrepreneurs will appreciate services more when the real price or costs of the services are mentioned explicitly in such contracts. Clear and transparent contracting is also helpful as it allows NFSPs or FSPs to communicate the services rendered and the expectations of the entrepreneurs. Two procedures to implement contracting include:

- i. The NFSP/FSP enters into a contract with the entrepreneur promising that a third party will deliver the agreed upon services. There will be no direct contracting between the entrepreneur and coach/mentor and all communications come from the NFSP/FSP.
- ii. The NFSP/FSP arranges a contract between the entrepreneur and the coach/mentor directly (even if the coach/mentor works for the NFSP/FSP). In this case, the contracting party is the entrepreneur (even when the service is co-financed by the service provider or any other third party). Experience has demonstrated that this form of contacting, with the entrepreneur in the driver's seat, adds to their empowerment and leads to better quality assurance. Entrepreneurs feel more freedom to express dissatisfaction with the service provider regarding the quality or format of service provision⁵⁵.

5.3.9 Contextualise

Any method to support, train or guide micro-entrepreneurs should be adapted to the local conditions, norms, values, and business ethics. During the testing phase, this was best done by mentors and coaches working directly with entrepreneurs to ensure that the coaching/mentoring was aligned with their capacities, aspirations, needs and wishes. This might imply the regular adjustment of methods, instruments and tools. However, excessive changes or changes that occur too rapidly should be avoided.

⁵⁵ This form of contracting has been used in the IntEnt programme and enabled entrepreneurs to voice their opinion about quality of service rendered. A second advantage: When business adviser would claim that the co-financing of their services by the service provider would not be adequate, the service provider could refer the business advisers again to the entrepreneurs. When the latter were not willing to pay more for the service the discussion about increasing co-financing normally came to an end.

6. When sudden problems arise

The outbreak of Covid-19 and the subsequent measures taken by central and local authorities impose a number of effects on existing businesses and people aspiring to become self-employed. Many micro-entrepreneurs felt the short-term implications. Specifically, as businesses with low liquidity, Covid-19 seriously threatens the operational continuity of many micro-enterprises. In the long-term, existing businesses will also have to face dramatic changes in market structure and conditions. Nevertheless, new opportunities may also emerge, although these new opportunities may also require a new mind-set. Original plans may have to be changed because of fast-changing market, economic and social conditions. Indeed, consumer behaviour has changed substantially compared to earlier market explorations or studies.

6.1 Psychological health comes first

During the testing phase, the world was confronted with the Covid-19 pandemic. Both micro-entrepreneurs, FSPs and NFSPs were suddenly confronted with a new reality. A reality that not only caused economic and financial health problems, but most certainly also led to mental and psychological health issues for the micro-entrepreneurs. While in 2019 the future might have been characterised by optimism and opportunity, since early 2020 that future is now shaky and uncertain.

Before tackling the economic and financial health related problems it is also relevant to take stock of the psychological issues existing and new micro entrepreneurs are facing. And once such have been mapped, it is important to find out what can be done by the entrepreneur alone or in cooperation with mentor, coach, or staff of the FSP or NFSP. Only with a positive mind-set and with renewed confidence that problems indeed can be solved the micro entrepreneur can work again on his or her financial health and be prepared to work on the various emergency plans to be drawn up or formulate new plans for a new and often different future.

Sudden problems from Covid-19 and the various measures taken by public authorities may be causes of stress for micro-entrepreneurs. These stress factors might negatively affect relations with members of the household, co-workers in the business or external stakeholders. What once looked a normal situation has led to a completely new paradigm with an uneven playing field. Plans that had been formulated or were in the process of being finalised suddenly do not reflect the actual situation entrepreneurs in which now find themselves: a sudden liquidity shortage may occur or financing new plans may be very uncertain. There are many reasons for stress and mental problems that could impact both existing entrepreneurs and those contemplating self-employment. These problems often manifest in erratic behaviour, anger, absent-mindedness, complacency, distractedness or other ways of escapisms. When such symptoms persist, there is no chance that action will be taken. The entrepreneur must first create a new comfort zone, either on his/her own or with support from coach/mentor or staff of the FSP/NFSP.

The first thing that FSP/NFSP staff, coaches or mentors can do is to seek contact with the micro-entrepreneur. This is needed to find out what is happening with the client personally and create an atmosphere of trust in which both the entrepreneur's mental and financial health can be assessed.

6.2 Online contact with the micro entrepreneur

Entrepreneurs are “Einzelgänger.” When sudden problems arise, their natural reaction is to solve them on their own, provided they do not deny that such a problem indeed exists. Further, upon tackling the problems, entrepreneurs tend to forget to seek advice from third parties, even their coach or mentor.

A proactive attitude is needed to stay in touch. There are many ways to do so for both the staff of the FSP or NFSP and the mentors assisting the micro-entrepreneurs:

- Sending messages by email or other social media (WhatsApp, Facebook). These messages can be brief updates with general information about facilities that can be offered or - temporary - arrangements that can be made. Since the messages will be short, they can contain links to websites with more information. This passive method is based on the assumption that the micro-entrepreneurs will read and react.
- Opening a dedicated website page or special page on social media (LinkedIn, Facebook). Again, the information will be of a general nature and it should be assumed that the micro-entrepreneur will take time to open the pages, read and act.

Understanding that many micro-entrepreneurs tend to do things on their own, coaches, mentors, and staff of FSPs/NFSPs need to be proactive to establish contact. The following steps (in ascending order of intensity) can be taken:

- Webinars to share information. The FSP/NFSP might decide to organise webinars to inform their clients/micro-entrepreneurs about special arrangements that can be made or facilities they offer (or are offered by third parties such as special measures from central or local governments). Promotion of the event is normally required to ensure that clients will join (via mail social media or phone).
- Digital training sessions on specific financial health or financing issues. These sessions are preferably organised directly by the FSP/NFSP. The topics can be selected in consultation with the coaches/mentors when in close contact with their clients and aware of the topics that would be relevant. Promotion of the event is normally required to ensure that clients will join (via mail social media or phone). The coaches or mentors can also encourage their clients to attend these trainings.
- Bilateral “Zoom” meetings⁵⁶ set up by staff of the FSP/NFSP or the coach/mentor. A first meeting can explore the unique problems that entrepreneurs are facing during the crisis. These first meetings can then be followed up—upon mutual agreement—by meetings with a clearly pre-defined topic. Being specific about expectations can motivate the micro-entrepreneur to actively participate.
- Creating digital communities. If webinars or digital trainings are set up in an interactive way, allowing micro-entrepreneurs to share experiences and communicate with each other can help build digital communities of entrepreneurs. It is common to see entrepreneurs assist each other when confronted with unexpected problems. FSP/NFSPs might be required to get these digital communities off the ground but once functioning, the communities may continue on their own. Coaches and mentors can also participate and assist clients⁵⁷.
- Personal visits. It goes without saying that personal visits by staff of the FSP/NFSP or mentors/coaches are the most intensive and active method to stay in contact with the entrepreneurs. Where direct contact is permitted by authorities, this form of staying in touch must be preferred. In times of crisis, entrepreneurs will not normally request visits but will certainly appreciate the contact. Proactively arranging visits is thus recommended. Coaches, mentors or staff of the FSP/NFSP should make appointments in advance to ensure that the micro-entrepreneur is (mentally) prepared and has reflected about the issue(s) he/she wishes to discuss during the visit. The visits can also be used to discuss actions to ensure mental health (some of which are discussed in the next chapter) and work on financial health.

As stated implicitly, some actions require the micro-entrepreneur to actively seek contact with the FSP or NFSP. The type and intensity of contact depends on the specific action (personal visits being the most direct and intensive). Table 14 illustrates the various actions and possible effects.

⁵⁶ Digital groups can be set up with different technologies such as Zoom, Teams, Skype or WhatsApp

⁵⁷ EnterStart Foundation (The Hague, The Netherlands) has set up such circles – labeled as “CoCo’s” (Covid Communities) – during a series of webinars with participants starting spontaneously to create a virtual network. After the webinars, the participants decided to continue meeting each other virtually.

Table 14 // Tools to keep contact with micro-entrepreneurs

| | Engagement of micro-entrepreneur | | Contact between FSP/NFSP and micro-entrepreneur | | Contact between client and other (micro-) entrepreneurs | | Possible effect |
|--|----------------------------------|------|---|--------|---|-----|--|
| | Low | High | Indirect | Direct | No | Yes | |
| Call by phone or WhatsApp by coach, mentor | ● | | ● | | ● | | Sharing of experiences; coach/mentor can provide (general) advice and refer to special measures |
| Call by phone or WhatsApp by staff of FSP/NFSP | ● | | | ● | ● | | Sharing of experiences; staff of FSP/NFSP can provide (general) advice and refer to special measures |
| Webinars to share information | ● | | ● | | ● | | Micro-entrepreneurs are informed (which cannot be verified) |
| Digital training on selected topics | ● | | | ● | | ● | Trained/informed micro-entrepreneurs |
| Zoom meetings (or Microsoft Teams/Skype) between micro-entrepreneur and mentor, coach or staff of FSP/NFSP | | ● | ● | | ● | | Sharing of experiences; coach/mentor or staff of FSP/NFSP can provide (general) advice and refer to special measures |
| Digital community between micro-entrepreneurs facilitated by mentor coach or staff of FSP/NFSP | | ● | ● | | | ● | Sharing of experiences; micro-entrepreneurs start assisting and coaching each other |
| Visit in person by coach/mentor | | ● | ● | | ● | | Direct coaching to tackle problems in the enterprise |
| Visit in person by staff of FSP/NFSP | | ● | | ● | ● | | Possibility to discuss new condition of existing financing or new financing arrangements and decision on the spot |

6.3 Seek ways to ensure mental health

A number of actions can be taken to develop a positive attitude in times of crisis. To solve economic and financial problems, micro-entrepreneurs need to be mentally prepared. A variety of those steps are discussed here, and the mentor/coach may select those that appear to be most suitable. Nevertheless, the suggested structure is recommended.

Step 1. Detox – stop listening to the news

“Bad news travels fast and sells,” and thus sticks in one's mind. While it is of course relevant to be informed about developments there is no need to be subject to the wave of message all day. Nothing is more distracting than bad news. In times of crisis, radio, television and popups/alert services on smartphones and computers all want to share the “latest developments.” It is recommended that micro-entrepreneurs check for updates at a few, regular moments per day only to set negative feelings and thought aside.

Step 2. Make a list

It is important to start by writing down what may be assumed to be an endless list. In reality, there are a lot of things to be done at both the household and enterprise level. By encouraging micro-entrepreneurs to jot down all tasks and implicitly consider who will take the respective actions, a first structuring of thoughts will emerge. The key in this process is to take a step back and observe - preferably together with the mentor/coach - what the immediate problems might be.

Table 15 helps to generate a preliminary list of potential problems that the entrepreneur may face. It enables the entrepreneur to identify immediate problems and start forming an action plan.

Step 3. Create distance

To take action and overcome problems, one needs to first step back and assess the situation. While social distancing might be effective to tackle or reduce corona infections, creating mental and physical distance from business/household problems can also help entrepreneurs reduce contagion. Creating distance can be done in various ways:

- i. It can be done by looking at oneself “from the outside-in.” If one takes a look at oneself from a distance it might be possible to really appreciate the relevance, importance of things happening.
- ii. Not opening the email-inbox first thing in the morning is also a way of distancing. It creates the mental space needed to look at things from a distance.
- iii. The Roman knew already “Mens sana in corpore sano”. A simple but effective way to create distance is through physical exercise. Exercise is preferably taken at regular and fixed moments; consider this time as a personal appointment with oneself.
- iv. Changing daily habits. This might involve changing simple things such as sitting at a different place at the table, moving to the other side of the bed, rearranging furniture at home, taking a different route to work, buying a newspaper you never wanted to read and so on. It may feel uncomfortable at first, but it helps to put things in a new perspective. It opens up the mind and welcomes new ideas.

Step 4. Get challenged

Denying the existence of problems is destructive and will not create the necessary environment to take corrective measures. As a result, coaches/mentors and FSP/NFSP staff should help the entrepreneur to accept problems and relabel them as challenges. Relabelling may then subsequently lead to a different, more positive mind-set.

Some ideas to create challenges include:

- i. Assemble a group of colleagues/fellow entrepreneurs to meet (at regular intervals) to discuss the business issues facing group members. Group meetings like this work best when colleagues share a positive mind-set and encourage persons to join even when they have serious doubts about tackling their own problems. By exchanging different views and opinions, group members can brainstorm solutions and feel empowered to carry on their business activities.
- ii. These groups can also meet virtually via Zoom or Teams. Experience has shown that an initiator or inspiring person should take the lead at the beginning. That role can be taken up by a staff member of a FSP or NFSP or by trainers, mentors, or coaches.

Table 15 // Possible Covid-19 related problems affecting the financial health of micro-entrepreneurs

| Possible problems | Degree of seriousness ⁵⁸ |
|--|-------------------------------------|
| Personal issues | |
| Personal stress, distraction, fear | |
| Stress and concerns about co-workers or their employees | |
| Uncertainty about future and/or inability to plan for the future | |
| Unable to take necessary decisions | |
| Declining sales | |
| Lockdown (shops/businesses are closed) | |
| Movement restrictions, social distancing, customers not allowed to come to shops/businesses | |
| Economic recession and customers adjust spending habits | |
| Specific activities are impossible to undertake | |
| Logistics interrupted | |
| Social distancing creates problems related to the safety of co-workers/employees tasks | |
| Supply of goods interrupted/difficult due to restrictions on mobility and the limited availability of transportation | |
| Specific measures (such as school closures) force co-workers, employees – also those of suppliers or transport companies – to stay at home | |
| Online working not possible | |
| Financial issues | |
| Liquidity shortage due to declining sales and operational challenges | |
| Difficulty to access additional working capital | |
| Financiers are difficult to approach (e.g. not working in their offices) | |
| Financiers unwilling to extend or renew financing | |
| Financiers calling in existing loans | |

- iii. Encourage the entrepreneur to invite people who will challenge them on various business issues and give them constructive advice when learning more about the story of the enterprise. Let them talk about the business and the way they think it is run. Let them elaborate about the new future and how they would run and develop the enterprise if they were the owner/entrepreneur. Invited guests do not necessarily need to be entrepreneurs. It might be refreshing to speak with other professionals or young people. Interacting with new groups of people can encourage “out of the box” thinking as they might come up with unexpected suggestions. Here, it is important for the entrepreneur to be open to the ideas brought forward and then imagine how things could be done differently and in which direction things could go.
- iv. Being aware that one is not able to deal with sudden problems can give an embarrassing feeling. One might then be inclined to shy away from others. Thus, staff of financing intermediaries are not contacted neither are trainers or mentors consulted with

⁵⁸ Can be expressed in words (“High”, “Moderate”, “Low”) or by ranking say from 10 (Serious) to 1 (Not serious)

whom the entrepreneur was in touch before. But seeking such contacts may be quite useful. The mentor or staff member of the FSP knows the business and will give balanced advice, share insights, and voice opinions. And they might be well positioned to give realistic criticisms. And since such comes from people the entrepreneur is familiar with, the latter might receive that feedback more positively as well.

Step 5. Detect “hidden” qualities

Entrepreneurs typically start their ventures by making use of their qualities and talents. Not all such qualities will have been used by the entrepreneur over the past years. There might be “hidden” or latent qualities that will enable the micro-entrepreneur to change directions. Times of crisis may be an opportunity to reassess readily available, but still hidden, qualities. Exploring these traits can improve business plans and present new ways of working. Through open discussion, coaches and mentors can help micro-entrepreneurs detect and develop these “new” skills. Coaches and mentors can then help the micro-entrepreneur identify use cases to put these skills into action.

Step 6. Review the list and prioritise

After going through the previous steps, it is best to revise the initial action list and prioritise. This review process might lead to the development of a new list. At this stage, the most immediate—and vital to future continuation of the business—problems need to have clear actions items.

To prioritise, consider these five key variables:

- i. Make a distinction between controllable and noncontrollable areas of action. Does the entrepreneur have control over the actions and problems to be tackled? If not, who does have control and to what extent can the entrepreneur exercise influence?
- ii. Determine the urgency of the actions.
- iii. Estimate the time it takes to carry out the action; how long will it take before the action can actually be taken and results might be expected?
- iv. Calculate the costs of the action; how much will it cost in terms of time and money to prepare and take the actions?
- v. Define the expected results, and set the clear targets for the actions

Once the list has been drawn up, it is important to get started.

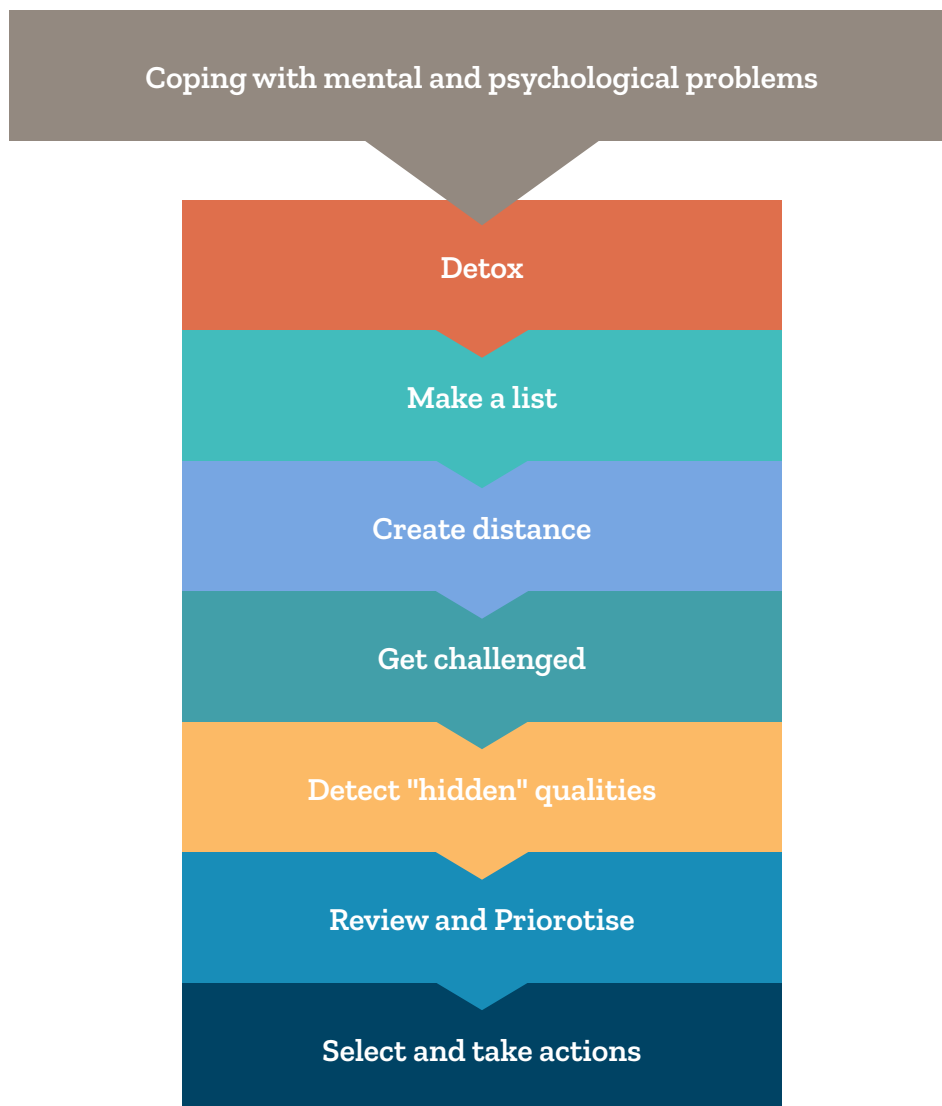
Step 7. Take action

After reviewing the previous steps, actions need to be taken. Consider these two principles: (1) start simple and (2) decide what the micro-entrepreneur wants to do him/herself.

- i. Experience has shown that it is motivating to start with simple actions that generate quick results. This gives a positive boost to the entrepreneur, creates a feeling of satisfaction and makes it easier to take up the remaining tasks.
- ii. Not everything needs to be done by the entrepreneur him/herself. There are always three ways to act: Do it, delegate it or destroy it.
 - The entrepreneur can decide to do everything alone or select only the action(s) he/she wants to take up.
 - The entrepreneur can delegate actions to a third person. This can be an employee or co-worker, a member of the household or an external person that can be contracted/counted upon to complete the task.
 - The entrepreneur can deliberately take no action (i.e. destroy the action). This shortens the remaining action list and can generate a feeling of relief.

The various steps are best taken iteratively to first accept that problems exist and then to identify actions that create a positive mindset to tackle the more technical and financial problems (see Figure 9).

Figure 9 // Facing (mental) problems: steps that can be taken



Source: Developed by authors (2020)

6.4 Crises and related financial health problems

The Covid-19 outbreak, and the subsequent health-related measures taken by public (national and local) authorities (i.e. lockdowns), have negatively impacted nearly all businesses, entrepreneurs, co-workers, and their respective households.

Most micro-entrepreneurs have been hit especially hard. Although local and central authorities have introduced several special economic and financial measures to assist the MSME sector, existing enterprises have faced serious problems during the first months of crisis.

Most enterprises have experienced falling sales, rising costs and less cash flow. Supply chains have been interrupted and providers have not been in a position to deliver goods. As a result, input costs have increased for many firms. Additional uncertainty about job and income security is also likely affecting buying patterns and consumer behaviour.

Liquidity problems (e.g. no cash inflow) reduces the chances of survival for many enterprises. In the short term, actions should reorganise the cash budgets of both enterprises and households by reducing expenditures and payments and accelerating cash

Focus on Strengths and Opportunities

In the planning stages, trainers, mentors, and coaches tend to look at the complete set of opportunities and threats for an enterprise and the strengths and weaknesses of the (prospective) entrepreneur (i.e. SWOT analysis). During that planning stage, this may be an effective approach.

In times of crisis, it is better to focus mainly on available and latent strengths, qualities and talents of the entrepreneur and the existing and emerging opportunities in the market for his or her (new) business.

This will enable the entrepreneur to feel more confident that (s)he can cope with the immediate problems and draft plans for the future. Later, once the new strategy has been defined and actions have been taken, weaknesses (and ways to overcome them) or threats (and ways to avoid them) may once again be considered.

inflows. This might require actions to postpone payments, cut fixed costs, renegotiate payment terms for inputs, urge clients to pay faster or seek new sources of short-term financing.

With respect to the long term, existing entrepreneurs may need to adjust or drop future plans. Individuals planning to start a business will likely be forced to assess and reformulate their plans to start a new business. For those considering the launch of a new business, financing conditions may also be subject to modifications and procedures might have changed that limit the potential to start.

For existing businesses, financiers might apply new conditions to outstanding financing such as:

- i. Relaxing conditions (including offering new terms) in anticipation that their client's business will survive and can restart repaying at a later time period or offering relief for a given period; or,
- ii. Demanding faster repayment since their clients might be operating in the new, uncertain situations that now carry a higher risk profile creating extra challenges for their clients in already uncertain times.

To face these new challenges, entrepreneurs, and advisors (coaches/mentors) need to take stock of the situation with respect to their financial health and draw up an action list. As mentioned earlier, the first step is to address short-term problems. Failing to do so can lead to serious problems and result in bankruptcy. A first step is therefore an update and review of the cash budget or liquidity plan of the enterprise and the related cash budget for the household of the entrepreneur. Updating the two existing cash budgets can highlight possible bottlenecks and items of concern and inform the type of actions to be taken.

Structural changes will likely also occur. For instance, new consumer behaviour and spending patterns will likely emerge. This will force many entrepreneurs to opt for new modes of operations. As a result, micro-entrepreneurs should consider new business concepts and models. Short-term actions must be taken with an eye on the future while long-term plans need to be re-assessed and reformulated.

Both short- and long-term actions are discussed further in more detail in the following subsections.

6.4.1 Actions to regain short-term financial health

Sudden changes in the business landscape require entrepreneurs to take action. Here, a list of logical steps has been shown to improve decision making under uncertainty. To this end, first steps should identify the most immediate problems and figure out the best way to mitigate their direct effects. Afterwards, an action plan can be formulated (see Figure 2).

Taking a step back to reflect on the situation from a high level can help inform the entrepreneur and coaches of the true problems. Normally, the most obvious problem concerns the liquidity position of the enterprise.

The liquidity position of the business is the key parameter to know whether the business will survive. The continuation of any self-employment activity depends on a positive cash position. Cash shortfalls from falling sales or from forced closings implies that over time, no payments can be made and that the entrepreneurs/enterprise will become bankrupt after cash reserves are depleted.

Under lockdown, it does not matter whether a micro-entrepreneur enjoys high profit margins: if nobody pays, the micro-entrepreneur will be forced out of business. Only through accessing additional sources of cash (e.g. savings, capital injection, new loans, or government grants) can such financial health problems can be solved in times of crisis.

External help might help the entrepreneur to identify issues that are controllable or can be influenced by the entrepreneurs and persons in his/her direct environment from those issues which are uncontrollable. It only makes sense to concentrate on issues that are actionable and which may lead to direct effects on business viability. As a result, actions need to be prioritised. Only then can a realistic Action Plan with specific targets can be drawn up (see Figure 10).

Figure 10 // From facing a financial problem to a realistic plan of action



To ensure the survival of the micro-enterprise, actions must generate a direct positive effect on the liquidity position of the enterprise and household. These actions are often a mix of cost/expenditure cutting, accelerating payments for goods or services and generating additional cash flow by renegotiating financing or entering into new short-term/working capital financing arrangements.

Trainers, coaches, and staff of FSPs and NFSPs can help micro-entrepreneurs assess their short-term problems and identify actions to improve their situation, such as:

- i. Start by tackling the short-term problems. The cash budget at the household and enterprise level needs to be updated to identify problems. Then three assessments need to be made: (1) present costs, (2) expenditures and (3) actions to reduce them.
- ii. Present and potential sources of income or revenues and possible actions to increase them.
- iii. Sources of additional, external financing (capital loans grants, welfare support) and access to these instruments.

Trainers, coaches, and staff of FSPs and NFSPs can help micro-entrepreneurs assess problems and formulate action through two sets of Covid-19 tools (which are presented in the accompanying manual):

- i. One of tools to identify and prioritise actions to meet financial problems at the household level.
- ii. A second set to identify and prioritise actions to meet short-term financial problems at the enterprise level.

6.4.2 Towards long-term financial health after the crisis

Once initial measures have been taken to keep the business afloat, entrepreneurs need redirect their attention on the future and long-term financial health.

Predicting future business development in the current environment is particularly challenging. Additionally, current support programmes might also undergo modifications or be subject to policy changes. We advise taking a step back to assess the situation and anticipate what might be expected to happen in the coming months to identify potential opportunities. After this initial assessment, outside assistance from coaches, mentors, or staff of the FSP or NFSP may be effective.

FSPs may offer financing under - temporary- relaxed conditions, which may often be supported by national , multilateral or EU supported facilities and new financing possibilities. Other options might emerge as well. For example, governments might intend to stimulate the economy by channeling substantial public funds towards specific sectors leading to – temporary - increases in demand for specific services or products. . Alternatively, new financing parties may enter the market – physically or virtually – and offer new types of financing (for example, crowdfunding). Finally, some spontaneous initiatives may emerge (e.g. community-based savings and loans schemes, groups with a preference for more regionally-focused solutions).

- Not all problems related to the Covid-19 crisis can be solved in a rational manner nor can all new opportunities be exploited. Entrepreneurs need to ask themselves what they really wish to do and achieve over time. Crises often force reflection and retrospection. Taking a step back can help entrepreneurs to evaluate the situation and ask questions such as: What major changes in society are creating new market opportunities?
- What are the current financing trends from the identified funders?
- What financing options exist? What new financing opportunities (both physical and virtual ones) have become available?
- What special measures are authorities and private organisations taking to support the small and micro-enterprise sector (and what are the conditions and possible effects)?
- What do I want to do myself in the long term?

Answering the above questions is important to draw up an action plan (see Figure 11).

Existing entrepreneurs with plans to expand and gradually change their businesses should follow these steps. Furthermore, support from coaches and mentors during this process will certainly be needed. Together, original expansion plans can be updated to the new business environment. Update plans will help to convince external parties to lend support (e.g. access financing).

The many measures taken by public authorities (either at the central or local level) may not only help to relieve short-term liquidity problems, but most certainly will also create new opportunities for entrepreneurs. These measures need to be carefully assessed to identify opportunities in the coming months to either restart or launch a completely new business.

Figure 11 // The process to come to modified long-term plans for (starting) micro-entrepreneurs

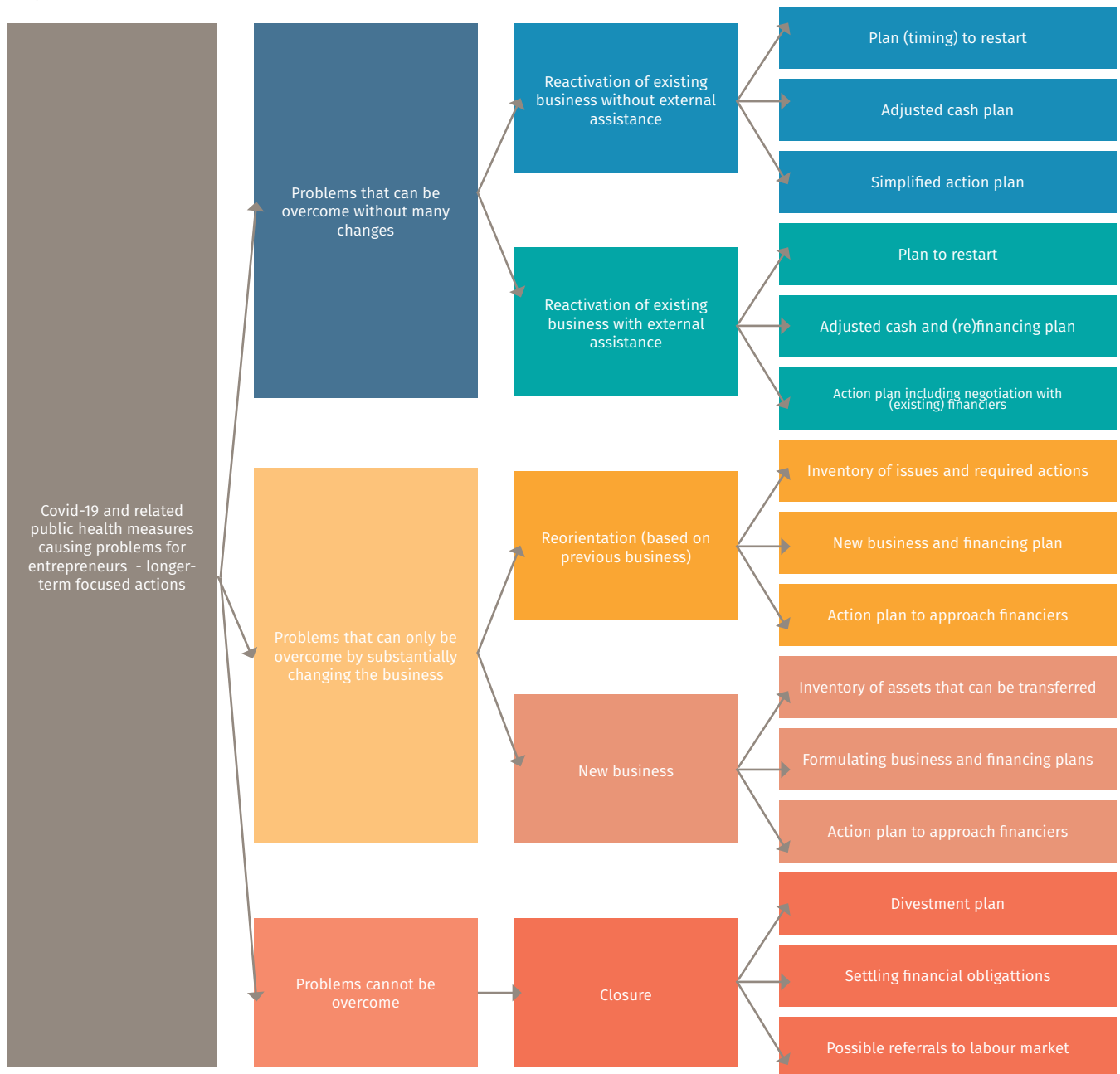


Source Designed and developed by Molenaar (2020)

Micro-entrepreneurs have five options to prepare for the future post-crisis (see Figure 12):

- i. Restart without external help. Here, a simple action plan might be sufficient (which can be done alone or in consultation with the coach/mentor). The plan may require a simplified or adjusted cash plan and expand on how existing financing will be used.
- ii. Restart with additional external help (and financing). The external assistance can be twofold: (1) assistance to formulate a new action plan and (2) guidance to access new financing and from third parties (often on the basis of structurally adjusted cash planning).
- iii. Reactivate business with structural changes. Here, entrepreneurs may need assistance from the coach/mentor to determine which part of the existing business should be closed down, help to reformulate the business and related financing plans, and assistance to renegotiate existing financing and find new financing.
- iv. Close the business and start a new one. Comprehensive counselling, mentoring and guidance might be needed to devise a divestment plan and settle financial obligations. Additional assistance may be required to formulate a new business plan and related financing plan. Further assistance may be required to attract financing.
- v. Close the business and decide not to (re)start. Assistance is needed to prepare for divestment and settle outstanding financial obligations. Afterwards, the former entrepreneur may appreciate some referrals to the labour market.

Figure 12 // Post-Covid19 scenarios



Source Designed and developed by Molenaar (2020)

In recent months, national and local governments across Europe have developed a broad range of measures to help the MSME sector cope with the Covid-19 crisis. The measures typically offer to help MSMEs overcome temporary liquidity problems and/or offer arrangements to prepare for a new future. Tool 16 lists a selection of common measures taken in a number of EU countries.

Table 16 // Measures to support MSMEs in times of crisis (during Covid-19)⁵⁹

| Type of possible measure | Known in my country as... | Relevant for my clients Y/N | Action to take to access |
|---|---------------------------|-----------------------------|--------------------------|
| Measures related to working time shortening, temporary lay-off and sick leave, some targeted directly at MSMEs. | | | |
| Measures towards the deferral of tax, social security payments, debt payments and rent and utility payments | | | |
| Extension or simplification of the provision of loan guarantees, to enable commercial banks to expand lending to MSMEs. | | | |
| Stepping up direct lending to MSMEs through public institutions | | | |
| Providing grants and subsidies to MSMEs | | | |
| Use of non-banking financial support intermediaries | | | |
| Establishing structural policies to help SMEs adopt new working methods and (digital) technologies and to find new markets and sales channels | | | |

Source: based on OECD Covid-19_SME_Policy_Responses and adapted by authors (2020)

Coaches, mentors, and staff of FSPs and NFSPs are urged to verify the measures that have been taken in their respective countries and to report the extent to which they are suitable for their clients (i.e. check the eligibility criteria).

They should also verify the specific actions that need to be taken to access and make use of those measures and which type of their clients can best take advantage of such measures. Before seeking access, coaches, mentors and FSP/NFSP staff should consult with micro-entrepreneurs to obtain their consent and help them understand the possible benefits and consequences of making use of such measures.

Trainers, coaches, and staff of FSPs and NFSPs can help micro-entrepreneurs deal with problems and identify action steps through a set of tools that are available in the manual, such as:

- i. Tools to identify and prioritise actions to meet long-term financing problems at the enterprise level; and,
- ii. Selected public (National/European) measures that assist the MSME sector that are relevant and accessible for micro-enterprises.

⁵⁹ See also OECD, https://read.oecd-ilibrary.org/view/?ref=119_119680-di6h3qgi4x&title=Covid-19_SME_Policy_Responses

7. Financial health means action!

A variety of initiatives have been deployed over the past decade to understand more about the financial health of individuals and micro-entrepreneurs. There is a growing awareness that the well-being of a micro-entrepreneur is directly affected by the financial performance of his or her enterprise. If things do not go well in business, quality of life also deteriorates at home. The poor financial performance of a business will lead to fluctuations in income and subsequently have a negative impact on the household. As a result, it is important to know what is going on in the business and be able to measure its financial health at any given time. However, measurement alone is not sufficient. Measurement only provides information at a single moment; not necessarily how financial health has evolved over time or could be improved in the future.

A micro-entrepreneur is considered financially healthy if (s)he possesses the capacity to deal with financial issues in his/her business, understands how to manage business finances and is able to plan the future of the business in line with his/her aspirations and capabilities. This will also influence the well-being of the individual and his/her household.

The micro-entrepreneurs interviewed over the past year for this study have clearly stated that they would not be interested in simply measuring the financial health of their business. They know that much depends on their own understanding of financial issues, and they are aware that they need to act when things are not going as expected. Once confronted with financial challenges, these entrepreneurs are interested in actions that enhance and deepen their knowledge about the financial issues that are relevant and important for their businesses. They want to learn how to take action. And such is even more important and desirable in times of crisis.

The staff of FSPs and NFSPs also has a role to play in a process towards better financial health of the enterprises and better financial well-being of the entrepreneurs, particularly those who are not directly engaged in extending finance.

For many FSPs and NFSPs, there is growing awareness that coaching and mentoring (on financial issues) should be offered in a structured manner and that coaches and mentors ought to be equipped with adequate tools and instruments to support micro-entrepreneurs in the running and development of their business.

The staff of FSPs and NFSPs, as well as the external professionals working as volunteers, will be more effective if they provide their services in a structured manner and make use of state-of-the-art tools and instruments related to financial health. Coaching and mentoring on financial issues can be more effective when it is offered in a logical way and on the basis of the capacity and capabilities of clients.

This explorative research has revealed that an integrated programme to enhance the financial health of micro-enterprises and financial well-being of micro-entrepreneurs is warranted and needed. And that the integrated programme must cover assessments, measurement, and follow-up actions where coaches and mentors working with FSPs and NFSPs are expected to play a proactive and stimulating role.

The accompanying manual contains guides to segment the MSME universe and identify financial issues for the five main categories of entrepreneurs: (1) self-employed out of necessity, (2) sole self-employed (including lifestyle entrepreneurs), (3) opportunity-driven micro-entrepreneurs and (4/5) growth-oriented small and micro-entrepreneurs. In addition, there are templates to identify the financial issues entrepreneurs face; a guide to assess financial health and wellbeing (in a systematic way) and templates for action plans to enhance the understanding of financial issues and ways to handle them.

Initial feedback from coaches, mentors, and staff of FSPs/NFSPs suggests the methodology and toolbox are most effective if they are adapted to local conditions, which will optimistically lead to the creation and development of sustainable businesses that create decent work conditions and ensure the generation of adequate income for micro-entrepreneurs and their households. In other words, it contributes to both the financial health of the enterprises and the financial well-being of the entrepreneurs, and brings satisfaction to the staff of FSP/NFSP, coaches and mentors who deliver the work!

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About EMN, ADA and J.P. Morgan

EMN

The European Microfinance Network's (EMN) mission is to build up universal and open access to appropriate financial and complementary support services suited to society's needs at affordable prices allowing people to deploy their talents in order to create wealth and value while having a positive social impact. EMN is empowering its members to become acknowledged actors and partners in the financial sector that reach out to a large number of enterprising people who, in turn, create jobs and contribute to sustainable growth. EMN primarily focusses its activities in the European Union and EFTA/EEA member states.

ADA

Since 1994, ADA has been working to foster the financial inclusion of populations excluded from the conventional banking systems. ADA's action is designed to reinforce autonomy and capacities of microfinance institutions (MFIs), professional associations and networks. ADA also assists governments in their efforts to support and structure the microfinance sector at the regional and national level. More recently, ADA has started working with other kinds of organisations such as incubators, in order to better support micro- and small entrepreneurs and facilitate their access to finance. ADA is a non-governmental organisation based in Luxembourg, working with 43 employees and an annual budget of 10 million EUR.

J.P. Morgan

JPMorgan Chase & Co. (NYSE: JPM) is a leading global financial services firm with assets of \$3.2 trillion and operations worldwide. The Firm is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing, and asset management. A component of the Dow Jones Industrial Average, JPMorgan Chase & Co. serves millions of customers in the United States and many of the world's most prominent corporate, institutional and government clients under its J.P. Morgan and Chase brands. Information about JPMorgan Chase & Co. is available at www.jpmorganchase.com

JPMorgan Chase's made a \$250 million global business and philanthropic commitment to support immediate and long-term economic and public health challenges of the COVID-19 crisis. The firm is using data-driven solutions to support the most vulnerable individuals, small businesses and communities as they face financial hardship and uncertain work opportunities, the shifting business landscape and increased pressure to access or maintain affordable housing. JPMorgan Chase will continue to leverage its core businesses, areas of expertise and existing partners to develop an ongoing response to COVID-19. For more information, visit jpmorganchase.com/covid-19.

While this report has been supported by J.P. Morgan, the contents and opinions in this paper are of the authors alone and do not reflect the views of the JPMorgan Chase Foundation, JPMorgan Chase & Co., or any of its affiliates.

Appendices

Details of the sixteen organisations participating in this research

Details of the sixteen organisations participating in this research - EU Member States

| Country | Name (FSP/NFSP) | Founding year | Legal status | Key features | Indicative size (# of clients) | Typical products/services |
|---------------------------------------|-------------------------------|--|---|---|---|---|
| Financial service provider | | | | | | |
| France | Adie | 1988 | NGO - Non-profit association (under French Law 1901) | Throughout France in urban (6%) and rural areas (24%) / HQ in Paris | Active borrowers (2017) 39.804 | Micro loans and business support services (by volunteers and own staff) |
| Spain | Oportunitas SL | | Private limited company (Ltd) - NBFi | HQ in Barcelona Also active in Madrid and Valencia. | 49 clients (2018) | Business loans, mentoring and training (by staff and volunteers) |
| Italy | PerMicro | 2007 | Public limited company (Ltd.) - (S.p. A) | HQ in Turin Throughout Italy - mainly urban areas | 1.750 micro-entrepreneurs/ self employed | Business loans, personal loans and business support services through sister company Micro Lab Onlus (with volunteers) |
| United Kingdom | Nwes | 1982; since 2018 under NWES | Company limited by guarantee -NBFi | HQ in London Active in mid-England | 290 enterprises indirectly financed and > 3.000 clients trained / advised/ informed (2018) | Business advice and plan formulation leading to financial access (with staff; operates as quasi financier by administering lending operations on behalf of Start UP Loan Fund) |
| Non-Financial service provider | | | | | | |
| France | Positive Planet | 2006 | Non-profit association (association loi 1901) - Part of the Positive Planet network | Throughout France in urban and semi urban areas HQ in Paris | 1.200 small/micro- entrepreneurs trained/advised (2017) | Training (pre-loan) by own staff and business advise Post loan by volunteers |
| Spain | Incyde | 1999 | Non-profit foundation belonging to National Chamber of Commerce | HQ in Madrid Throughout Spain | 4.000 persons per annum trained and advised | Training a business advise by subcontracted business advisers (paid) |
| Italy | Fondazione Welfare Ambrosiano | 2011 | Non-profit foundation | Milan outskirts only | 49 clients (approx. 30 solo self-employed) | Guarantee funds with direct links to partner banks - with additional business advice by own staff and volunteers |
| United Kingdom | Outset Finance/ YTKO- Ltd | Outset Finance since 2014. YTKO since 1989 | Outset is project of private limited company YKTO Ltd. | Operating from Plymouth - active in Southern England | 500 clients lead to finance and > 1.000 assisted with business support services (through sister project Outset BDS) | Business advise and plan formulation leading to access to financing (by staff; operates as quasi financier by administering lending operations on behalf of Start UP Loan Fund) |

Details of the sixteen organisations participating in this research - Emerging economies

| Country | Name (FSP/ NFSP) | Founding year | Legal status | Key features | Indicative size (# of clients) | Typical products/services |
|---------------------------------------|------------------------------|---------------|---|--|---|---|
| Financial service provider | | | | | | |
| Brazil | Credisol | 1999 | Civil society organisation of public interest (NGO) | - HQ in Criciúma, Santa Catarina province - Active in 3 states Parana, Santa Catarina and Rio Grande do Sul | 6.531 clients in 2018 | Individual loans and micro-insurance. Business management services through a partnership with SEBRAE. Educational materials and templates (spreadsheets) aimed at improving microentrepreneurs' businesses, |
| Mexico | ProMujer | 2001 | Multi-purpose financial company | - HQ in Pachuca, Hidalgo State - Active in Mexico City, Mexico State, Hidalgo, Puebla, Oaxaca, Veracruz, Tlaxcala, Querétaro | More than 24.000 clients in 2018 (mostly women) | Group and individual micro-loans; pre-loan training for all new clients, then continuing training for those who want. Trainings focus on personal development, finance, basic entrepreneurial skills. |
| Peru | Norandino | 2005 | Savings and credit cooperative | - HQ Jaen, Cajamarca - Active 15 provinces in North and North East of Peru | 22.700 clients in 2018 | Loans (working capital, consumption, investment). Savings products. Non-financial services: financial education, budgeting and financial goal setting. |
| South Africa | SEF | 1992 | Non-profit company | - HQ in Tzaneen, Limpopo province - Active in Limpopo, Mpumalanga, Eastern Cape, Kwa-Zulu Natal, and Northwest regions (mostly rural) | 195 000 group loan clients, 100 individual loan clients | Group loans, saving services, loans for MSMEs, Financial education for all clients, training for clients on business management, planning and personal development |
| Non-financial service provider | | | | | | |
| Brazil | Aliança Empreendedora | 2005 | Non-profit association | - HQ in Curitiba (Paraná state) - Presence in all Brazilian states through 107 allied organizations. | More than 86.000 micro-entrepreneurs supported since creation (15.000 in 2018) through more than 160 projects | Face-to-face and on-line, group training and individual mentoring with focus on business and financial management as well as personal development and empowerment. |
| Mexico | ProEmpleo | 1994 | Non-profit association | - HQ in Mexico City - Active in the whole country | 163 micro-entrepreneurs in 2018 for mentoring and consulting services; more than 4.000 for trainings | Group training on human development, marketing, sales and finance, to end up with a business plan; consulting, mentoring and networking services |
| Peru | ADEC ATC | 1988 | Association | - HQ in Lima, - 2nd office in the city of Chimbote, in Ancash region | 240 micro-entrepreneurs in 2018 | Training (including seminars), consulting, productive technical assistance, in specific activity sectors, such as metalworking, textile and handicraft. |
| South Africa | SAICA Enterprise Development | 2018 | For profit company | - HQ in Johannesburg, - Active in Gauteng province | 44 entrepreneurs supported in 2018 | Collective finance bootcamp, individual finance coaching and business mentoring, accounting and back office support, and personal development mentorship. |

Appendices

Four case studies

Permico - The cash budget central

Created in 2007, PerMicro is a company that specialises in offering microfinance (small loans) and additional business development services. Initially only operating in Torino, PerMicro now (2019) operates in eleven Italian regions. It is the first and the only Italian microcredit company that professionally manages all phases of a micro company project: scouting, preliminary inquiry, risk assessment, and follow-up. The company belongs to the Italian and international network of microfinance organisations. PerMicro finances up to 25,000 EUR for companies or families, and it is designed for people who do not have easy access to traditional bank credits. PerMicro relies on a strong and diversified ownership structure and good governance system. The main shareholder (BNL BNP Paribas) is also a strategic partner, greatly supporting PerMicro in different areas such as funding, capacity building, market opportunities and operating expenses.

PerMicro also receives financial support from two Italian Foundations. It is an active member of the Italian network of microfinance institutions, Ritmi, and the European Microfinance Network (EMN).

PerMicro's primary target groups are people who have difficulty accessing traditional bank loans. Migrants in Italy wishing to set up a small business or engage in self-employment are also eligible for financing.

The company provides loans up to EUR 25.000 for companies or enterprising individuals. Financing by PerMicro is supplemented with business development services by both PerMicro staff and mentors (volunteers). It also provides personal loans up to EUR 6.000. Financing for growth-oriented entrepreneurs is not that obvious given its upper limit in lending (EUR 25.000).

To be eligible for financing, prospective clients of PerMicro need to:

- Present a viable business plan;
- Demonstrate appropriate technical and entrepreneurial skills; and,
- Utilise their social network to find someone to provide a guarantee the micro-entrepreneur.

PerMicro has access to the Italian Credit Reference Bureau, which enables it to check the credit history of a prospective client. There are two main reasons to verify data at the credit bureau:

- To see whether there is a risk of over-indebtedness; and,
- Most importantly to check whether clients truthfully represent their credit history.



The man is a woodworker specialising in wooden models of luxury yachts for shipbuilders (who give them as gifts to yacht buyers). With his wife, they tried to set up their own business. They came across a nice working space but faced problems with the owner of the premises. Suddenly, they ran out of money and "a loan seemed to be the solution." However, when the couple approached traditional banks they were bluntly turned down. One of the banks did, however, refer the couple to Per Micro, without explaining why.

A coach from PerMicro Onlus was assigned to the couple. With the coach, they first set up a comprehensive cash budget to capture money in/out flows, especially the private cash flows for their household. The couple states "that gave us a real insight in our liquidity position." They now have a better grip on their finances, "we keep of track of all daily payments and receipts and we know now what we really earn." With the new plan, they obtained a small loan of EUR 20.000 from PerMicro. "Working constantly with our coach on our cash budget has really contributed to our self-confidence" "We are now planning to change banks. We are not satisfied with service we have received so far although we know they referred us first to Per Micro"

If clients withhold information, the application for support is almost always automatically rejected.

PerMicro offers guidance to entrepreneurs during the pre-loan stage mainly to help potential clients write a business plan and in the post-loan stage by providing general guidance during start-up and implementation. This business development support is organized by a specialised subsidiary of PerMicro, operating under the name MicroLab Onlus, and is provided by volunteers (experienced professionals and businesspeople).

In the pre-loan stage, PerMicro staff spends time helping entrepreneurs create a comprehensive cash budget/cash plan (in combination with projected balance sheets and P&L statements). Mentors and entrepreneurs try to incorporate all cash flows into the budget, including both cash flows related to the household and those related to the existing and planned business activities. During this process, the staff of PerMicro guide clients and train them on a one-to-one basis.

After loan approval/disbursement, clients receive support from mentors working for Micro Lab Onlus (see below).

The most important advice is to give the entrepreneur confidence.

PerMicro - Quantitative data

| | | |
|---|--|--------------|
| Year established | 2007 | |
| Legal status | Joint-stock company PerMicro is a financial intermediary (NBFI) supervised by the Bank of Italy. | |
| Principle characteristic(s) of the service provider | Loans up to €25.000 for individuals starting or expanding a micro or small business activity without access to the formal banking sector. In partnership with MicroLab Onlus, a non-profit organization, business development support (pre- and post-loan) services by volunteer coaches jointly with staff of Permicro | |
| Main area of operations | Headquarters in Turin, North Italy with 16 branches overall Italy | |
| Quantitative data | 2017 | 2018 |
| Number or staff working in PerMicro | 58 | 59 |
| Number of volunteer coaches (through Onlus) | 56 | 60 |
| Total Portfolio (end of year) | € 24.181.050 | € 24.075.153 |
| New clients -solo self employed | 218 | 250 |
| New clients – Micro- entrepreneurs (< 5 co-workers) | 182 | 150 |
| New clients – Micro⁶⁰ / small entrepreneurs (> 5 co-workers) | 33 | 22 |
| Average loan size self employed | € 16.581 | € 18.532 |
| Average loan size micro-entrepreneurs (< 5 co-workers) | € 21.502 | € 21.753 |
| Average loan size micro/ small entrepreneurs (> 5 co-workers) | € 24.977 | € 22.798 |

60 Defined by Per Micro as micro entrepreneurs with the loan ceilings still below Euro 25.000 (EU definition) – in this report actually considered small entrepreneurs

Type of micro-entrepreneurs served

Most clients are defined as self-employed/micro-entrepreneurs, but with a rather formal business structure; when growing they might decide to employ gradually one to two more salaried employees.

The common denominator for PerMicro target groups are unbanked clients, e.g. persons who have no or difficult access to formal banks.

The basic characteristics of PerMicro business clients include:

- 80% < 45 years old
- 23% migrant (newcomers and longer staying)
- 48% were unemployed
- 70% of clients are located in smaller cities (less than 500k inhabitants)
- 35% women
- Almost 90% of the businesses supported by PerMicro are operational after two years.
- Almost half of PerMicro business clients graduate and receive financing from banks.

Financial issues

In the business planning preparation stage, the staff and business advisors assist potential clients by translating business ideas and the desire to become self-employed into realistic investment and financing plans, with special emphasis on the related cash plan.

A significant number of prospective clients have difficulty to present a clear business and investment plan. This is attributable to the fact that household finance and personal finance are often intertwined, even when separate bank accounts (personal and business) are used. The cash plan and liquidity budget appear to be a very effective tool to analyse the situation and then come to realistic plans. Since most clients work on their own (e.g. without business partners or staff), they don't have many people to turn to in case of problems. Once a mentor has been assigned and trust has been established, clients tend to rely on them and continue working with them after having obtained a loan from PerMicro (or another external financier).

Supporting mentoring and coaching through MicroLab Onlus⁶¹

Since 2003, Microlab Association, formerly called Atomi Onlus (a non-profit organisation), has been helping people in Italy who want to start their own business. The organisation is closely linked to PerMicro. While PerMicro focuses on extending microloans (up to EUR 25.000), Microlab Onlus provides business support services during the pre- and post-loan stages to clients.

Although it works very closely with PerMicro, Microlab Onlus is an independent organisation that makes its own decisions and has its own financing structure. This segregation of services makes it possible to structure business support services. It also gives insight into the true cost of such services (even when they are provided by volunteer advisors). This structural linking of pre- and post-loan advisory services is highly appreciated by clients.

For Microlab Onlus a mentoring relationship is a one-to-one interaction established between a mentor, an experienced businessperson, and a mentee, a less experienced entrepreneur. The aim of the relationship is to enhance the capacities of the mentee. However, there are particularities to this relationship that distinguish it from other relationships such as that between teacher and student. In the mentoring process, time is dedicated to reflecting on the learnings. Additionally, through practical support and encouragement, the mentor helps the mentee to develop and improve a new or existing business, by sharing their own skills and experiences.

⁶¹ <https://www.associazionemicrolab.it/?lang=en>

After loan approval/ disbursement the mentors (visiting the clients approx. three times over a twelve-month period) discuss various topics with the entrepreneur among other things:

- Assisting entrepreneurs in appreciating the reality.
- Recalculating costs / process.
- Updating the original cash plan.

The aim of the mentoring process is the autonomy of the mentee and the nature of the mentor-mentee relationship is a peer-to-peer exchange since Microlab Onlus mentors are not a substitute for solving problems. For Microlab Onlus, mentoring must be a learning or personal development process for the mentee through a one-on-one relationship with a mentor. The process is designed to help the mentee acquire skills and insights on financial problems and enable them to deal with financial problems on his or her own.

Microlab Onlus has built up a national network of voluntary business mentors, who are professional mentors that help (young) businessmen and women start their own enterprise. New mentors receive a special induction course in mentoring.

Microlab has been a member of Youth Business International since 2013, and together, these two organisations started the project Youth Business Italy.

Interesting lessons

- i. At an early stage, PerMicro consults the Italian Credit Reference Bureau, which enables it to check the credit history of a prospective client. In addition to verifying whether clients give accurate credit history and do not withhold information, this process gives insight into the financial position of the clients. This process can result in a rescheduling of outstanding debt(s), but, more importantly, it can reduce the risk of over-indebtedness of prospective clients by explaining to them the dangers of excessive credit.
- ii. Through Micro Lab Onlus, an independent entity, business support services are delivered to clients. This segregation of services makes it possible to structure business support services. It also gives insight into the cost of such services (even when they are provided by volunteer advisors). This structural linking of pre- and post-loan advisory services is highly appreciated by clients.
- iii. Concentrating on the cash budget appears to be very effective in detecting financial issues and in guiding the client through financial management and financial administration issues.
- iv. PerMicro and Microlab Onlus have succeeded in offering a pre- and post-loan mentoring services. Mentoring does not stop when a business plan has been formulated and submitted for financing. On the contrary, this helps to build cooperation between the mentor and client. Mentors take time to inform, guide and train clients in dealing with financial issues. A decision to discontinue such services is only made once clients have shown that they can deal with (financial) issues themselves.

Positive Planet – Building trust is crucial

Positive Planet, the parent organisation of Positive Planet France, was created by Jacques Attali in 1998 to promote growth and fight against poverty in countries with emerging economies by enabling the independence of the most vulnerable populations and creating a better world for future generations through entrepreneurship. In 20 years, it has supported more than 11 million families around the world in more than 35 countries through its NGO, Positive Planet International.

In France, the NGO Positive Planet France runs a programme “Entrepreneurship in the suburbs.” In 2006, a venture capital company was set up to finance entrepreneurs mainly from the districts, either through equity investments or by granting equity loans. Positive Planet also develops, through Positive Economy Advocacy, its advocacy programmes to promote a “positive” economy, that is to say, taking into account the interest of future generations.

To enable the most destitute to become self-reliant, without having to depend on charity to ensure the future of their children in dignity and fulfilment, the Positive Planet Foundation raises funds through events such as the Positive Planet Awards, the Positive Cinema Week in Cannes, gala dinners.

Since 2006, Positive Planet France has supported 5.000 positive entrepreneurs create their own business (including 1.335 during 2017), which has generated over 6.000 jobs.

Positive Planet France only provides intensive entrepreneurship development and business creation services, which covers promotion, intensive intake activities, group training and coaching at the pre-start stage and mentoring post start. The individual coaching (and training) services are aimed at assisting people develop their business plans. Coaching and counselling during the pre-loan or pre-start stage are undertaken by Positive Planet France staff members. Clients of Positive Planet France, who have completed the programme and have formulated their business plans have to seek for financing from third parties themselves, which can be found through organisation such as Adie, France Initiative or a regular bank.

Since 2017, mentors are assigned to clients after starting up their business. This mentoring is aimed at building an understanding of the implications of business decisions and helping clients deal with business problems on their own. The number of volunteers working with Positive Planet is quickly growing.



A young man came from Brazil arrived in France and began working as a technician to repair and install exhaust systems in restaurant kitchens. After a few years, his temporary contract came to an end and was not renewed. His boss did not want to employ him on a permanent basis. Since some earlier clients were not happy with the services from his previous boss, he decided to approach them himself. He managed to get some of them on board as clients, although it was in an informal way. He barely managed to make ends meet and his attention was focused on the technical installations. Then a friend told him about Positive Planet, “*They might be of help to you in structuring your thoughts... maybe they can also help you with a business plan...*” Positive Planet referred him to an accountant who was working as a volunteer. Together they went over the financials and immediately set up a cash plan. Step-by-step, the entrepreneur began to understand how important it was to separate personal finance from business finance. With the accountant, he drafted a business plan “*when I registered my business, I really felt a part of France.*” Today, he intends to employ two technicians to support more clients. His activities are still financed with retained earnings, “*I understand now the need to keep track of money in – money out every day and that clients need to pay in advance and on time... thanks to my coach, I keep track of all payments.*” He added, “*next year, I will apply for a small loan but first I will discuss it with my mentor.*”

Positive Planet France - Quantitative data

| | | |
|--|--|---------------|
| Year established | 1998 | |
| Legal status | Part of the Positive Planet network and in France registered as a nonprofit association (association loi 1901) | |
| Principle characteristic(s) | Providing non-financial services (coaching and incidental training) to the poor/excluded from formal financial systems, especially in poorer urban areas | |
| Main geographical area of operations: | Urban areas all over France | |
| | 2017 | 2018 |
| Number of staff (Positive Planet France) engaged in individual coaching at pre-loan/start stage | 44 | 53 |
| Number of volunteer coaches working for/with Positive Planet France working at post-loan/start stage as mentors | N.a. ⁶² | 37 volunteers |
| Number of clients receiving coaching at pre-loan/start stage - solo self employed | 798 | 912 |
| Number of clients receiving coaching at pre-loan/start stage - micro-entrepreneurs | 352 | 287 |

The volunteer mentors receive introductory training. After the initial training, mentors are expected to record the actions they have taken and what they have agreed with the entrepreneurs during the coaching sessions. At regular intervals, there are special sessions at Positive Planet France with the volunteer mentors to discuss the evolution of their work and the lessons that can be drawn.

Positive Planet France's client base is mainly composed of solo self-employed (90%) although clients might legally be registered as self-employed or micro-enterprises. Most of its clients were previously depending on some type of social welfare before they started their own business, which is in line with the explicit policy of Positive Planet France to reach this client group.

The basic characteristics of Positive Planet France clients:

- Average age 40 years
- >80% below 51 years
- 23% Migrant (newcomers and longer staying)
- ~75% of participants / clients do not need social welfare benefits after using the services
- 49% % women
- Almost 68% of the businesses supported still operational after three years.

After obtaining a loan from a bank or a specialist institution such as Adie or France Initiative, over 70% of entrepreneurs do not recruit personnel and remain working mainly as solo self-employed. About 16% also have a second source of income (in addition to the income generated by other family members).

The average age of its clients (approx. 40 years) reflects the fact that many clients face difficulties and depend on social welfare (approx. 75% of clients). Its client base is gender balanced, 51% male and 49% female. No explicit distinction is made between migrants and the indigenous population, however, relative to the population, a greater percentage of Positive Planet France clients come from a migrant background.

Positive Planet France can only refer clients to third parties for external finance to finance the start-up activities of their enterprise. However, other sources of financing also frequently become available since it appears that entrepreneurs might have access to informal second or third sources of finance.

Migrant entrepreneurs tend to start with their own funds or informal funds borrowed from relatives or friends. Over 60% of clients who started a business with external finance are still operational after three years.

⁶² 2017 was the first year Positive Planet began working with volunteer mentors.

Financial issues

The clients of Positive Planet France, most of whom are solo self-employed, often face the following financial issues:

- Their household finance and personal finance are intertwined, even when separate bank accounts (personal and business) are in use; and,
- Clients have difficulty to keep track of the way money flows to and from the business.

There are two reasons why clients face such financial health and financial management issues:

- First, the administrative aspects of the business are not well organized; and,
- Second, the financial implications of decisions are often underestimated, such as the effect of increasing monthly fixed costs and the ability to meet those costs regularly.

Since most clients work on their own (without business partners or staff), they don't have many people to turn to in case of problems. Although a minority, there are clients who successfully run their businesses and do not need any further assistance.

Since Positive Planet France began offering post-loan mentoring, more attention has been dedicated to clients facing financial problems. There is a group of clients who have taken the initiative to seek advice from their coaches (with whom they worked in the pre-loan stage). A second, much larger, group is composed of clients fully engaged in their business. They do not liaise with any third party and need to be contacted proactively by Positive Planet France staff or coaches. This requires a proactive attitude by the mentors and staff of Positive Planet.

Interesting lessons

- i. According to the staff of Positive Planet France, the key to improving the financial health of micro-entrepreneurs lies in separating business from personal finance.
- ii. Positive Planet France makes a distinction between individualized coaching through its paid staff (before the start of business activities to help clients with idea generation and finalising a business plan) and mentoring services, which are provided after the start of business activities by volunteer professionals working with/for Positive Planet France.
- iii. Positive Planet France offers structured training and an induction course to professionals who want to work as volunteer mentors. During the mentoring process, regular feedback and intervention sessions are arranged to improve service delivery.

Aliança Empreendedora - A different meaning of wealth and financial health



For four years, a 25-year old has been running a family business (baking and selling cakes). His mother and two cousins work with him. Before applying to a support programme of Aliança Empreendedora, he had management problems and difficulty setting the prices for his products. As there was no money left over after covering all of the expenses, he was left without any profit.

His problem was managing the business aspects of the enterprise, *"if you have a good product without good management, publicity or marketing, the business goes badly."* He used to think that having a good product was enough.

To deal with these issues, he wanted to receive training and

attended a 1,5-year programme at Aliança Empreendedora. Aliança Empreendedora showed him what it was like to have a business, what it was like to be an entrepreneur. He accepted that he was not doing some things well and discovered how to correct his mistakes. He learned that he had to grow and achieve profitability. In particular, he learned a lot about product prices, cash management, operating margin, working with suppliers, and networking. At the end of the training, he realized that the menu of his restaurant did not have appropriate prices. He decided to cut expenses... putting the advice he received into action.

There was a "before" and an "after" in his training. By putting the knowledge he learned into practice, especially items related to the management system, his business started to grow, and today his business is profitable.

Founded in 2005, Aliança Empreendedora is a non-profit organisation in Curitiba Paraná that aims to provide low-income micro-entrepreneurs and productive community groups of all ages and sectors with the support they need to develop their businesses. In particular, Aliança Empreendedora's work consists of supporting companies, social organisations and governments to develop inclusive business models and projects that support low-income micro-entrepreneurs, expand access to knowledge, networks, markets and credit so that they can start or develop a business.

Today, the organisation is present in 27 Brazilian states, with three offices (Curitiba Parana, Sao Paulo and Recife) and 107 allied organisations that apply the Aliança Empreendedora methodology in their regions.

The activities of Aliança Empreendedora are organized around three pillars:

- Entrepreneurial inclusion projects;
- Consulting and implementation of inclusive businesses; and,
- Content production to raise awareness.

Aliança Empreendedora in numbers

| | |
|---|-----------|
| Date of creation | 2005 |
| Presence in Brazil | 27 states |
| Staff | 42 |
| Number of women | 34 |
| Number of men | 8 |
| Funders (donors or clients) | +100 |
| Trained delivery partners | 134 |
| Supported micro-entrepreneurs | +86 000 |
| Supported micro-entrepreneurs who improved on their Entrepreneurial Inclusion Index (2016) | 84% |

Profile of the entrepreneurs and their financial issues

Aliança Empreendedora targets low-income entrepreneurs from levels “C”, “D” or “E” according to the classification of economic levels established by the Government of Brazil. These three levels respectively include middle-class individuals, individuals in poverty and individuals in extreme poverty.

There is no literacy requirement to attend the trainings. Aliança Empreendedora provides training to people who can manage a business even if they have learning limitations. Aliança Empreendedora tries to reduce the gaps in the educational level (if any) during the trainings by fostering mutual support and by providing additional specific assistance for those who need it.

Although some trainings have a specific target audience (such as young people or immigrants), the programmes are open to any type of individuals, with a stronger focus on African descendants and entrepreneurs from poor neighbourhoods (“favelas”).

Most entrepreneurs applying to an Aliança Empreendedora programme don’t usually have a specific problem to solve; rather, they want to gain a general idea of how to manage their business. For those facing financial difficulties, some of the delays in the payments of suppliers were related more to the current economic situation in Brazil rather than a managerial failure on the part of the micro-entrepreneurs. However, some of the entrepreneurs acknowledged that their companies had several areas for improvement. In particular, the entrepreneurs interviewed mentioned cash flow management, pricing strategy and monitoring of business costs as the main added value of the training sessions.

An “Effectuation” methodology to support entrepreneurs

Aliança Empreendedora uses a methodology based on andragogy (pedagogy for adults), group dynamics and a theory of “Effectuation.”

- *Andragogy* considers participants’ life experiences and uses problem solving and translation of knowledge into practice as sources of motivation to learn.
- Using concepts from *group dynamics*, Aliança Empreendedora’s trainings are always planned for groups and follow a humanistic approach based on the idea that human beings can find solutions to their problems by themselves and can change their own behaviour.
- Finally, the “Effectuation” theory⁶³ suggests that it is not necessary to have a gift or to be born with an entrepreneurial mind to become an entrepreneur. On the contrary, this theory indicates that anyone can be an entrepreneur by acquiring a new set of skills through practice and experience.

As a result, instead of focusing on the creation of business plans, Aliança Empreendedora’s methodology uses the “Effectuation” theory to stimulate micro-entrepreneurs to develop or improve their own businesses starting with what they already have, which embodies three essential concepts:

1. Who they are (identity, dreams, self-image);
2. What they know (knowledge and experience); and,
3. Who they know (network).

The Effectuation theory was chosen not only because it is simple, but also because it is very efficient when dealing with low-income micro-entrepreneurs, who generally start their businesses with “whatever they have.”

Services offered

The main programmes offered by Aliança Empreendedora include face-to-face and online trainings, which aim to support low-income populations in the development of entrepreneurial and business management skills. Most programmes last 12 months. In addition, mentorship by a former participant entrepreneur and advisory services by Aliança Empreendedora’s employees are provided.

⁶³ See (Sarasvathy, 2009)

The main face-to-face programme for individual micro-entrepreneurs is called the “Entrepreneurial Journey.” The *Entrepreneurial Journey* is focused on individual micro-entrepreneurs that already have an operating business (active micro-entrepreneurs) or that want to start their own businesses (beginners).

For beginners, the programme “*Vai que Dá*” consists of a series of meetings during which micro-entrepreneurs evaluate their own characteristics, knowledge, network and the resources they have in order to choose one or more business ideas with which they will work with throughout the training.

For active micro-entrepreneurs, the programme “*Vai ou Racha*” consists of meetings called the “Solution Cycle,” where participants determine, according to a self-evaluation, the main problems, doubts and difficulties to overcome. At the end of the cycle, micro-entrepreneurs are able to assess their business problems and identify solutions by themselves.

Finally, another programme called “*Financial Health for Microentrepreneurs*” is recommended for individual entrepreneurs or productive groups active in any sector who want to get a better grip on their business financially and look for alternative ways to boost the performance of their enterprise. The programme aims to integrate an entrepreneur’s business to their personal aspirations, enabling them to take control over their personal and professional development through simple actions. The programme also intends to promote a different meaning of wealth by identifying and activating non-financial relationships in their social networks. The programme attempts to reduce delinquency due to lack of information and/or consumer/immediate culture, as well as to demystify and offer access to responsible productive-oriented credit. The methodology concretely involves the business of the entrepreneur, enabling learning by doing. This model allows entrepreneurs to analyse their attitudes and rethink them by promoting changes that are necessary (and possible). In addition, the meetings stimulate entrepreneurs to become protagonists in the search for information through various channels, thereby encouraging their autonomy and independence.

This process results in empowerment and acknowledgement of oneself as an entrepreneur.

SAICA Enterprise Development – It's all about self-confidence

SAICA Enterprise Development (SAICA E.D.) aims to grow South Africa's entrepreneurial ecosystem through advancing the sustainable growth of small black businesses, which in turn create employment opportunities. SAICA E.D. is a for-profit organisation created in 2018 by SAICA, the South African Institute of Chartered Accountants, to enhance the value of the SAICA profession by mobilizing its contribution to MSME development through developing financial excellence in entrepreneurs.

SAICA E.D. is a subsidiary of the Hope Factory, a non-profit company also created by SAICA in 2001. While the Hope Factory is offering services to start-ups who are formally registered companies with at least one year of activity, informal enterprises or entrepreneurs who have not started their activity yet are also eligible to receive training, mentoring and coaching services.

The South African context

The business model of SAICA E.D. is closely linked to the South African context, especially to the B-BBEE (Broad-Based Black Economic Empowerment) governmental programme created in 2005. The main aim of the programme is to empower black people economically and crowd them into the economic ecosystem. To achieve this objective, every South African company with a turnover of 10 million rand (~Euro 625 000) or more has to be audited on the basis of the B-BBEE scorecard. Although there is no legal obligation, as the B-BBEE is part of a code of good practice, a certain level on the scorecard is required to answer public calls for tenders or to get certain licenses. The scorecard now includes five pillars, one of which relates to enterprise and supplier development. As a result, companies can gain points on the scorecard by funding organisations that promote black-owned enterprise and supplier development. This is how SAICA E.D. receives funding to offer services to black entrepreneurs.

Strengthening linkages in the economic ecosystem

While some companies funding SAICA E.D. are only interested in improving their scorecard, others expect that entrepreneurs who receive support from SAICA E.D. will become actors of their value chain, for instance as suppliers or subcontractors. Consequently, they want the funding provided to SAICA E.D. to be used to benefit entrepreneurs working in their sector or who run a business in a related field. Although this makes SAICA E.D. dependent on its funders to select the entrepreneurial



Since 2013, a 40-year old woman has owned a transport company offering shuttle-services from the airport and trips in luxury or semi-luxury buses. She employs two full-time staff.

In 2018, she applied to the SAICA E.D. Flagship Programme because she was concerned about the survival of her business. She previously had two other businesses that failed, and she was facing various financing issues with her current business: she was not managing cash flow very well. Since some clients were paying late, she was not always able to pay her employees on time. She knew that she had some problems but had little financial knowledge and was not able to run a diagnostic.

Through the programme, she benefited from a finance bootcamp, alongside finance and business coaching and personal development mentoring.

The financial coaching helped her to understand the financial statement, and now she is more confident with formal financial documents. Previously, she was subcontracting a lot of services, but now, she is accumulating assets and saving money. She learned how to plan for the future.

Mentoring and coaching have been the most efficient kind of support, especially for personal development, *“running a business is first and foremost about you rather than the business... it is of course about knowledge but also about self-confidence.”*

profile, it also facilitates access to market opportunities for the entrepreneurs supported, which is a typical obstacle faced by entrepreneurs.

SAICA E.D. also facilitates links with the accountants from SAICA who offer their services to MSMEs through the SAICA E.D. Flagship programme. These accountants have an interest since these MSMEs may become their clients after the programme, and many MSMEs resort to their services afterwards.

SAICA E.D. also deals with the unemployment of graduate accountants who lack the professional experience to find a job by involving them in their programme. These graduate accountants are paid by SAICA thanks to a public sponsorship that SAICA receives for hiring young unemployed people.

The funders of MSMEs are not yet integrated strongly into the programme, but this link is anticipated in the coming years.

SAICA – selected quantitative data

| Staff members | |
|--|-----|
| The Hope Factory + SAICA E.D. | 35 |
| <i>Number of women</i> | 26 |
| <i>Number of men</i> | 9 |
| Clients (SAICA E.D.) and jobs | |
| Number of MSMEs supported through SAICA E.D. Flagship Programme | 35 |
| Number of MSMEs supported through SAICA E.D. Customized Enterprise and Supplier Development Programme | 9 |
| Total number of jobs created by 35 businesses | 27 |
| Impact on financial issues for clients of SAICA E.D. Flagship Programme | |
| Beneficiaries who improved financial management | 43% |
| Businesses which experienced growth in turn over | 92% |
| Businesses which experienced growth in net profit | 67% |

Profile of entrepreneurs supported and their financial issues

SAICA E.D. targets black entrepreneurs with a formally registered company active for at least one year. Most target clients are educated, live in urban areas, and 55% are women. All activity sectors are represented, and most beneficiaries were opportunity-driven micro-entrepreneurs with less than 5 employees when they applied to the programme.

Although many clients appear to become growth-oriented micro-entrepreneurs after the programme, i.e. business growth was a common objective to all entrepreneurs interviewed, it was not necessarily the case before the programme. For instance, one entrepreneur defined herself as a “self-employed trying to survive” before the programme.

Most entrepreneurs are aware that they were facing financial issues before joining the programme, and for some of them, it was a key reason to apply for the programme. However, although most entrepreneurs knew that they lacked financial knowledge, they were not able to precisely identify the financial issues they were facing or the root of the problems. As a result, they needed support in the diagnostic phase.

From the point of view of SAICA E.D. trainers, coaches and mentors, the main financial issues encountered by the entrepreneurs are:

- Cash-flow management/cash collection;
- Separation of business and personal finances; and,
- Pricing/costing products and services.

Secondary issues include:

- Compliance;
- Access to markets; and,
- Access to funding.



Services offered

The SAICA E.D. Flagship programme for entrepreneurs lasts one year, however, entrepreneurs can attend for two years if required. The programme attempts to foster Financial Excellence, enabling entrepreneurs to understand a financial statement without being dependent on their accountant and making them investment ready.

The programme includes:

- *Finance Bootcamp*: a one-week collective training to deliver basic finance knowledge;
- *Finance Coaching*: one-to-one financial coaching for entrepreneurs offered by an

accountant from SAICA, who can be a volunteer or be paid on a cost-recovery basis. The meetings take place once a month and last two hours. The objectives are to improve entrepreneurs' skills in financial modelling and strategy, finance management, growth and expansion, planning for volatility, managing finances separately, etc.;

- *Accounting and back office support* offered by technical accountants, especially unemployed graduate accountants;
- *Support to facilitate access to funding*: workshops and events that gather investment ready MSMEs and funders interested in MSMEs;
- *Business mentorship*; and,
- *Personal Development mentorship*.

Although SAICA E.D. knows that focusing on financial excellence is not enough for entrepreneurs, they have decided to focus on what they do best in order to distinguish themselves from the large number of other organisations supporting entrepreneurs. Indeed, competition in the sector is high given the specific South African context. As a result, rather than offering everything, SAICA E.D. tries to create partnerships with other organisations to make sure beneficiaries receive appropriate services.

Finally, this programme has only been in place for one year and is thus still in the pilot phase: SAICA E.D. will refine and improve it over the coming years, to make it the best it can be.

Lessons learned

- Most entrepreneurs know that they face financial issues but are not able to identify them and need support for an initial diagnosis;
- More than group classes or tools, entrepreneurs need individual coaching and mentoring in order to apply acquired financial knowledge to their specific situation and gain self-confidence, motivation and ambition; and,
- Supporting micro-entrepreneurs by involving various actors in the economic ecosystem enables all stakeholders to access new business opportunities and stimulates the whole ecosystem.