

**FACILITATOR'S NOTES
FOR THE CREDIT OFFICER
TRAINING PROGRAM:
CREDIT MANAGEMENT
SERVICES - ZAMBIA**

Submitted to:
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and
Credit Management Services - Zambia

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TABLE OF CONTENTS

ACRONYMS		vi
I. INTRODUCTION		1
A. General Overview and Workshop Design.....		1
B. Background Materials.....		1
C. Training Methodologies.....		2
D. Facilitator’s Role.....		3
E. Participants/Target Audience.....		3
F. Training Facilities.....		3
II. SESSION 1: COURSE INTRODUCTION		6
A. Step One: Welcome.....		6
B. Step Two: Participant Introductions.....		6
C. Step Three: Review of Course Objectives and Structure of Training.....		7
D. Step Four: Participant and Facilitator Expectations.....		7
E. Step Five: Logistics.....		8
III. SESSION 2: INTRODUCTION TO MICROFINANCE		11
A. Step One: Elements of Program Design – Introduction to Program Design Framework.....		11
B. Step Two: Explanation of Framework.....		12
C. Step Three: Best Practices and Trends in Program Design and Implementation.....		14
IV. SESSION 3: INTRODUCTION TO CMS		21
A. Step One: Introduction to Concepts of Mission and Vision.....		21
B. Step Two: Expressing Our Vision.....		21
C. Step Three: Defining Our Mission.....		22
D. Step Four: Discovering Our Values.....		22
E. Step Five: CMS History.....		23
F. Step Six: Planning for the Future.....		23
G. Step Seven: Organizational Structure.....		24
H. Step Eight: Session Summary.....		24
V. SESSION 4: PROGRAM DESCRIPTION: OVERVIEW OF CLIENTS, SERVICES AND METHODOLOGY		25
A. Step One: Understanding Program Clients and Businesses.....		25
B. Step Two: Learning from the Interviews.....		26
C. Step Three: Program Services.....		29

D.	Step Four: Methodology.....	31
E.	Step Five: Loan Conditions.....	32
F.	Step Six: Steps in the Process.....	32
G.	Step Seven: Summary.....	32
H.	Principles In Solidarity Group Lending.....	33
VI.	SESSION 5: THE CREDIT OFFICER’S ROLE.....	40
A.	Step One: Defining the Credit Officer’s Role.....	40
B.	Step Two: Credit Officer Job Description.....	40
C.	Step Three: Supervision of Credit Officers.....	41
D.	Step Four: Giving and Receiving Feedback.....	41
VII.	SESSION 6: PROGRAM PROMOTION AND CLIENT IDENTIFICATION	44
A.	Step One: Program Promotion.....	44
B.	Step Two: Practice.....	45
C.	Step Three: Summary.....	46
VIII.	SESSION 7: CLIENT RELATIONS.....	48
A.	Step One: Demonstrating Customer Service.....	48
B.	Step Two: Definition and Importance of Customer Service.....	48
C.	Step Three: Communicating With Clients.....	49
D.	Step Four: Practicing Customer Service and Communication.....	50
IX.	SESSION 8: LOAN ANALYSIS, APPROVAL AND DISBURSEMENT.....	52
A.	Step One: Purpose of Loan Analysis.....	52
B.	Step Two: Assessing Character.....	52
C.	Step Three: Assessing the Business.....	53
D.	Step Four: Practicing Active Listening.....	54
E.	Step Five: Loan Analysis Practice.....	55
F.	Step Six: Loan Approval and Disbursement Process.....	56
X.	SESSION 9: CLIENT TRAINING.....	60
A.	Step One: Importance and Purpose of Client Training.....	60
B.	Step Two: Client Training Topics.....	60
C.	Step Three: Principles of Adult Learning.....	63
D.	Step Four: Training of Trainers.....	63
E.	Step Five: Oral Communication Skills.....	64
F.	Step Six: Observation.....	66
G.	Step Seven: Practice.....	66
H.	Step Eight: Summary.....	66

XI.	SESSION 10: CLIENT MONITORING AND REPAYMENT.....	74
	A. Step One: Purpose of Client Monitoring.....	74
	B. Step Two: Process Of Client Monitoring.....	74
	C. Step Three: Delinquency.....	76
	D. Step Four: Summary.....	76
XII.	SESSION 11: SUBSEQUENT LOANS.....	79
	A. Step One: Client Retention.....	79
	B. Step Two: Process For Subsequent Loans.....	79
XIII.	SESSION 12: PLANNING AND REPORTING.....	80
	A. Step One: Introduction To Time Management.....	80
	B. Step Two: Planning For The CO.....	80
XIV.	SESSION 13: REVIEW.....	82
	A. Review One: Index Card Match.....	82
	B. Review Two: Giving Questions and Getting Answers.....	82
	C. Review Three: Participant Recap.....	83
	Addendum.....	85

ACRONYMS

CMS	Credit Management Services
CO	Credit Officer
Kw	Kwacha (Zambian currency)
IGA	Income Generating Activity
ME	Microenterprise
MFI	Microfinance Institution
PDF	Program Design Framework
RM	Regional Manager
SE	Small Enterprise
SG	Solidarity Group
USAID	United States Agency for International Development

I. INTRODUCTION

This credit officer training has been developed in the context of a consultancy for Credit Management Services. The consultancy was funded by USAID. The training notes and materials will permit Credit Management Services (CMS) to institutionalize its credit officer training process so that all new officers receive the same training, designed to completely and effectively prepare them for their role in the institution. The structure and detail of the facilitator's notes will permit consistency and thoroughness in the delivery of credit officer training, yet allow changes and additions to be easily incorporated as necessary.

To help CMS reach its goals of outreach and sustainability, the training must completely and effectively prepare credit officers to assume their responsibilities. Credit officer training is a key part of the human resources processes of recruitment, training, supervision, and performance evaluation. However, successful performance of credit officers also depends on the implementation of an appropriate and effective program, and on human resource policies, which encourage staff satisfaction with the institution.

A. General Overview and Workshop Design

The objective of the training is to give participants the knowledge and motivation to effectively and efficiently fulfill their responsibilities as credit officers. The training will give credit officers the ability to meet performance targets, adhere to policies and procedures, and enhance client satisfaction.

The training is designed to instill a general knowledge of CMS and microfinance, familiarize credit officers with their role, and review and practice operating procedures that are highly specific to the organization. The training also focuses on character issues such as initiative, commitment, persistence and conscientiousness. Credit officers are given the opportunity to practice the required skills, as well as to develop their ability to express themselves clearly and persuasively. More general skills and knowledge that are job-related but not necessary for sound performance are not addressed in this training, in an effort to make the training more cost effective and immediately useful for the participants.

The design calls for a mix of classroom and field-based training, which permits participants to learn the necessary skills in a controlled setting before practicing them in the field. Once participants have completed two weeks in the classroom, they begin controlled fieldwork by accompanying an experienced credit officer for a period of months. New credit officers should meet together for facilitated debriefing sessions once per week for the first month to review experiences, ask questions, and solve problems together.

B. Background Materials

Each participant receives a workshop binder, which is divided into sections with information corresponding to each session in the training. A list of items to be included in the participants' manual is included in the preparation information for Session 1. Sessions 2 and 4 refer to the CARE Savings and Credit Sourcebook by Charles Waterfield and Ann Duval. This

manual provides an excellent overview of program design, and should be studied by the course facilitator. In addition, specific sections will be read and applied by the participants. The Sourcebook can be obtained from PACT at www.pactpub.com.

C. Training Methodologies

Each day of the workshop is carefully crafted to use a mix of training methodologies, alternating between plenary sessions, small group, and individual work. Plenary sessions include brief presentations of concepts by facilitators, group discussions, a few longer lectures, and group exercises. Small groups and individuals work on assignments to practice the concepts learned in a session. The training methodologies are practical and participatory in order to keep participants interested and help them deal with long days of training. The methodologies are explained in detail in the facilitator's notes, as is the preparation needed for the exercises.

The training agenda is structured so that participants first receive a broad overview of the topic and then move to mastering the details required to carry out their responsibilities.

The general agenda attached to the notes for Session 1 must be adapted each time a specific training is planned, according to availability of field staff, managers, vehicles, etc. There is extra time built into the schedule to allow for additional session time if needed. A time for coffee breaks should be added each morning and afternoon.

Participants should be tested before they are recommended for positions in the field. It should be made clear to participants that attendance at the training does not guarantee them a position with the organization. However, the benefits of training should be emphasized to potential candidates. In order to be recommended for a position at CMS, participants must attend all training sessions and participate actively. The facilitator should also assess the quality of each participant's answers and exercises during the training.

Some possible testing mechanisms include:

- Develop questions which present problems to be solved
- Ask questions requiring a brief answer (true/false, multiple choice, short answer question)
- Skills tests – filling out required forms, calculating repayment schedules, conducting a program promotion meeting, etc.

The exams can be either written or oral. Oral exams, although more stressful for the participants, allow evaluators a better sense of the participants' verbal skills, personal presentation (body language) and ability to think quickly.

Time for exams is not included in the agenda. They should be scheduled a day or two after the training is completed so that participants have time to review their materials and notes.

D. Facilitator's Role

These notes present a detailed outline of all the training techniques and materials that should be included in an effective and complete credit officer training program. However, there is no substitute for a knowledgeable and prepared facilitator. Any individual who facilitates this training must possess a depth of knowledge of the microfinance field as well as CMS' program, in addition to training skills.

The structure and detail of the facilitator's notes will permit consistency and thoroughness in the delivery of credit officer training, yet allow changes and additions to be easily incorporated as necessary as the needs of the program change. However, any changes will require the input of a trainer with some knowledge and experience in training design. The notes should be changed and adapted as they are tested and implemented over time.

E. Participants/Target Audience

All individuals who are hired to act as CMS credit officers are required to participate in the training before beginning work in the field offices. Many of the sessions may be adapted to provide necessary training for other staff such as regional managers, credit coordinators or regional support staff.

F. Training Facilities

It is important that adequate training space be provided. This includes a spacious, well-lighted plenary room, with enough space for all participants to be seated around the outside of a u-shaped (horseshoe) table that faces the front of the room. Space must also be provided as break-out rooms for the small group work. These can either be separate areas located near the plenary room or a separate area of the plenary room itself.

DETAILED SESSION OUTLINE

Session/Subject	Objectives <i>Participants will be able to:</i>	Topics	Time
Session 1: Introduction to the Course	Get acquainted; review the objectives and agenda for the training; relate the training program to their own needs and experiences	a) Welcome by facilitators and CMS management b) Participant introductions c) Review of course objectives and structure of the training d) Participant and facilitator expectations e) Review of agenda and materials f) Logistics	2 hours
Session 2: Introduction to Microfinance	Familiarize themselves with elements of credit program design; establish how CMS' program fits into the broader context of microfinance trends and best practices in the field	a) Review the history of microfinance: activities and trends b) Introduce framework of elements of program design c) Best practices in program design and implementation	3 hours
Session 3: Introduction to CMS	Internalize CMS' mission, vision and values; put their role in the organization in the context of its history, objectives, program and structure	a) Review, analyze and begin to internalize mission, vision and values b) Synthesize history of CMS, emphasizing changes over time activities, strategic directions, achievements c) Outline primary program(s), emphasizing clients, services and methodologies d) Describe business plan, particularly long-term markets, targets and products e) Describe organizational structure (regional offices and head office) and organigram	4 hours
Session 4: Program Description: Overview of Clients, Services and Methodology	Describe in detail CMS' clients, services offered and how services are provided to them	a) Describe clients and their businesses in depth b) Review requirements for eligibility c) Explain the services provided by program and their purpose d) Describe loan conditions and the rationale for each e) Examine how services are provided (methodology) f) Outline steps for working with clients, from client identification to repeat loans	5 hours
Session 5: Role of the credit officer	Describe the role and responsibilities of the credit officers; relate effectively to others in the institution	a) Emphasize the role of credit officer as the critical link between the institution and its clients b) Review and analyze the credit officer job description, emphasizing key responsibilities and relationship to others in the organization c) Describe how credit officers are supervised: responsibilities of credit coordinators and regional managers d) Outline and practice a set of positive feedback skills	6 hours

Session 6: Program Promotion and Client Identification	Describe the program persuasively and knowledgeably; accurately identify potential clients	a) Examine process for contacting local leaders, and identifying potential clients b) Review guidelines for first meeting with clients c) Practice presentation content and delivery	4 hours
Session 7: Client Relations	Recognize the importance of customer service and be able to communicate effectively with clients	a) Define customer service, analyze its importance, and determine practical ways to provide good customer service b) Explore techniques for communicating with the client, focusing on the importance of listening skills c) Practice customer relations skills	4 hours
Session 8: Loan Analysis, Approval and Disbursement	Analyze clients and their business activities in order to make sound decisions concerning their participation in the program; properly complete all steps in approval and disbursement process	a) Explore the purpose of loan analysis with focus on minimizing risk to program and client b) Review the process of loan analysis, step-by-step, including evaluating client character and analyzing the client's business and plan for using the loan c) Determining loan amounts and terms d) Review loan approval process: who approves loans, when and how e) Preparing documentation and ensuring client has completed requirements	9 hours
Session 9: Client Training	Use the principles of adult education to describe all aspects of the program so clients are able to fully understand and agree to the conditions for participation	a) Discuss the importance and purpose of client training b) Review the contents of client training c) Explore the principles of adult education and facilitation d) Study oral communication e) Practice the delivery of client training	8.5 hours
Session 10: Client Monitoring	Effectively monitor clients to insure repayment, solve problems and insure ongoing participation of clients	a) Examine purpose of monitoring and steps in the monitoring process b) Review the repayment process and monitoring repayment c) Steps in responding to repayment problems	3.5 hours
Session 11: Subsequent Loans	Promptly and efficiently carry out the process for analyzing, approving and disbursing repeat loans	a) Requirements for applying for repeat loans b) Examine repeat loan analysis and documentation c) Review steps and documentation for loan approval and disbursement	1.5 hours
Session 12: Planning and Reporting	Manage their time wisely in order to meet targets; accurately complete all required records	a) Targets for credit officers: # of clients, amount of portfolio, repayment rate, desertion rate, etc. b) Planning: organizing activities weekly and monthly c) Time and resource management skills d) Required record-keeping for program	4 hours
Session 13: Review	summarize and synthesize what they have learned; permits facilitator to evaluate the extent to which participants have mastered the material	a) Presents three approaches to session review which can be used at various points throughout the training b) All methodologies are participant-led	

II. SESSION 1: COURSE INTRODUCTION

- Objective:** Participants will be able to get acquainted; review the objectives and agenda for the training; and relate the training program to their own needs and experiences.
- Materials:** name tags, flip chart and markers; flip chart with workshop structure; plain paper (1 sheet per participant)
- Time:** 1 hour, 45 minutes
- Preparation:** Prior to the start of the training, prepare a manual for each participant. The manual should be divided into sections that correspond to each session. The binder should contain:
- Session 1: Participant list; workshop structure; agenda
 - Session 2: CARE Savings and Credit Sourcebook, Chapter 1; “What Works” paper
 - Session 3: “Credit Management Services Background and Overview”; executive summary from CMS business plan; CMS organigram
 - Session 4: CMS Credit Methodology document; “Principles of Solidarity Group Lending” document
 - Session 5: Credit officer, regional manager and credit coordinator job descriptions
 - Session 6: none
 - Session 7: none
 - Session 8: “Usage and Application of Loan Documents”
 - Session 9: Information on communication: “Eye Contact,” “Interpreting Non-Verbal Behavior” and “Voice and Language”
 - Session 10: “Loan Recovery Process”
 - Session 11: none
 - Session 12: CARE Savings and Credit Sourcebook, Chapter 9: Efficiency

A. Step One: Welcome

As participants arrive, distribute nametags, introduce yourself, and make small talk. Try to make the participants as comfortable as possible. Ask that they wear their nametags for the first few days until everyone is better acquainted.

Welcome participants to the workshop (should be done CMS management). Introduce the facilitator(s).

Time: 10 minutes

B. Step Two: Participant Introductions

Ask participants to think of ONE question they could ask to find out more about the other participants. For example, “Do you have children?” or “What do you like best about your job?”

Tell them they must go around the room and ask the **same** question of all the other participants. Demonstrate how the exercise should be done by asking a question of your own to two or three participants. Tell them they will have 10 minutes to talk to the other participants, and tell them to take notes to help them remember their conversations if they need to.

Once everyone is done with the exercise, each person takes a turn saying his or her name. Each of the other participants then says what they learned about him/her.

Time: 30 minutes

C. Step Three: Review of Course Objectives and Structure of Training

Read the workshop objective from the prepared flip chart. “By the end of the workshop, participants will be able to effectively and efficiently fulfill their responsibilities as credit officers.” Use the flip chart that describes the objective and how the workshop will be conducted to point out that:

- The participants are a vital part of the learning process. The workshop will build upon the experience, ideas and knowledge of each of the participants. To be successful, each participant must share with the others.
- You will do your best to facilitate the learning process. However, facilitators are only one of four elements basic to goal accomplishment.
- The program (daily agenda) leads to the objective. While it is structured, it will be modified to meet their expectations.
- Various resources will be available for making learning a continuous and interesting process; these include written materials, exercises, and games.
- All elements are key to achieving the objective.

Time: 10 minutes

D. Step Four: Participant and Facilitator Expectations

Explain that, as a facilitator, you want this course to respond to their needs. Use this small group exercise to explore their expectations.

- Each participant should have a sheet of paper.
- Tell them to write three main questions they would like to have answered during the workshop. Ask them to be specific. For example, “I want to know how to communicate clearly with CMS clients.” Give them five minutes to complete the exercise individually.

- Divide them into small groups (about three participants in each group).
- In their groups, they should pass their papers to the person on their left. That person checks the **one** question of the three that is most relevant or important for him/her.
- They should continue passing papers until they have seen the questions from everyone in the group.
- Then ask the group to review the items that received the most check marks in order to make a prioritized list of the most important questions from the group. They should synthesize their responses based on group discussion. Give the participants about 10 minutes to complete the group part of the exercise.

Ask participants to return to the larger group. Ask each group to share their list, noting their expectations on the flip chart. Be sure to make sure that you understand each item, asking for additional explanations or examples if necessary.

Distribute participant manuals; explain their contents and how they will be used. Ask them to turn to Session 1 and find the agenda for the training. Briefly review each day on the agenda, referring back to the flip chart to note when various expectations will be met. If certain expectations cannot be met, state candidly (and regretfully) that a particular goal cannot be met during the training. In some cases facilitators may consider adjusting some of the content to reflect concerns that can be met. Tell them that if they have important issues that didn't make the final list, they can be discussed with the facilitator outside the sessions.

Mention that as a facilitator you expect only that participants:

- Pose their questions/doubts rather than keeping them to themselves.
- Participate fully and allow others to do the same.

Summarize by saying something like the following: "We can see why we are all here today. The workshop is designed to prepare you completely and effectively for your role in the institution. You will have time to discuss your questions, and I hope that you will feel free to tell me about problems and issues as they arise." Ask if there are any questions.

Time: 45 minutes

E. Step Five: Logistics

Explain when and where the group will take meals and breaks, and how long they will be. Make sure they know where to find the bathroom, telephone and other necessities. Answer any questions they may have.

Time: 10 minutes

SAMPLE AGENDA

WEEK ONE

	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
AM	8:30 – 10:30 S1: Introduction to the Course 10:30 – 12:30 S2: Introduction to Microfinance	8:30 – 10:30 S3 continued: Introduction to CMS 10:30 – 12:30 S4: Program Description	8:30 – 12:30 S4 continued: Program Description	8:30 – 11:30 S5 continued: Role of the Credit Officer 11:30 – 12:30 S6: Program Promotion and Client Identification	8:30 – 12:30 S7: Client Relations
LUNCH	12:30 – 1:30		12:30 – 1:30	12:30 – 1:30	12:30 – 1:30
PM	1:30 – 2:30 S2 continued: Introduction to Microfinance 2:30 – 4:30 S3: Introduction to CMS	12:30 – 4:30 Lunch and Field Visits to Interview Clients	1:30 – 4:30 S5: Role of the credit officer	1:30 – 4:30 SS6 continued: Program Promotion and Client Identification	1:30 – 4:30 S13: Review

WEEK TWO

	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
AM	8:30 – 12:30 S8: Loan Analysis, Approval and Disbursement	8:30- 10:30 S8 continued: Loan Analysis, Approval and Disbursement 10:30 – 12:30 S9: Client Training	All-day field visit to observe loan analysis, loan approval and disbursement, and client training	8:30 – 11:30 S9 continued: Client Training 11:30 – 12:30 S10: Client Monitoring	8:30 – 10:00 S11: Subsequent Loans 10:00 – 12:30 S12: Planning and Reporting
LUNCH	12:30 – 1:30	12:30 – 1:30		12:30 – 1:30	12:30 – 1:30
PM	1:30 – 4:30 S8 continued: Loan Analysis, Approval and Disbursement	1:30 – 4:30 S9 continued: Client Training		1:30 – 4:00 S10 continued: Client Monitoring	1:30 – 3:00 S12 continued: Planning and Reporting 3:00 – 4:30 S13: Review

WORKSHOP STRUCTURE

PROGRAM



FACILITATORS → → → **PARTICIPANTS WILL BE ABLE TO** ← ← ← PARTICIPANTS
EFFECTIVELY AND EFFICIENTLY FULFILL
THEIR RESPONSIBILITIES AS CREDIT OFFICERS



RESOURCES

III. SESSION 2: INTRODUCTION TO MICROFINANCE

Objective: Participants will be familiar with the elements of credit program design, and will be able to establish how CMS' program fits into the broader context of trends in microfinance and best practices in the field.

Materials: CARE Savings and Credit Sourcebook, Chapter 1; framework and puzzle pieces for each group, complete Program Design Framework on flip chart; copies of "Common Myths and Realities" quiz for each participant

Time: 3 hours

Preparation: In preparation for this session, read the chapter on the Program Design Framework, pages 1-11, from the CARE Savings and Credit Sourcebook. The chapter should also be photocopied and inserted in the participant manuals. It is important to understand this framework as it forms the basis for this session and also will be referred to throughout the course.

As an introductory exercise, participants will put together a Program Design Framework (PDF) puzzle. Prepare the PDF puzzle pieces in the following manner. Complete one puzzle set for each small group of about four people. Puzzle pieces should include a framework with only the titles of the rows and boxes, and individual pieces with the contents of each box. Attached to these notes is the framework with only the titles, which should be copied onto a flip chart paper (one for each group). Then the contents of each separate box on the framework should be written onto separate pieces of paper so that they will fit onto the large framework. Enough copies of these pages should be made so that each group has a full set. The puzzle pieces for each small group should be assembled into packets that include the large framework with titles and nine pieces with contents of each box. The pieces should be mixed up so that they are not in the correct order.

A. Step One: Elements of Program Design – Introduction to Program Design Framework

Explain that the first part of this session will focus on a PDF designed by CARE. Explain that the purpose of the PDF is to assist organizations to design appropriate and sustainable microcredit programs. We will use it as a framework for describing and discussing CMS' program. Explain that information about the PDF is included in their manuals for them to refer to later.

Explain that participants will have an exercise in which they will put the PDF together themselves. Show participants one of the puzzle sets. Show the blank framework, where the only information provided is the titles of the three rows and of each of the boxes. Explain that they have to decide which contents go with which titles. When they are done they will have put the framework together themselves. They will have 20 minutes to complete the work.

As participants work to complete the puzzles, circulate among the groups to see how they are doing and that they are keeping to the time. It should not be necessary to intervene in the small group work unless a group is not working well together. Listen to the discussions about why contents should go in different places, as this will be useful in reviewing their work in plenary. Ask them to hang their work on the wall when they are done.

Time: 45 minutes

B. Step Two: Explanation of Framework

Look at all the completed PDFs and see if they are the same. If not, note the differences. Put up the flip chart with the complete framework. Verify if the groups got the contents right. If not, say that the following brief explanation of each of the boxes should help clarify the correct PDF.

Explain each of the boxes in turn, following the outline below:

- **Target Group** is another word for clients. This is the first box because the needs and characteristics of clients are the basis for program design. We will talk in depth about clients in later sessions.
- Several aspects of the **Environment** in which both the program and the clients operate come next. These aspects will greatly influence program design because of their effect on both the program and the clients; successful programs will build on the positive aspects of the environment and minimize the negative aspects. Ask: What do you think are key aspects of the Zambian environment which might influence the success of a credit program? Answers might include inflation, population density, access to markets, and government policies toward credit programs as well as microenterprises.
- The final box in the first row is **Existing Services**, which are other organizations or programs offering services to microenterprises in the area in which the program operates. These services can present opportunities for collaboration and sometimes competition for the planned program. Ask: Are you aware of other programs offering services to microenterprises?

These first three boxes represent the key elements of the Situation or context within which the program operates – they are external to the program. The next row contains the key elements of the program itself.

- **An intervention is** another word for services. Services can be provided at three levels (client-level, institution-level, and operating environment-level), but CMS concentrates on the first level, which are services to microenterprises. An intervention is **WHAT** you do for your clients; CMS provides credit services, which will be discussed in detail in the remainder of this course.

- **Methodology** is HOW you provide the services. There is a limited set of tested lending methodologies that incorporate various services and are appropriate in different contexts and for different client groups. CMS has chosen a Solidarity Group methodology, which again will be discussed in detail in the upcoming days.
- **Delivery Channels** is WHO will provide the services to the clients. Some organizations work in partnership with other organizations to deliver services. CMS does not have a partner for this particular program but does partner with other organizations to carry out different programs.
- After analyzing the Situation and designing the Program, it is possible to articulate Goals (the third row).
- **Impact** is the first goal, and refers to expected changes at various levels that can be achieved through a microcredit program. This is really the ultimate goal of the program, including how the program expects to be able to help individual clients, their businesses, and their households; how the impact on clients may impact the local community; and how many clients the program intends to reach. We will discuss CMS' goals in the following session on Vision.
- The second goal is **Efficiency**, which can be measured by a number of indicators. Efficiency is important because it affects both the number of people you reach (scale) and the level of sustainability you can achieve. Certain indicators of efficiency are especially important in the work of the credit officers, and will be discussed later.
- **Sustainability** is the last goal in this row. Here we are talking about the sustainability of service delivery, as well as overall institutional sustainability. Although it is the last box, it is not the ultimate goal; it is a means, not an end in itself.

Explain that there is an inherent tension in the framework between Target Group and Sustainability. On the one hand, you want to provide the most and best possible services to what is generally a deserving and needy target group. However, on the other hand, you need to do this in a way that allows for the sustainability of service delivery. Probably the most important way to balance these conflicting objectives is through the choice of appropriate services and methodology.

Close this step by saying that this was a lot of information to absorb at one time. Participants should not worry as the training is designed to explore many of these design elements in depth. This introduction was important in developing a framework for understanding *why* CMS operates as it does.

Time: 45 minutes

C. Step Three: Best Practices and Trends in Program Design and Implementation

Tell participants that you will now be discussing best practices in program design, that is, lessons learned from the broader field of microfinance. Attached to the notes for this session is a chart called “Common Myths and Realities.” The first copy (the quiz) has the realities in the wrong order. Distribute a copy to each participant. Ask participants to work individually to connect the myth in Column 1 with the appropriate statement of reality in Column 2. They should draw a line from the myth to the reality that corresponds to it. The correct answers are also attached to these notes. Give individuals about 5-7 minutes. When participants have completed the work, ask them to discuss their answers in pairs for another 10 minutes. Finally, briefly review each myth and its corresponding statement of reality, asking for their comments and questions.

Next, ask them to turn to the document in their manuals entitled, “What Works.” The document is attached to these session notes. Ask them to read the document silently. Divide the participants into groups of three. Ask the groups to (write the following on a flip chart):

- Create examples, illustrations or applications of the information and ideas
- Identify points that are confusing or with which you disagree
- Argue with the text; develop an opposing point of view
- Assess how well you understand the material

Return to plenary and ask participants to summarize what they discussed in their small groups.

Time: 1 hour, 30 minutes

PROGRAM DESIGN FRAMEWORK

S I T U A T I O N	Target Group	Environment	Existing Services
P R O G R A M	Interventions	Methodology	Delivery Channel
G O A L S	Impact	Efficiency	Sustainability

Template for puzzle: create one for each group on a flip chart.

PROGRAM DESIGN FRAMEWORK

S I T U A T I O N	Target Group	Environment	Existing Services
	<ul style="list-style-type: none"> • Economic activities • Demographic characteristics • Cultural characteristics 	<ul style="list-style-type: none"> • Market environment • Economic environment • Government policies • Accessibility 	<ul style="list-style-type: none"> • Available Financial Services • Available Business Development Services
P R O G R A M	Interventions	Methodology	Delivery Channel
	<ul style="list-style-type: none"> • Participant-Level Services • Institutional-Level Services • Operating Environment-Level Services 	<ul style="list-style-type: none"> • Individual lending • Peer lending 1. Solidarity Group 2. Community-Based Organizations 	<ul style="list-style-type: none"> • Working with Single Partners • Working with a combination of partners • Direct service delivery
G O A L S	Impact	Efficiency	Sustainability
	<ul style="list-style-type: none"> • Client • Business • Household • Community • Program Scale 	<ul style="list-style-type: none"> • Credit indicators • Service indicators • Savings indicators • Management indicators 	<ul style="list-style-type: none"> • Service delivery sustainability • Institutional sustainability

For puzzle: copy box contents on separate sheets of paper, one set for each group.

In addition, copy the entire framework onto a flip chart to demonstrate the answer to the puzzle and to refer to during the discussion on program design.

COMMON MYTHS AND REALITIES - QUIZ

<p>1. Microentrepreneurs need to be cared for because they are poor.</p> <p>2. Microenterprises should be replaced by larger businesses employing many people.</p> <p>3. Interest rates to the poor need to be subsidized.</p> <p>4. Credit alone is useless. It must be packaged with training, marketing, technology and other services.</p> <p>5. The poor cannot be trusted with credit. The everyday needs of the poor are so pressing that any loan will find its way quickly to consumption (food, shelter, etc.)</p> <p>6. The poor are unable to save.</p> <p>7. Poverty has a crippling effect that leaves the poor unable to improve their condition.</p>	<p>The remarkable success of institutions lending to over 10 million clients around that world, the vast majority of whom are below the official poverty line, proves beyond any doubt the ability of the poor to improve their lives with their own ingenuity and drive.</p> <p>While often marginal, microenterprises are viable, locally important activities that should be supported.</p> <p>The high repayment rate of millions of microfinance clients proves that the poor are credit-worthy.</p> <p>The minimalist approach has shown that clients can use credit in small amounts to start or improve the profitability of their microenterprises, even when other services are not provided.</p> <p>Microentrepreneurs are knowledgeable about doing business in their local economy. Belief in the intelligence and business knowledge of clients is critical.</p> <p>From the perspective of borrowers, quick credit is more important than a lower interest rate. From the perspective of lenders, interest must cover transaction costs and the cost of operating the project.</p> <p>The high rate of savings reported by many microfinance institutions demonstrates that the poor can value savings as much as credit.</p>

Adapted from *Microstart: A Guide for Planning, Starting and Managing a Microfinance Program*; published by UNDP, January 1997. Available from PACT.

COMMON MYTHS AND REALITIES – ANSWERS

<p>1. Microentrepreneurs need to be cared for because they are poor.</p>	<p>Microentrepreneurs are knowledgeable about doing business in their local economy. Belief in the intelligence and business knowledge of clients is critical.</p>
<p>2. Microenterprises should be replaced by larger businesses employing many people.</p>	<p>While often marginal, microenterprises are viable, locally important activities that should be supported.</p>
<p>3. Interest rates to the poor need to be subsidized.</p>	<p>From the perspective of borrowers, quick credit is more important than a lower interest rate. From the perspective of lenders, interest must cover transaction costs and the cost of operating the project.</p>
<p>4. Credit alone is useless. It must be packaged with training, marketing, technology and other services.</p>	<p>The minimalist approach has shown that clients can use credit in small amounts to start or improve the profitability of their microenterprises, even when other services are not provided.</p>
<p>5. The poor cannot be trusted with credit. The everyday needs of the poor are so pressing that any loan will find its way quickly to consumption (food, shelter, etc.)</p>	<p>The high repayment rate of millions of microfinance clients proves that the poor are credit-worthy.</p>
<p>6. The poor are unable to save.</p>	<p>The high rate of savings reported by many microfinance institutions demonstrates that the poor can value savings as much as credit.</p>
<p>7. Poverty has a crippling effect which leaves the poor unable to improve their condition.</p>	<p>The remarkable success of institutions lending to over 10 million clients around that world, the vast majority of whom are below the official poverty line, proves beyond any doubt the ability of the poor to improve their lives with their own ingenuity and drive.</p>

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WHAT WORKS

While every microfinance program is unique, the “laws” of effective programs are remarkably similar. Effective programs possess a significant amount of knowledge and experience in employing lending methods which have endured over time. Many of these lessons have been based on concepts long employed by traditional informal finance activities, which are remarkably resilient and flexible to the needs of clients. Main lessons include the following:

- *Work directly in the community.* Staff should visit villages and poor neighborhoods almost daily, calling upon existing clients and explaining requirements to potential clients. They should hold meetings in the communities. If the project is operating in a rural area, staff should visit towns and villages, perhaps on a weekly basis.
- *Simplify application procedures.* There is little difference in the rate of loan repayment between projects that “write a book” on each applicant and those that reduce applications to one or two pages. At the microloan level, relying on peers to choose clients is an effective tool for loan security.
- *Extend credit quickly.* Loan applicants become discouraged if they have to wait months before receiving services. They are accustomed to moneylenders who dispense money on the spot. Well-managed projects extend credit in less than a month and often within a week. They disburse subsequent loans even more quickly.
- *Do not require records and complex business plans.* Because only a small percentage of farmers, traders and micro-producers keep written records of any kind, successful programs refrain from asking for records or plans.
- *Do not require guarantees eliminating most potential candidates.* Alternative mechanisms, such as credit groups, where business owners are mutually responsible for repaying loans, substitute effectively for conventional guarantees. The individual’s reputation in the community is more important than collateral.
- *Work with existing economic activities, no matter how small.* Launching larger enterprises is seldom successful and requires extensive inputs over months and often years.
- *Focus initially on the local market.* Local entrepreneurs and small farmers can find niches often invisible to outside experts. Efforts to find new markets are often costly and difficult.
- *Extend small, short-term loans primarily for working capital on simplified terms.* Small, short-term loans not only “test” the client’s commitment to repay, but also allow the client to see whether or not a loan will help the business grow. These loans should have frequent (weekly, bi-weekly, monthly) equal payments.

- *Provide larger loans based on successful repayment.* Virtually all successful programs have a well-defined system of providing increased loans based on successful repayment.
- *Charge a higher rate of interest than the market.* From the perspective of borrowers, quick credit is more important than a lower interest rate. From the perspective of lenders, interest must cover transaction costs and the cost of operating the project.
- *Assume clients, with their network of friendships and their relationships with the community, will take a major role in promoting the project.* Clients form their own groups and provide one another with advice and assistance, reducing program costs significantly. At the same time, this intensified interaction serves to develop a commitment among clients – to the project and each other.
- *Develop large-scale, self-sufficient, profitable projects working in close coordination with local banks.* The involvement of the formal financial sector is vital if efforts are to reach a significant part of the rural and urban poor.
- *Address the needs of poor clients.* Formal sector banking hours and requirements are often not convenient to the schedules and needs of the working poor.

Adapted from *Microstart: A Guide for Planning, Starting and Managing a Microfinance Program*; published by UNDP, January 1997. Available from PACT.

IV. SESSION 3: INTRODUCTION TO CMS

Objective: Participants will be able to internalize CMS mission, vision and values, and put their role in the organization in the context of its history, objectives, program and structure.

Materials: flip chart and markers; definition of vision and mission on flip; CMS mission statement on flip chart; sample vision drawing

Time: 4 hours

A. Step One: Introduction to Concepts of Mission and Vision

Introduce the session topic by explaining that vision, mission and values are the foundation of any successful business.

Show the definition of “vision” on the flip chart. Explain that “vision” is a mental picture of the **organization** and its potential **impact** in the future. It is what an organization hopes will happen both to itself and its clients if the organization is successful. Remind participants of the discussion about impact in the previous session – impact is the change or expected results at the level of individual clients, client businesses and households, and communities.

Ask: What do you think is the purpose of a vision? Explain that vision drives the organization and its employees to achieve excellence because it gives them a goal to strive for. As the organization grows, vision keeps staff working together and on track.

Next show the definition of “mission” on the flip chart. Explain that “mission” helps define **how** the organization will achieve its vision. The mission statement describes:

- Who the organizations serves (clients)
- What the organization does to serve the clients (services)
- Why the organization provides the services to the clients (impact; ultimate purpose)

Ask: What is the purpose of mission? It is the vehicle that the organization takes toward the vision. Both mission and vision can make work meaningful, and help build a successful organization.

Time: 15 minutes

B. Step Two: Expressing Our Vision

Say that CMS vision is currently the following: “Credit Management Services is established as the leading Private Sector Micro Finance Institution in the region.” Show on flip chart. Tell participants that they will work in small groups to draw a picture of the vision. Remind them that the word “vision” is about seeing, explaining that it is valuable to “see” where

the organization is going. Have prepared a sample vision drawing, and share it with them to get them started.

They will have 20 minutes. Divide them into groups of 3 or 4. Make sure each group has a place to work. When they have finished, ask each group to tape their picture to the wall. Return to the plenary and ask a representative from each group to describe their picture and its meaning.

Congratulate them on their work, and synthesize important comments made in their presentations. Leave the vision drawings posted in the training room throughout the week as a reminder of their importance.

If possible, it will be useful at this point to bring in one or two credit officers to tell stories about impact they have seen in their work. This will demonstrate how vision affects the work of the credit officers.

Time: 1 hour

C. Step Three: Defining Our Mission

Read from the prepared flipchart, “CMS’ mission is to improve the access of microentrepreneurs to financial services to enable them to improve their standard of living.” Ask: Who are the clients described here? What services are provided to them? Why (purpose)?

Explain that we will learn much more about clients and services throughout the course. Remind them that mission is the vehicle that the institution uses to reach the vision.

Time: 15 minutes

D. Step Four: Discovering Our Values

Ask them to imagine that they distribute the mail for a large company, and they have a really great idea about improving the company’s product. By coincidence they see the CEO of the company in the hall. They stop the CEO and quickly explain their great idea. Ask: How do you think the CEO might respond? When participants have given their ideas, explain that the answer depends on the values of the company. If the company values hierarchy and status quo, they would probably be ignored or ridiculed. If the company values innovation and initiative, they might be praised or even rewarded.

Say that now we will be discussing values in general and at CMS. Explain that values are beliefs about important issues concerning quality, customers and employees. Ask: Why might values be important? Answers should include that:

- values are morally “right” and what is expected of a credible institution
- negative consequences often result from a failure to instill values
- values make expectations concrete

- values encourage people to do the right thing
- values make a company more durable

Ask: What do you **do** with values once you have made them? How are they applied? Answer should include that values must be lived to be effective, and they must be important to each individual in the organization. Vision, mission and planning must all be consistent with values.

Share the list of CMS values. If CMS has not yet created a values statement, ask them to brainstorm about ideas for appropriate values for a Zambian MFI like CMS. Ask them to combine into pairs to create examples of behavior that they think would reflect the values in action. Each pair should be assigned two or three of the values from the list. Give them 10 minutes. When they have finished, ask each pair to share their ideas and discuss them in class.

Time: 45 minutes

E. Step Five: CMS History

A member of senior management should be invited to speak about the history of CMS, emphasizing changes over time, strategic directions, and achievements. S/he should be asked to outline CMS' primary program(s) and activities, including those other than the Solidarity Group program, emphasizing clients, services and methodology. S/he should also explain CMS' status as a for-profit company, and how that status influences the approach CMS takes to the program and what it is allowed to do under Zambian law.

Time: 30 minutes

F. Step Six: Planning for the Future

Explain that planning is another important foundation of the institution. Explain that if vision is the destination, and mission is the vehicle that will take you there, then the plan is like a road map. It is the direction that the organization will take to reach the vision. A member of senior management should then briefly share key elements of CMS' business plan, referring to the information contained in their manuals. (If possible, one manager should present CMS' history and another the business plan, to allow participants to become acquainted with more than one person.) This information should include products and services, areas of expansion, credit and savings activity, credit officer caseload, institutional capacity, financing by source, on-time repayment rates, and financial sustainability.

Ask: How do you think that credit officers might affect whether the business plan can be accomplished? Help participants to identify the targets that directly rely on their activities, including number of clients, repayment rates and default rates. List these on the flip chart. Say that we will return to these issues when we talk about credit officer targets.

Time: 30 minutes

G. Step Seven: Organizational Structure

Describe the general decentralized structure of microfinance institutions (MFIs), explaining that most successful MFIs organize their services around customers and markets by opening branches near their clients. These “retail outlets” are linked by a head office which provides oversight and other services to them. Explain that this is how CMS is organized.

Draw CMS’ organizational chart on a flip chart, briefly describing each position as you write it. Begin by sketching in the head office and field offices, and then by writing in each job. Ask if they have questions about how CMS is structured.

Time: 30 minutes

H. Step Eight: Session Summary

Ask participants to describe how the organization’s vision, mission, values and plan might motivate and guide them in their work. Reiterate the importance of the credit officer to the success of the organization. Ask whether they have questions and comments on the information presented during the session.

Time: 10 minutes

V. SESSION 4: PROGRAM DESCRIPTION: OVERVIEW OF CLIENTS, SERVICES AND METHODOLOGY

Objective: Participants will be able to describe in detail CMS' clients, the services offered, and how services are provided to them.

Materials: flip chart and markers; flip chart of IGA/ME/SE matrix; small group assignment; flip chart of blank Services/Target Group matrix; cards with steps in the lending process (one card for each step); prizes for quiz game

Time: 5 hours (not including the field visit)

Preparation: Arrange for participants to go out to the field with individuals from the regional office. The credit officers should have identified good interview candidates prior to the visit, and should have arranged for the participants to meet with them early in the afternoon after the first part of this session. The clients should be fairly close by if possible. Each participant should interview a different client.

In addition, ask participants to read the first 3 pages of the Credit Methodology document prior to this session. The document is in their participant manuals. The facilitator should study the following chapters of the CARE Savings and Credit Sourcebook: Chapter 2: Target Group, Chapter 5: Interventions, and Chapter 6: Methodology.

A. Step One: Understanding Program Clients and Businesses

Explain that, to get a better understanding of CMS clients, they will go on a field visit to interview a client. Remind them that the Target Group box on the framework included economic activities, demographic characteristics, and cultural characteristics. Write the following information on a flip chart so that participants understand what is meant by each category. Explain that questions about the business include:

- scale of the business activity
- the sector in which the business operates (trade, service, production or agriculture)
- how long the business has existed

The second category concerns the demographic characteristics of the clients, including:

- age
- citizenship
- gender
- education and literacy

The third category is cultural characteristics, including

- cultural cohesion – whether people are accustomed to working well together
- attitudes toward credit
- experiences with credit and savings.

Divide participants into three groups, and assign each group one of the above categories. Each group should prepare questions which they can ask of clients to discover information about their category. Each group should create a flip chart with their questions, which they should tape to the wall. Groups will have 30 minutes to complete this part of the assignment.

Next, ask each participant to go around the room and make a checkmark next to what they think are the four most important questions on each flip chart (4 questions for each category). Make a final list of the 12 questions that received the most votes. Tell the participants to write down the questions, as they should use them to interview their assigned client. Explain that they will report back on what they learned about clients from the field visit.

At this point, send participants out with the credit officers to interview clients.

Time: 1 hour

B. Step Two: Learning from the Interviews

When the interviews have been completed, ask participants to share what they learned, discussing each of the 12 questions in turn. Ask: What was particularly interesting to you? What questions do you have about what you heard? What conclusions can be drawn about each of the factors listed in the “Target Group” box? For example, what was learned about the scale, sector and time in business of most of CMS’ clients?

After the report back, explain how much of what they heard today is reflected in CMS policies and procedures, especially eligibility requirements. Refer to the information contained in the credit methodology document (which they should have read prior to the session) to list and discuss eligibility requirements. These include the following requirements for clients:

- Primarily women (better at repayment, women are more vulnerable, increased impact on household)
- Family income below poverty line (more vulnerable)
- Older than 21 (legal requirement)
- Citizen or permanent resident of Zambia (legal requirement and proves stability)
- Resident of area for at least two years (proves stability, good credit risk)
- Operating a business for at least six months (less risky than start ups)

As you write down each one on the flip chart, discuss the rationale for each of these requirements (the rationale appears in parentheses). Give examples and ask questions. For example, ask: what might happen if more wealthy people participate? Answers should include:

they are less likely to repay because they don't need the service as much, and also the terms are less likely to be appropriate for them.

Explain that once basic eligibility requirements have been met, the scale of business activity is the key characteristic in determining whether the program is appropriate for a client, because the services provided are intended to be appropriate for a certain size of business.

Explain that now you will be discussing what is meant by scale of business activity.

Put up the flip chart of IGA/ME/SE matrix, which is attached to these notes. Explain that CARE staff developed this continuum of "businesses." On the left, there are Income Generating Activities (IGAs), in the middle are Microenterprises (MEs) and on the right are Small Enterprises (SEs). **The characteristics of businesses across the continuum are key to determining the best and most appropriate services to provide to these businesses.** Stress that it is really a continuum, even though there are three distinct categories. It is possible that a given business will have characteristics from more than one category. The point of the continuum is not to try to put clients into little boxes, but to better understand the nature of their businesses so that we can identify the most appropriate services for them.

Proceed to explain the top of the matrix, which is already filled in:

- On the left, IGAs, we are talking about activities that are so tiny and linked to the household that they don't look like what we usually think of as businesses. They are businesses, however, even if the person operating the activity does not do so full time, or changes activities over the course of a year, or may operate several activities at once. These people are still investing their money and taking the risk inherent in doing business. The key distinction here is that most of the profit generated by the activity is usually used for household consumption, and the strategy is to diversify activities within the household in order to increase household income or to minimize the risk of undertaking business activities. Such strategies are typical of low-income households around the world. IGAs are completely mixed with the household economy. These businesses generally have no employees at all - we are really talking about self-employment.
- In the middle, we have microenterprises, which do look like businesses we know, but are still quite small and tend to be very mixed with the household economy, although there is a more of a tendency to separate the business finances from the household economy. Because of the close relationship to the household economy, a lot of the profit will still be used for household consumption, although here, the owner can also afford to reinvest more of the profits into the business itself to keep it going and to help it grow. The strategy is business specialization to increase household income. Employees tend to range from 0-10.
- Finally, we have small enterprises, which are probably familiar to everyone. These are formal businesses that are specialized in one activity, as are microenterprises. Here, however, the business is entirely separate from the household economy, and for

this reason, the strategy is to increase business profits, which are reinvested in the business. We are talking about businesses that employ 11-50 people, as a rule.

Explain that the level of business assets are provided in dollar terms and are based on experience around the world. We will skip this line for the moment and come back to it later in the Zambian context.

Then, to get the plenary exercise started, fill in two lines of the bottom half of the matrix: source of labor and level of owner's time devoted to business (see completed matrix below).

Source of Labor	Family labor	Family labor, apprentices, paid labor	Paid labor
Level of Investment in Worksite	Little or no investment	Usually little investment	Extensive investment
Level of Technology	Traditional technology	Out-dated technology	Modern technology
Level of Fixed Assets	Little or no fixed assets	Usually moderate fixed assets	Extensive investment in fixed assets
Level of Owner's Time Devoted to Business	Part-time and seasonal occupation for owner, multiple activities	Full-time occupation	Full-time occupation
Skill Level Required	Traditional and low skill level	Moderate-to-high skill level	Higher skill level
Level of Literacy	Illiterate or semi-literate	Low to medium levels of literacy	Literate
Level of Record-Keeping	Little or no written records	Few written records	Extensive records and systems

Stop at this point and ask participants to give examples of businesses that they know in Zambia in each of the three categories, based on what has already been covered in the matrix. Write in these examples on the bottom of the flip chart, aligning them with the appropriate category.

Continue to fill out the matrix by asking participants for the correct "answers." For example, ask what level of investment in the worksite usually exists for IGAs, for MEs and for SEs. Fill in the appropriate box as the answers are given, correcting or expanding on answers as needed. Refer to the completed matrix above. It is important to keep this exercise moving and to limit discussion on any one answer. Make sure that as many participants as possible are offering answers.

When the matrix is filled out, return to the fourth line of the matrix, and ask participants to identify the level of fixed assets that they feel is appropriate in the context of the region. Again, allow for limited discussion, putting the average of answers given or a range of amounts when consensus cannot be reached.

Conclude by reinforcing the idea of the continuum. It rarely happens that clients actually move up the continuum. It is really just a conceptual framework to help us understand our clients better. Point out that businesses exist in this region all along this continuum, just as elsewhere in the world. Finally, point out that small enterprises are not, typically, clients of microcredit programs, and we will not focus on this type of clientele for the remainder of the training.

Time: 1 hour, 30 minutes

C. Step Three: Program Services

Distribute copies of the small group assignment attached to these notes and explain the exercise. The assignment includes a description of the assignment, a copy of the IGA/ME/SE continuum that they completed earlier, and a blank matrix that matches appropriate services to businesses across the continuum.

Explain that at the top of the blank matrix, they will find three types of interventions (financial services, management services, and technical services). Here, they should indicate the general appropriateness and need for these services, for each of the three types of business (for example, in loan terms, they indicate simply short, medium or long). They should keep in mind the characteristics of the business across the continuum, referring to the chart which forms part of the assignment.

They have 30 minutes to complete this exercise. Circulate among small groups as they do the assignment, asking questions to get the groups on the right track if necessary.

Return to plenary. Put up the flip chart of a blank Services/Target Group matrix (same one the small groups have just completed). Ask each group in turn to give the answers to one line of the matrix and write in their answer. Then ask if the other groups agree. Change the written answers if necessary. Work through the matrix line-by-line, getting answers from different groups in turn. Allow for discussion, but intervene with the correct answers when consensus cannot be reached or when everyone has the “wrong” idea. Reinforce why their answers are right by showing the relationship between client needs and the characteristics of the businesses on the continuum. For example, since IGAs tend to have little or no fixed assets, their financing needs tend to be working capital.

Below is a completed matrix with correct answers for reference. Most discussion is usually generated about:

- The need for management services. People think IGAs need more than MEs or SEs, when in fact experience has shown that management training is not particularly appropriate nor particularly effective with these informal businesses.

- The need for technical services. People think IGAs don't need any technical services when they might actually be able to benefit more than SEs from assistance in identifying appropriate technologies.

	IGA	ME	SE
<i>Appropriateness and need for:</i>			
Financial Services	HIGH	HIGH	HIGH
Management Services	LOW	MEDIUM	HIGH
Technology Services	APPROPRIATE TECHNOLOGY	MEDIUM TO HIGH	MEDIUM TO HIGH
<i>Credit Service Characteristics:</i>			
Use of Loan	Working Capital	Working Capital, Fixed Assets	Working Capital, Fixed Assets, Infrastructure
Loan Term	Short	Short, Medium	Short, Medium, Long
Loan Size	Small	Medium	Large
Collateral	Low or None	Medium (Equipment)	High (Equipment and Property)

Time: 1 hour

D. Step Four: Methodology

Explain that the purpose of this step is to explore Solidarity Group lending in detail. Explain that standard lending to individuals (like formal banking) is based on the borrower's ability to provide collateral. Solidarity Group lending was developed partially to respond to limited collateral available from IGAs. SG lending depends on a peer guarantee provided by other borrowers. It is also less expensive to deliver services to groups than to individuals, and with very small loan sizes it is important to lower the cost per participant. It is less expensive because the groups are responsible for member selection and loan analysis.

Next, further describe Solidarity Group lending, basing your explanation on the "Principles of Solidarity Group Lending" which are attached to these notes and copied in the participants' manuals. Explain that Solidarity Group lending is really lending **to** individuals **through** a group. Other key points include the following:

- The group provides a peer guarantee; each business or individual receives a loan but all members of the group agree to pay the others' loans if one or more of the members cannot repay.
- If any member of the group fails to repay, no other member of the group can receive another loan from the program until the group is up to date.
- Groups are always self-selected – the program does not decide who should belong to a group.

- Because groups are self-selected and members agree to guarantee each other's loans, the program staff relies on the judgment of the group members for reviewing and approving loans. Minimal loan analysis is required of staff, who usually visit each business to make sure it exists and to gather basic information on the person and the business.
- Groups help to organize clients for smooth coordination and easy logistics.
- Groups manage routine record-keeping and paperwork
- Groups provide their members with support and encouragement.

Ask if they have any questions.

Time: 30 minutes

E. Step Five: Loan Conditions

Tell participants that they will take part in a quiz game to test their understanding of loan conditions. Divide participants into equal teams of about 3. Tell them you will ask them a number of questions based on the first three pages of the Credit Methodology document (which they should have read prior to class). Ask them to write the answer to each of your questions on a piece of paper. They should work as individuals. At the end of the round, ask them to score themselves individually (one point per correct answer), then add together their team score. Ask 10 or 15 questions, dividing the questions into two or three rounds. Provide a prize to the winning team if possible.

Time: 45 minutes

F. Step Six: Steps In The Process

Construct the steps in the lending process by giving each participant a card (or cards) and asking them to work together to figure out what order they go in. The cards should say: program promotion, client identification, training, loan analysis, loan approval, loan disbursement, client monitoring, loan repayment, subsequent loans. Ask them to post the cards in a line on the wall (where you are able to leave it for the rest of the training) in the correct order. Explain that, by the end of the training, they will have developed a flow chart which shows these major steps, activities in each step, and time required for each activity.

Time: 15 minutes

G. Step Seven: Summary

Explain that you will be talking about "risk management" frequently during the rest of the sessions. Ask: Do you know what "risk management" means? Minimizing risk to the program and the client, which arises when a client experiences difficulty in paying her loan.

Explain that it is possible to **analyze** risk before the credit is approved and **monitor** risk while the loan is outstanding. Ask: Who will be responsible for analyzing and monitoring the potential risk of any given loan? Answer: the credit officers. Say that this is why this is an important topic. We will examine many ways in which the program is structured to minimize risk and also analyze the credit officers' role in making good decisions which minimize risk.

Time: 10 minutes

H. Principles In Solidarity Group Lending

Main Principles

CLIENTS

- *Individual businesses are clients and loan recipients.*

CREDIT OFFICERS RELATION TO INDIVIDUAL CLIENTS

- *Relatively close working relationship between credit officers and individual clients.*

Credit officers have direct contact with individual clients prior to loan approval and disbursement and throughout loan repayment. A credit officer works with a large number of clients however, so each contact is brief and contacts are sporadic over time, preventing an in-depth knowledge of client businesses.

LOAN APPRAISAL

- *Loan approval based on minimal viability analysis*

Credit officers perform a minimal analysis of each client's loan request. The loan analysis plays a relatively limited role in the decision process.

LOAN CHARACTERISTICS

- *Limited range of loan terms*

New members initially receive small loan amounts, generally payable over a very short term (8-10 weeks). When clients have established a sound repayment history, loan amounts and terms are gradually increased. Initial loan amounts are generally limited to a very small range, such as \$100-\$150. Maximum loan amounts normally do not exceed \$400, and there would typically not be a difference of more than \$50 between the smallest and largest individual loan within a 5-member group. Programs using this methodology often charge high interest rates, with effective interest rates sometimes 2-3 times higher than the commercial rates. Loan application fees are commonly used as a means to increase the effective interest rate.

- *Quick processing of follow-up loans*

Well-paying borrowers are rewarded with quick, efficient approval of follow-up loans. Subsequent loans are approved and ready for disbursement within days -- and sometimes hours -- of the group's final payment on the previous loan.

GUARANTEES

- *Mutual guarantee of all loans*

Although members of the group receive loans individually, responsibility for loan repayment is the obligation of all 5 group members. All 5 members are held legally responsible for repayment by other members, and if any member defaults on his or her loan, the other four members must cover the loan. None of the members will receive further loans until the delinquent loan is repaid. No collateral or co-signers are required by the program to guarantee individual loans.

SAVINGS

- *Savings mobilization is a central part of the methodology*

Clients are usually required to open savings deposits as a central part of the program. However, savings are often deducted from the loan amount at the time of disbursement rather than actually deposited up front by clients. Clients are not allowed to access their savings while participating in the program. Rather than developing a savings habit among participants, savings serve primarily as a compensating balance, guaranteeing a portion of the loan amount.

GROUP CHARACTERISTICS

- *Formation of self-selected, small groups of unrelated borrowers*

Individuals must be members of a group to access loans from the program. All groups self-select their own membership, with the only requirements being that the members be unrelated and from similar socioeconomic backgrounds.

	IGAs	MEs	SEs
Profit used for:	Household consumption	Household consumption and reinvestment in enterprise	Reinvestment in enterprise
Strategy	Diversification to increase household income and/or to minimize risk	Specialization to increase household income	Specialization to increase profits
Number of employees	0	0 – 10	11 – 50
Assets	Less than \$500	Less than \$10,000	Less than \$100,000
Source of Labor			
Level of Investment in Work Site			
Level of Technology			
Level of Fixed Assets			
Level of Owner's Time Devoted to Business			
Skill Level Required			
Level of Literacy			
Level of Record-Keeping			

Copy onto flip chart paper

Small Group Assignment

Page 1

Answer the following questions, noting your answers on the attached matrix. Use the information from the discussion on the IGA/ME/SE continuum to aid your decision-making.

Financial Services

- What is the appropriateness and need for financial services for IGAs, MEs, and SEs – low, medium or high? Please note that we are referring to the degree to which the services are needed rather than the actual amounts needed.

Management Services

- What is the appropriateness and need for management services for IGAs, MEs, and SEs – low, medium or high?

Technology Services

- What is the appropriateness and need for technology services for IGAs, MEs and SEs – low, medium or high?

Characteristics of Credit Services

- What do IGAs, MEs and SEs need and use loans for primarily – working capital, fixed assets, and/or infrastructure?
- What loan terms are generally appropriate for IGAs, MEs and SEs – short, medium or long?
- What size of loan in dollar terms do most IGAs, MEs and SEs need in your experience? (Use small medium or large, or give a range of amounts if you prefer.)
- What level of collateral can IGAs, MEs and SEs generally offer to guarantee a loan – low medium or high?

Small Group Assignment

Page 2

	IGAs	MEs	SEs
Profit used for:	Household consumption	Household consumption and reinvestment in enterprise	Reinvestment in enterprise
Strategy	Diversification to increase household income and/or to minimize risk	Specialization to increase household income	Specialization to increase profits
Number of employees	0	0 – 10	11 – 50
Assets	Less than \$500	Less than \$10,000	Less than \$100,000
Source of Labor	Family labor	Family labor, apprentices, paid labor	Paid labor
Level of Investment in Worksite	Little or no investment	Usually little investment	Extensive investment
Level of Technology	Traditional technology	Out-dated technology	Modern technology
Level of Fixed Assets	Little or no fixed assets	Usually moderate fixed assets	Extensive investment in fixed assets
Level of Owner's Time Devoted to Business	Part-time and seasonal occupation for owner, multiple activities	Full-time occupation	Full-time occupation
Skill Level Required	Traditional and low skill level	Moderate-to-high skill level	Higher skill level
Level of Literacy	Illiterate or semi-literate	Low to medium levels of literacy	Literate
Level of Record-Keeping	Little or no written records	Few written records	Extensive records and systems

Small Group Assignment

Page 3

	IGA	ME	SE
<i>Appropriateness and need for:</i>			
Financial Services			
Management Services			
Technology Services			
<i>Credit Service Characteristics:</i>			
Use of Loan			
Loan Term			
Loan Size			
Collateral			

VI. SESSION 5: THE CREDIT OFFICER'S ROLE

Objective: Participants will be able to describe the role and responsibilities of the credit officer, and relate effectively to others in the institution.

Materials: flip chart and markers

Time: 6 hours

Preparation: Prior to this session, arrange for one of the current credit officers to be interviewed for about 45 minutes during the session.

A. Step One: Defining the Credit Officer's Role

Explain the subject and purpose of this session. Explain that successful employees clearly understand what is expected of them and how they fit into the organization.

Ask: What is the definition of 'role?' Answer: primary objective of position; purpose.
Ask: What is the role of credit officer? Take notes on flip chart and summarize. Answer should include ideas like "critical link between program and client," "backbone of organization," or "front line." Emphasize that they and the clients are the foundation of the whole organization.

Ask: What is the difference between "role" and "responsibilities? Responsibilities are activities or tasks that lead to fulfilling the role.

Ask: Why is it important to have clear roles and responsibilities in an organization?

- Arranges work in such a way that mission and goals can be effectively accomplished.
- Gives clarity of purpose to each employee
- Allows employee to take responsibility for self

Time: 20 minutes

B. Step Two: Credit Officer Job Description

Explain the elements contained in a job description.

- *Role* is the chief objective of the position.
- *Tasks* are the duties or responsibilities of the job.
- *Targets* are the expected outcomes.
- *Supervision and authority* describe what work actions and/or decisions are made without a supervisor's approval, and whether the individual in the position supervises anyone else.

- *Qualifications* describe the knowledge, skills, abilities and other characteristics that the employee must possess.

Direct the participants to locate the credit officer's job description in their manuals. They should review the job description, making notes about questions they would like to ask a credit officer about his or her job. Explain that they will be interviewing one of the existing credit officers as a group, for the purpose of completely understanding the job description. They will have 20 minutes to prepare.

Time: 1 hour, 15 minutes

C. Step Three: Supervision of Credit Officers

Remind participants that they reviewed CMS' organizational chart in a previous session. Ask: To whom do credit officers report? Answer should be either credit coordinators or regional managers. Ask them to find the job descriptions of credit coordinators and regional managers in their manuals. Explain their responsibilities, and how they relate to credit officers. You may want to repeat the process above, and have a credit coordinator and regional manager participate in class to answer questions.

Time: 30 minutes

D. Step Four: Giving and Receiving Feedback

Explain that you will be talking about various aspects of communication throughout the training. Good communication is essential at CMS, and credit officers will be expected to communicate well with others in the organization as well as with clients. In this step we will be talking about giving and receiving feedback, or improving the way we talk to one another. This will be particularly helpful with communication which is internal (within the organization)

Explain that many times when we talk about things that are important to us, we get involved in heated debates. Sometimes people talk about their feelings as well as their opinions. They may try to blame others, or they may try to tell what they think in a way that causes pain to another person. They may not really understand what the other person is saying. Many times we wait until something is really bothering us and then we blow up at the other person, lashing out from our emotions. All of these are examples of behavior which is destructive to organizational communication.

Explain that now they will participate in an exercise about providing feedback. Divide participants into three groups. Assign each group one of the following scenarios:

1. The manager and the credit officers from one of the regional offices are getting ready for the monthly staff meeting. The COs are just getting ready to go into the meeting when the RM lashes out at two of them saying, "You two are no help at all! You are never ready for these meetings. I can see I'll have to do it all myself, as usual!" How might the COs respond?

2. The credit officers are working together in the office to prepare for loan disbursements. One of the officers discovers that all of the forms have been used up. He yells at the others, “You are so selfish! I never can find any forms when I need them; they are always gone!” How might the other COs respond?
3. Two credit officers are going out together to visit clients. One has been waiting for the other to arrive. When he gets to the office, the first officer says, “I’m sick and tired of you not coming on time to anything. I’ve been waiting half the morning. The next time you’re late, I’m leaving without you.” How might the other CO respond?

Tell participants that they must do a role play in their small groups to demonstrate their scenario. Each person in the group takes one role. The role play should begin with the scenario described above, then continue with participants giving their natural reactions to the situation. Groups will have 15 minutes to complete their role plays.

Return to plenary. Ask: How do you think that the angry manager and COs felt when they were yelling at the others? Ask: How could the same feedback be given without negative consequences? List their answers on another flip chart. Some of the answers might include:

- Describe the situation rather than blaming or judging. If you are judgmental the person will automatically want to defend himself. “The person who uses the last of the forms is supposed to replace them, but I see there are no forms here.”
- Be positive, stressing the desired rather than undesired behavior. “Please try to arrive on time!”
- Describe how the situation makes you feel. For example, say “When I leave late for the field, I worry about getting all my work done for the day.”
- Be specific. Say precisely what the situation is. General remarks (“You are no help at all!”) are hard to interpret and understand.
- Consider the other person. If we give feedback thinking only of ourselves, we are likely to hurt the other person. “You are so selfish!”
- Don’t exaggerate your position. “I waited half the morning!”
- Feedback must be related to a behavior the person can control. Try to understand the behavior before you say anything. For example, maybe someone is late because of a serious problem in the household.
- Give immediate feedback. Don’t wait until you are angry. Give feedback early on so that the behavior can be discussed before resentment builds up.

Ask: How did you feel when you were on the receiving end of this negative feedback? How did you respond? Make a list on the flip chart of ways in which we respond when we hear negative feedback.

Share the following tips for **receiving** feedback:

- Practice good communication. Listen actively and rephrase what the person said to you. Ask questions. If the information is too general, ask for an example. Make sure that you understand.
- Try not to react or defend yourself. It will only discourage the other person from giving feedback, and often results in destructive communication.

Don't be hurt by the feedback and clam up. Remember it is only one person's opinion and people see things differently. You can check with others and work on the behavior if you decide to.

Now have the groups return to their role plays. Have them change the role play so that feedback is given and received positively. They will have 15 minutes. When they are done, return to plenary. Ask: Did you do a better job of giving feedback this time? How did you feel about receiving feedback this time? What might you improve next time? Was it harder or easier to give and receive feedback positively?

Time: 1 hour, 15 minutes

VII. SESSION 6: PROGRAM PROMOTION AND CLIENT IDENTIFICATION

Objective: Participants will be able to describe the program knowledgeably and persuasively in order to gain credibility in the community; and accurately identify potential clients.

Materials: flip chart and markers; copies of “Observer Checklist”

Time: 4 hours

Preparation: Arrange for one of the current credit officers to come to the class and make a presentation on the program as if the participants were potential clients and this was his first visit to the community. Brief the credit officer ahead of time to make sure that s/he covers all of the essential points listed below for such a presentation.

A. Step One: Program Promotion

Explain that by “program promotion” you are referring to the guidelines for identifying areas of activity and “pockets” of clients. Explain that the regional manager’s role is to identify a geographical area of operation for the CO. Regional managers undertake this task by conducting market research in the area.

Ask: What do you think might be the first thing you should do when entering an area for the first time? Answer is to speak with community leaders. Make a list on the flip chart of the community leaders they might speak with. Answer should include: traditional authorities, elected officials, teachers, religious figures, or anyone well regarded and trusted in the community.

Ask: What should you say to these leaders? Answer: During these visits, the CO discusses CMS and its program, asks for information and advice about working in the community, and works at building credibility and trust in CMS. **Ask:** How might you expect them to help you? Answer: The leaders are able to use their authority and reputation to promote the program within the community; potential clients will trust their opinions. Emphasize the importance of this step in establishing credibility and trust in the community.

Ask: Once you have spoken with the leaders, where do you think you might look for potential clients? Answers might include: Women’s groups, agencies, churches, markets, clusters of businesses, and other places where people gather. They can also go door to door. Explain that they must invite potential clients to an informational meeting at an established time and place, and that you will now be discussing the contents of that meeting.

At this point, the credit officer should come in and make a presentation, just as he would in the community. Ask participants to take notes on the information presented, as well as observations about **how** the message is communicated.

When the CO has finished, ask participants to help you make a list on the flip chart of information that should be included in order to promote the program. If they don't get them all, make suggestions to help them remember. The list should include:

- Greet the participants and thank them for the opportunity to make a presentation
- Tell them your name and the name of the organization
- Explain that CMS is a microfinance institution which provides credit to low income business owners, primarily women
- Describe CMS history and successes - years in operation, areas of operation, number of clients, location of head office, directors
- Outline the requirements for eligibility
- Explain that clients must form Solidarity Groups (SG), or already be participating in a group in order to participate in the program. Explain how groups are formed, what their responsibilities are, and what activities they must undertake.
- List the loan conditions
- Explain what factors the credit officer will take into consideration when approving a loan: participation in training, character and business analysis, and equity contribution
- Describe the training which will be provided to groups over a four week period prior to the loan
- Respond to questions and concerns
- Explain the next steps in the process - individuals who form SGs and attend the next meeting will receive an application form in return for the loan administration fee (Kw. 5000 per client). At that time they must pay their training fee (5% of the requested loan amount), and training will begin.

Ask what they learned from the CO about **how** the information should be presented. List their answers on the flip chart. They should note that the person must be properly dressed, must use the local language and follow local customs, should speak simply and clearly, should not overburden listeners with information, and should allow plenty of time for questions. Explain that the first meeting should generally last no longer than an hour.

Time: 1 hour, 45 minutes

B. Step Two: Practice

Divide participants into groups of three. Each group will have someone playing the role of credit officer, someone playing the role of potential client, and an observer. The purpose of

the role play is for the credit officer to make a presentation of the program to the potential client. They will not have time to do a full presentation so should concentrate on some of the key points (equal to about a 20 minute presentation). Give each group 15 minutes for individuals to study before making the presentation.

Groups should rotate each of the responsibilities so that each group member plays each of the three roles once. Each round should consist of at least 20 minutes of role playing (credit officer makes the presentation and potential client asks questions) followed by 5-10 minutes of feedback from the observer. The observer should concentrate on identifying what the “credit officer” did well in using the concepts and skills learned in the session and what s/he can do to improve. Distribute copies of the “Observer Checklist” attached to these notes for the observers to use as a reference and to take notes while listening.

After all three rounds are complete, reconvene the entire group for a general discussion of the key learning points and the value of the activity.

Time: 2 hours

C. Step Three: Summary

Ask participants if there is a relationship between this step (program promotion and client identification) and risk management. In other words, does accurate and complete program promotion help encourage good clients and prevent default? Answer should be yes. Why? Reasons might include: CMS decreases risk by getting endorsement from local leaders, by clearly and accurately presenting the benefits and obligations of the program, and by making sure that the program is well understood by prospective clients.

Explain that now you want to enter the required activities under the first two steps on the “process flowchart,” program promotion and client identification. Ask: What activities are required to promote the program? Answer should be a visit to the community to speak with local authorities. Write the answer on a sheet of paper and tape it under the first step. Ask: What activities are must be carried out to identify potential clients? Answer should be to hold a community meeting with interested individuals. Write the activities on a sheet of paper and tape it under the second step.

Time: 15 minutes

OBSERVER CHECKLIST

Did the presenter:

1. Share the correct information?
2. Provide either too much or too little detail?
3. Speak simply and clearly?
4. Use language easily understood by his or her listeners?
5. Talk to his or her listeners as equals?
6. Answer questions clearly and correctly?
7. Act and speak like someone who could be trusted?
8. Use distracting body language (fidgeting, waving arms, nervous gestures)?
9. Stress the benefits of the program?

VIII. SESSION 7: CLIENT RELATIONS

Objective: Participants will be able to recognize the importance of customer service and be able to communicate effectively with clients.

Materials: flip chart and markers

Time: 3 hours, 30 minutes

A. Step One: Demonstrating Customer Service

Do a brief skit demonstrating poor customer care techniques. Ask: WHAT happened during the story? What did you observe? What feelings or thoughts did you have?

Next ask participants: SO WHAT? What did you learn? How does what you saw in the skit relate to the real world?

Finally ask participants to consider: NOW WHAT? How might this relate to your work as credit officers? What steps could you take to apply what you learned?

Time: 30 minutes

B. Step Two: Definition and Importance of Customer Service

Ask: What is the **definition** of customer service? List on flip. Answers might include:

- Treat customers with dignity, respect and courtesy
- Provide quality, efficient and reliable service
- Give clients the time they need
- Know customers and be familiar to them
- Show responsiveness to needs – address problems and provide feedback
- Be dependable
- “Clients first”
- Respect the views of the client
- Listen; pay attention; be interested in the client

Ask: What is the **importance** of customer service? Ask participants to take 5 minutes to individually make a list. Go around the circle and ask everyone for ideas, listing them on the flip chart. After noting their ideas, add any from the following list which did not come up. Answers should include:

- Makes good business sense (cost effective). Note that it’s five times more expensive to attract new clients than to retain the old.

- MFIs rely on word of mouth (positive comments from old clients) as primary means of attracting new clients. Good customer service results in positive advertising and a good reputation.
- Helps retain repeat clients; if you treat them well, they are more likely to stay in the program. Explain that client retention will be further discussed in a later session.
- Reflects the social mission. If clients have access to credit over the long term, the program will achieve increased impact. Impact on the business and clients increases with additional loans.
- Increases clients' sense of obligation – clients are likely to treat you the same way you treat them.
- Strengthens ability to work **with** clients if there is a problem – maintains trust and harmony.
- Motivates clients.

If this hasn't been addressed in discussion above, ask participants if there is a relationship between customer service and risk management. Answer should be yes; satisfied customers are those who are more likely to fulfill their program obligations, thus decreasing risk to the program and themselves.

Ask: How might they respond when a client is unhappy? Explain that the organization can learn a lot from negative comments; CMS can learn how to improve. At any rate, complaints must be resolved; clients will tell others about CMS, but especially if they are unhappy. This is important since most MFI marketing is by word of mouth. Remind COs that in their position as the link between the program and the clients, they are in the best position to pass on what they learn about what makes clients satisfied.

Explain that we are going to talk a little about listening, then we will practice listening skills and customer service together.

Time: 30 minutes

C. Step Three: Communicating With Clients

Explain that the best thing we can do to improve communication is to improve our listening skills. Following is a list of helpful listening skills. Write each one on the flip chart and explain it as you go down the list.

- **Listen actively.** Make eye contact. Affirm that you are listening by nodding or saying "uh-huh."
- **Don't tune out** what the other person is saying, or turn off (stop listening).

- **Don't interrupt.** It shows you are thinking about what YOU want to say rather than listening.
- Try to **understand rather than be understood.**
- **Rephrase** what the other person says, in your own words. Then ask if you have correctly understood what s/he meant.

Complete the following exercise to practice and discuss good listening skills. Make two lines of chairs so participants can face each other; everyone will have a partner. Give each pair one of the following conflictive statements:

- Women are better workers than men.
- Banks are better than traditional sources of credit like moneylenders.
- The role of the credit officer is to tell people what they have to do.
- Clients are the most important part of CMS.

Ask each pair to have a dialogue about the statement. All pairs talk at the same time. The people on the right are to agree with the statement, and the people on the left are to disagree. The people on the right have five minutes to defend the statement. The people on the left must practice listening attentively, using all the skills which are listed on the flip chart. At the end of five minutes, change sides so the people on the left refute (argue against) the statement. Those on the right must then practice good listening.

When both sides have finished, ask:

- How did you feel when you were listening to your partner's ideas?
- Did you want to respond rather than listen?
- Did listening closely to the other person help you to understand them better?
- How did you feel about the other person?
- Was this approach to listening different than your usual style?
- How might you improve next time?

Next, have everyone on the left move down one chair so everyone has a new partner. All the statements are then passed one pair to the right. Repeat the discussion.

Time: 1 hour

D. Step Four: Practicing Customer Service and Communication

Divide the participants into pairs. Each pair must prepare a skit about a scenario which you provide. The scenarios might include: the CO explains to someone that they are not eligible for the program; a client who has a problem with loan payment; communicating with a very shy woman; a potential client who doesn't understand how interest is calculated; a client who is complaining about the program; a client who has a personal problem and is upset; the CO

explains a change in the program (like increasing interest). Use any scenarios which are currently being experienced at CMS, and which the participants would benefit from practicing.

Ask each pair to demonstrate how they might handle the situation, emphasizing good customer service and listening skills. Ask them to also prepare a list on the flip chart of the key points they want to remember about how to handle this situation. Give them 30 minutes to prepare.

Ask each pair to present their skits. Explain that after each presentation they will be providing feedback on what they saw. When each pair has finished, ask the members of the pair what they thought about their performance. Remind them that our interest is in providing good customer service and demonstrating listening skills. Then give the other participants the opportunity to comment, first asking them to say what went well and then asking for suggestions for improvements. Remind them that this is an opportunity to practice constructive feedback, as they learned in an earlier session.

Time: 1 hour, 30 minutes

IX. SESSION 8: LOAN ANALYSIS, APPROVAL AND DISBURSEMENT

Objective: Participants will be able to analyze clients and their business activities in order to make sound decisions concerning their participation in the program; and properly complete all steps in the loan approval and disbursement process.

Materials: flip chart and markers; copies of “Loan Analysis Information,” case studies and assignment; loan documentation exercises

Time: 6 hours

Preparation: Arrange for the group to participate in a testing and disbursement procedure shortly after this session. If there is time, you might also arrange for individual participants to accompany a credit officer when s/he visits a client business for loan analysis.

A. Step One: Purpose of Loan Analysis

Ask: What is the purpose of loan analysis? Answer should include minimizing the risk to the program and the client. Explain that credit officers minimize risk by insuring that the client is able to repay **before** disbursing loan funds. It is a unique (one time) opportunity to avoid problems in the future.

Explain that repayment depends on the client’s capacity and willingness to use and repay a loan. Before the loan, credit officers are able to:

- Examine client business and households, for **capacity** to repay.
- Examine client character for **willingness** to repay.
- Time: 15 minutes

B. Step Two: Assessing Character

Ask participants to brainstorm a list on the flip chart of ideas about what might be assessed under “character.” Answers should include:

- Habits – drinking, socializing
- Reputation in community
- Family responsibilities
- Attitude (for example, does the client take responsibility for self and others?)
- Health
- Participation in training
- Credit history – has she had loans before and were they repaid
- Current debts
- Honesty

Ask participants to come up with ideas about **how** the character analysis could be carried out. What might the credit officer do? Answers should include:

- Listening to what the client says (and doesn't say)
- Visit to the home/business
- Investigate credit history by visiting other credit agencies and asking the client
- Use the local authorities
- Ask others in the community
- Observation

Ask: What if, after using these techniques to investigate the characteristics listed earlier, you discover that you have doubts about the client's character? What should you do? After listening to their answers emphasize that the answer depends on the severity of the problem and the strength of your doubts. Some problems may simply merit further investigation and discussion with the client to resolve them. Others will require that you deny a loan to the person. Remind them that if they have done a good job of training the Solidarity Group, the other members should be already have screened for character, and will also be helpful in resolving any problems that arise.

Time: 45 minutes

C. Step Three: Assessing the Business

Remind participants that they have already learned that approving loans for the businesses which are operated by CMS clients do not require in depth cash flow or profit and loss analysis. Nor can the clients be expected to complete business plans. However, it is possible to determine whether the activity is likely to earn profit for paying back the loan and increasing borrower income. Distribute the worksheet attached to these notes, and review it in detail with the participants. Explain that the list has three columns, the item to be examined, direct questions that should be asked of the client, and "Things to Think About." This third column describes the analysis the credit officer must undertake based on the information provided by the client. Explain that this analysis will become easier as the CO gains more experience with various types of businesses.

Emphasize that the list of items the credit officer should examined are similar to that which the Solidarity Group itself must examine. During training, this same checklist should be reviewed with the Solidarity Group, and used to assess each of the member's businesses. However, it is the credit officer's responsibility to make a visit to the client's business to verify the information received from the client, and to make his or her own assessment.

Explain that the credit officer must also verify the existence and condition of the pledged collateral during this visit. CMS requires that each client pledge an item which is approximately equal to the value of the loan, and is valued by the client. When the CO visits the business, s/he must verify the existence of the proposed collateral and its condition. The client's spouse must give his approval to pledging household goods as collateral.

Time: 1 hour, 30 minutes

D. Step Four: Practicing Active Listening

Explain that now you are going to use storytelling to help them practice their listening abilities. Then you will use the same stories to help them practice loan analysis skills. Explain that you are going to tell them a story, and will ask questions when you have finished. Read the following to them at a normal conversational speed:

“Yesterday I went to the market, where I intended to buy fish. Usually fish trading is nice business. However, that day the fish was too expensive, Kw. 10,000 per kilo. So I decided to trade pineapples instead. I bought 100 kilos at a price of Kw. 2000 per kilo. Before I went to the market I borrowed Kw. 150,000 from my neighbor. We know each other very well. I only had to repay him Kw. 250,000 by the end of the day. My business went well. I sold all my pineapples, repaid my neighbor, and came home with Kw. 100,000 in my pocket. So I took my family out for dinner, and we met my friend there. We started to play poker and, can you believe it, all my money was gone! Now, you understand, I would like to borrow Kw. 500,000 for my business.”

Explain that first you would like to help them evaluate their listening skills. Ask the following questions:

- How many pineapples did he buy, and at what price?
- How much money did he borrow, and from whom?
- How much interest did he pay on what he borrowed?
- How much profit did he make on the pineapples?

It is likely that they will not get all the answers right to these questions. Ask: Why do you think that you have trouble remembering everything correctly? Answers might include:

- They remember some irrelevant details while forgetting some important information
- Difficulty in remembering exact figures
- Getting distracted by other things going on
- No note taking

Ask: What might you do to help you do a better job next time? One idea is taking notes on a prepared format; in addition to active listening, notes will help to alleviate most of the problems. Tell them to write the following words in a column: type of business, owner’s capacity and experience, knowledge of current market prices, cost of product, other expenses, sales, market, amount and source of current loans, amount of loan request, profit.

Explain that now you will tell them another story, and this time you would like them to practice active listening and to take notes:

“I am 20 years old. Usually I help my mother in her salon, but I think that I can do much better if I go into business for myself now. I would like to produce and sell hair make-up. I often fix my girlfriends’ hair and they love my ideas! I have saved Kw. 100,000 and already made

some creams with gold glitter in them. The oils, fragrance and chemicals cost Kw. 2000 for 50 grams. I can get plastic pots which will hold 50 grams of cream at a price of Kw. 100. I think I can sell each pot to the salons for Kw.3000 each. The shops can sell them to their customers for Kw. 3500.

I think that I have found a real market niche. Several shop owners have told me they are interested in my product. The hair make-up can compete with imported products in price. Only the nice packaging is a problem. I would like a loan of Kw. 500,000.”

Ask them to share the information which they recorded on their sheets. They should have much more accurate information this time. Make sure that they understand the importance of careful listening and selective, structured note-taking while visiting and speaking with clients.

Time: 1 hour

E. Step Five: Loan Analysis Practice

Distribute copies of the Loan Analysis Information, the two case studies above, and the assignment (all are attached to these notes). Ask participants to work individually to answer the questions in the assignment. They will have 40 minutes. You may want to add another case or two if you think that they need more practice in loan analysis.

Call participants back to plenary. Discuss each of the questions, comparing their answers and offering suggestions. If they do not mention it, remind them that the girl in Case 2 is not actually eligible for the program because she is too young and has not started operating a business yet. Ask: What advice might you give her? One answer might be to start selling from her mom’s shop until she gets at least six months of experience and turns 21. Also, use this opportunity to review the required loan sizes and terms. They should understand that they have only a little discretion as far as choosing loan amounts and terms, but that they should make an effort to make appropriate decisions within the guidelines established by CMS.

Summarize by using metaphor of loan analysis as a scale. We are balancing benefit with risk. Ask: What kinds of things do you think tip the scale completely (make it too risky to give a loan)? Answer might include: poor character, poor previous credit history, business which compares poorly to similar activities owned by other clients; questionable owner capacity/experience. If they do a good job of training the Solidarity Group, they will not have to reject a loan very often because the group itself will do a good job of selecting strong members.

Ask: What are the tools at your disposal to help alleviate risk **before** the loan is disbursed? Answers should include: character analysis and business analysis carried out by both the group and the credit officer; meeting eligibility requirements; meeting other requirements (attendance at training, paying fees, collateral). Write each of the required activities on the process flow chart under the step called “Loan Analysis.”

Time: 1 hour, 30 minutes

F. Step Six: Loan Approval and Disbursement Process

Explain that after the credit officer has investigated the client's character capacity and willingness to repay, the credit officer must do the following to approve and disburse a loan:

- Group Certification: notify the RM that the group is ready to be tested; schedule the test for the Solidarity Group on the training received; RM/CC tests the group. This activity is important because it allows the RM or CC to visit each group in the field in order to evaluate the work of the CO, keep in touch with the realities in the field, and reject a group if necessary.
- Loan review: RM/CC reviews the loan application and other documentation; RM/CC approves the loan disbursement.
- Loan Processing: RM/CC gives the paperwork to the support staff for processing.
- Loan Disbursement: all group members must be present to receive their loan.

Explain how each of these activities is carried out, and write the activities on the flow chart under the step "loan approval" and "loan disbursement."

Time: 1 hour

LOAN ANALYSIS INFORMATION

ITEM	QUESTIONS TO ASK THE CLIENT	THINGS TO THINK ABOUT
Owner's capacity and experience	<ul style="list-style-type: none"> • What plans do you have for your business in the future? • How did you get the business started? 	<ul style="list-style-type: none"> • Does the client have the skills to produce a good product or service? • Does she have sales and adequate business management skills for this activity?
Type of business	<ul style="list-style-type: none"> • Describe your product or service 	<ul style="list-style-type: none"> • Is this type of business usually successful? • Is this type of business especially risky for some reason?
Place of business	<ul style="list-style-type: none"> • Where do you operate your business? • Is the business mobile or stationary? 	<ul style="list-style-type: none"> • Does the business appear active/successful?
History of the business	<ul style="list-style-type: none"> • How long has the business been operating? • How many months per year do you operate this business? • How many hours each day or week do you work in the business? 	<ul style="list-style-type: none"> • Is the business part-time or seasonal, and how will this affect the client's capacity to repay the loan? • Has the business been operating longer than 6 months?
Inventory	<ul style="list-style-type: none"> • What is the source of products (finished or raw materials) for the business? • Is the source seasonal? 	<ul style="list-style-type: none"> • What is the quality of the product or service? • Is the product perishable?
Fixed Assets	<ul style="list-style-type: none"> • What equipment used for operating the business do you own? 	<ul style="list-style-type: none"> • Does the owner have sufficient equipment for operating the business? • Is the equipment in good condition?
Sales	<ul style="list-style-type: none"> • What are your sales on a good day? • On a slow day? • On a regular day? 	<ul style="list-style-type: none"> • How do sales in this business compare with those in similar businesses?
Expenses	<ul style="list-style-type: none"> • What are your average monthly expenses for business materials/products? 	<ul style="list-style-type: none"> • How do expenses in this business compare with those in similar businesses?
Employees	<ul style="list-style-type: none"> • Do you pay employees outside the family? • How many employees? • How much do you pay them? • Are they skilled or unskilled? 	
Profitability	<ul style="list-style-type: none"> • What is your weekly/monthly profit? 	<ul style="list-style-type: none"> • Does the business make enough money to provide income to the family AND repay the loan?
Liabilities	<ul style="list-style-type: none"> • Does the business have any debts right now? • Do you get your inventory on credit? • From what other sources have you borrowed money? • Did you pay it back on time or were you sometimes late? • If you had difficulties in paying back your loan, why? 	<ul style="list-style-type: none"> • Does the client have a sound credit history? • Based on what you have learned about previous credit experience, is it likely the client will repay this loan?
Market	<ul style="list-style-type: none"> • Where do you sell your products? 	<ul style="list-style-type: none"> • Is there sufficient demand for this product or service? • How will this business compete with similar products or services sold in the same areas?
Loan Request	<ul style="list-style-type: none"> • How much do you want to borrow? • How will you use the loan? 	<ul style="list-style-type: none"> • What is a reasonable loan amount given what you know about the business? • Is the client clear on how much money she needs and how she will use it?

Individual Assignment

Page 1

- Case Study 1

“Yesterday I went to the market, where I intended to buy fish. Usually fish trading is nice business. However, that day the fish was too expensive, Kw. 10,000 per kilo. So I decided to trade pineapples instead. I bought 100 kilos at a price of Kw. 2000 per kilo. Before I went to the market I borrowed Kw. 150,000 from my neighbor. We know each other very well. I only had to repay him Kw. 250,000 by the end of the day. My business went well. I sold all my pineapples, repaid my neighbor, and came home with Kw. 100,000 in my pocket. So I took my family out for dinner, and we met my friend there. We started to play poker and, can you believe it, all my money was gone! Now, you understand, I would like to borrow Kw. 500,000 for my business.

- Case Study 2

“I am 20 years old. Usually I help my mother in her salon, but I think that I can do much better if I go into business for myself now. I would like to produce and sell hair make-up. I often fix my girlfriends’ hair and they love my ideas! I have saved Kw. 100,000 and already made some creams with gold glitter in them. The oils, fragrance and chemicals cost Kw. 2000 for 50 grams. I can get plastic pots which will hold 50 grams of cream at a price of Kw. 100. I think I can sell each pot to the salons for Kw.3000 each. The shops can sell them to their customers for Kw. 3500.

I think that I have found a real market niche. Several shop owners have told me they are interested in my product. The hair make-up can compete with imported products in price. Only the nice packaging is a problem. I would like a loan of Kw. 500,000.”

Individual Assignment

Page 2

1. Use each item from the Loan Analysis Information table to analyze all of the information provided about each of the businesses.

2. What else would you like to ask the business owner if you could?

3. If you had to decide today, would you approve or deny a loan to these clients?

4. What size loan do you think would be appropriate for these clients? What loan term?

X. SESSION 9: CLIENT TRAINING

Objective: Participants will be able to use the principles of adult education to describe all aspects of the program so clients are able to fully understand and agree to the conditions for participation.

Materials: Copies of “Principles of Adult Learning”; flip chart and markers

Time: 8 hours, 30 minutes

Preparation: Arrange for participants to accompany credit officers when they lead a Solidarity Group training session.

In addition, ask participants to read the notes on communication which are in their manuals, prior to this session. Divide participants into three groups, and assign a different handout to each group. They are on eye contact, interpreting non-verbal behavior and voice and language. They are attached to these notes and should be copied in their participant manuals.

A. Step One: Importance and Purpose of Client Training

Describe the difference between business management training and credit education. Credit education primarily prepares the client for successful participation in her solidarity group and in the program. Business management services are intended to improve how the client operates his or her business. Remind participants that they learned earlier, in the session on services, that business management training is a low priority for IGAs and a medium priority for MEs. Tell participants that business management training is made available to groups of clients after they have received a loan. credit officers will be offered a course in business management training after they have begun working. Explain that during this session, participants will review the contents of the credit education sessions, and develop skills in delivering training.

Time: 20 minutes

B. Step Two: Client Training Topics

Tell participants that even though client training takes place **before** loan analysis, you have left it until now in their training so that they would have many ideas about what must be taught to the clients. Explain that now you will do an exercise to outline information that they think must be included in client training. Remind them that the objective is to insure that the client fully understands the program. Give each participant various sheets of paper. Ask them to write 3-5 ideas about specific topics they think must be included in client training. (If there are a large number of participants, each can give fewer ideas. If there is a small number, ask each of them to give lots of ideas.) Tell them to be specific and to write in large letters on the sheets of paper. Ask someone to give an example so that you can confirm that they know what level of idea you are looking for; you want specific ideas like “calculating interest” or “the responsibilities of the group treasurer” rather than broad categories like “Group

Responsibilities.” Give them 10 minutes to prepare their cards, then ask them to tape their cards in random order on the wall.

When everyone has put up their cards, ask participants to help you group the cards into similar topics. Move the cards around on the wall until you have grouped them to their satisfaction. Then ask them to choose a topic title for each group of cards.

Review the detailed contents of each broad topic in the order in which it will be taught, according to the notes below (beginning with Solidarity Group Formation and ending with Family Life). For each topic, ask whether they can think of additional information that must be included in the training, and add it on sheets of paper. It is likely that they will have missed some topics that you will need to suggest yourself. In particular, they have not discussed the formation, purpose and activities of Solidarity Groups to any extent, so you will need to give them that information. Try to make a complete list of training topics and contents. Be sure to congratulate them on their efforts and remind them about how much they already know.

The list should include:

A. Solidarity Group (SG) Formation

- Members are self selected, and should identify others who they trust.
- Only two members of the same household may participate in a group, and they must be operating separate businesses.
- Members should live near each other
- Group must have a name
- Majority must be women

B. Election of Office Bearers and their responsibilities

- The chairperson’s responsibilities of the are to be the spokesperson for the group, motivate all members to participate, manage the meetings, monitor the business activities, witness loans, supervise loan repayment of group members, and repossess and sell pledged items of defaulters.
- The treasurer’s responsibilities are to collect and record repayments on time, deliver payments to the credit officer, receive from CO receipts of payments on behalf of members, and to support the chairperson in monitoring loan repayment.
- The secretary’s responsibilities are to report on group attendance and activities.

- C. Purpose of the SG. SG members must review and approve each other's loans, agree to pay each other's loans in the event that member is late or in default, and serve as a source of motivation and encouragement for each other. Members are responsible to attend all meetings of their group, and monitor each other's business activities.
- D. SG Activities. The SG meets together at least once per fortnight for the purpose of discussing member businesses, receiving loan repayments, encouraging each other to repay, and participating in other group activities.
- E. Credit Education – borrower's responsibilities
- Attend training and successfully pass the test
 - Participate in a group and receive loan approval from that group
 - Pay equity contribution and other fees, and pledge appropriate collateral
 - Results of business and character appraisal must be good
 - Use the loan for the purpose specified in the loan application
 - Participate in all group meetings and use that opportunity to develop group strength as well as learn from what others are doing
 - Make loan payments on or before the due date
 - Encourage and support other CMS clients to keep these agreements
- F. Loan Terms – all loan conditions, including how principal and interest repayment are calculated
- G. Loan Analysis – Loan approval depends on filling out the loan application; SG members assessment of the business of other members in order to approve the loan; business and character assessment by COs, and verification of collateral
- H. Loan Disbursement – what is required prior to loan disbursement (NRC numbers and loan application), contents of the loan agreement, pass books and other documentation required, process of loan disbursement\
- I. Credit Management – avoiding default
- Definition of “credit.” It is not the client's money, but is borrowed for a specified time and must be paid back with interest.
 - The loan must be invested in the approved activity.
 - The client must know how much principal is due each month, how much interest must be paid each month, and what day the payment is due (Repayment Schedule).
 - Planning for making payments – the client should save regularly and plan ahead so that she is able to make her payment on the due date. Give clients

examples of how that might be done, such as putting a portion of the payment amount aside in a safe place each day.

- J. Client Monitoring – what clients can expect from CMS after they have received the loan; feedback and communication between the CO and the group
- K. Importance of saving
- L. Record keeping procedures – the records that will be kept by the SG (client pass book), and those that will be kept by the CO (CO’s record book, receipts).
- M. Family Life
 - Discuss possible problems that may arise within the family due to the woman’s participation in the program.
 - Clients should discuss the program with their families and enlist their support in making their business/loan a success.
 - Ask the spouse to agree to the woman’s participation in the program, and to agree to the collateral that will be pledged.

Time: 1 hour, 30 minutes

C. Step Three: Principles of Adult Learning

Distribute the “Principles of Adult Learning” sheet. Ask participants to work in teams to review the sheet and note whether they agree or disagree with each statement. They will have 10 minutes. Ask what they thought, and then discuss each statement, using the opportunity to share information about adult learning. Both the “Principles of Adult Learning” and notes on the information to be shared with participants are attached to these session notes.

Time: 30 minutes

D. Step Four: Training of Trainers

Explain that now you will be talking about the characteristics of a good facilitator. Explain that a facilitator is: a catalyst (helps to get things moving); a helper in the learning process; and a resource person. Ask: How does this fit with what they learned about their role as COs? When do they act as catalysts? When do they act as helpers? When do they act as resource persons?

Ask them to think about training they have been involved in. What did they like about the trainer? What did they dislike? Ask them to work individually to make a list of the characteristics of a good facilitator. Give them about 5 minutes. Go around the room and ask each person to give their answers. Note their answers on the flip chart. Their answers might include some of the following; make suggestions if necessary. Good facilitators:

- Show no favoritism, allowing everyone to participate equally
- Respect the students and their opinions
- Love what they are doing
- Respect local knowledge and traditional ways
- Wear simple clothing similar to what participants wear
- Use simple language and terminology
- Are excellent and active listeners
- Have a sense of humor
- Bring all participants into the discussion
- Build the people's respect

Time: 30 minutes

E. Step Five: Oral Communication Skills

We have learned about positive feedback and listening. Now we will learn about speaking. Explain that an important part of facilitation is knowing how to communicate verbally. Positive and clear verbal communication is also important in relationship with others in the organization.

Briefly explain the oral communication process, drawing it on the board or a flip chart like this:

Speaker → Message → Listener

Communication requires a speaker, a message and a listener. The message must be encoded by the speaker and decoded by the listener. The message is encoded by the speaker into verbal (words), vocal (tone) and visual elements (body language).

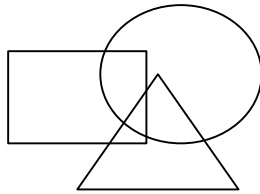
Ask: What do you think listeners pay attention to? Draw a circle on the board or a flip chart, divided into areas which approximate the following percentages. Visual = 55 percent. Vocal = 38 percent. Words = 7 percent. Explain that 55 percent of a message depends on what the listener sees, or body language; 38 percent depends on the pace, volume, inflection, emotional intensity and attitude of the speaker. Only if the visual and vocal elements are effective does the listener really hear the contents of the message. The key is to present the message clearly, matching the vocal tone to the words so that the message is strengthened. Visual appearance and gestures must be consistent with words and tone.

Explain that problems occur when the message is sent (encoded) and when it is received (decoded), but also due to the environment which surrounds the communication. Draw a rectangle around the drawing you made above. Label it environment. Note that with respect to the environment, the CO must do everything s/he can to eliminate distractions and present the message when it can be received. Ask: What types of things might be distracting in the environment? Answers might include: external noise, interruptions, uncomfortable seating or temperature, poor lighting.

Ask them to turn to the handouts on communication which they should have read the night before. Tell the groups that they must demonstrate the information contained in their handout. They must **show** (not just tell) the other participants the most important lessons in the material. Give each group 30 minutes to review the material and prepare their demonstration.

Ask each group to do their demonstration. Ask the other participants to comment upon what they learned from the demonstration. Remind them that they can refer to the other handouts (the ones they didn't read yet) for additional information if necessary.

Tell participants that now you will do an exercise about clear communication. Have a volunteer come forward and give her a picture like this:



Make sure that others in the class cannot see the picture through the back of the paper (you can use double thickness paper or cardboard). Ask the volunteer to get the other participants to draw this picture on their own papers by telling them what to draw without showing them the picture. Have everyone show their pictures. Ask the volunteer if they are correct. None will be the same as the one drawn above.

After one volunteer tries, let another try, and repeat the process. After two or three volunteers have tried, ask whether anyone knows another way to get someone to draw the picture without seeing it.

If they are not able to reproduce the picture correctly, you can tell everyone how to draw the picture by showing them with your finger how it is drawn. The results will be remarkably like the original. Ask the following questions:

- What did you see happening here? Was the message clear? Has this ever happened to you?
- When the message is not clear, what problems does it cause? What can we do to overcome these problems? Make sure someone notes that visual communication was more effective than words in this example.
- What can we do when we give a message to be sure that the learner heard correctly?
- As listeners, how can we make sure that we have heard correctly?

Time: 30 minutes

F. Step Six: Observation

Send participants with the credit officer to observe a training session. In class, ask them to discuss the following:

- What went well?
- What was the subject of the training? Was all the pertinent information covered?
- What did you observe about the CO's oral presentation skills (verbal, visual, vocal)?
- What did you observe about the CO's listening skills?
- What did you observe about the CO's feedback skills?

Time: 1 hour, not including field visit

G. Step Seven: Practice

Form the participants into pairs. Ask each member of the pair to choose a topic (or subtopic) from the list of training topics, which can be taught in 15 minutes. Give them 30 minutes to prepare and practice. They should incorporate as much as they can of what they have learned in the last few days.

Within each pair, assign two roles: facilitator and checker.

The facilitator teaches his or her chosen topic. The checker verifies that the information is complete and correct, assesses the facilitator's overall performance (words, vocal and visual elements, attitude as a facilitator), encourages his or her partner, and provides coaching if needed.

The partners then reverse roles. The new facilitator should teach a different topic. The checker repeats the assignment described above.

When the exercise has been completed, ask participants to describe the experience. Ask: What did they think went well? What could be improved?

Time: 1 hour, 30 minutes

H. Step Eight: Summary

Ask: What is the relationship between client training and risk management? In other words, why is training important in decreasing the risks to the program and client? List each answer on the flip chart. Make sure they include the following:

- Clients must fully understand their obligations.
- Training allows understanding of and agreement to an implicit contract; "if you repay we will give you another loan."

- If individual fails to repay, group members pay, or group disintegrates and no one repays. The difference is often determined by the institution's effectiveness in training the group.
- Training allows the CO to assess whether group members know and trust each other and to make his/her own assessment of client.
- Time elapsed allows members to meet their equity contribution.

Ask whether there are any other questions or comments about the session.

Ask: What activities should be entered on the flow chart under "Client Training"? The answer should include "providing training to clients on all aspects of the program."

Time: 15 minutes

PRINCIPLES OF ADULT LEARNING

- a. Responsibility for learning rests with the individual, not with the instructor.
- b. Research has shown that the ability to learn decrease with age.
- c. Adults and children are equally capable of learning through memorization.
- d. Adults learn better if the facilitator helps them see training as a way to solve the problems they have today.
- e. A sound approach to training is to first cover the things the students **must** learn, and then leave time for the things they feel they want to learn.
- f. Adults are not interested in, or may even reject feedback on their performance in training.
- g. Adults learn better when the facilitator recognizes and values the experience they bring to a learning situation.
- h. Adults would prefer to listen to an instructor rather than get actively involved in other types of learning activities.

PRINCIPLES OF ADULT LEARNING - NOTES

Responsibility for learning rests with the individual, not with the instructor.

- BOTH the instructor and the individual are responsible.
- The instructor is responsible for a good learning environment.
- The individual is ultimately responsible for his or her own learning.
- Research has shown that the ability to learn decrease with age.
- Although it can **look** like the ability to learn decreases, research has shown that the ability to learn **does not** decrease with age.
- It sometimes appears that older adults cannot learn as well because they lack motivation, because they have not spent time in the classroom recently, because their prior classroom experiences were negative, or because they have other priorities.
- The facilitator must address their priorities and make the experience enjoyable and meaningful.

Adults and children are equally capable of learning through memorization.

- Memorization doesn't usually work well with adults.
- Adults learn better by doing (as children often do too).
- The job of the facilitator is to provide a variety of learning methods.

Adults learn better if the facilitator helps them see training as a way to solve the problems they have today.

- If adults see that something will address a problem they are currently experiencing, their desire and readiness to learn will increase greatly.
- Adult learning is “problem centered.”

A sound approach to training is to first cover the things the students **must** learn, and then leave time for the things they feel they want to learn.

- Adults must want to learn. People attend training for many reasons (vacation from other responsibilities, because they have to, because they want to). The facilitator must address each person where they are.
- The reasons a person attends will have a greater impact than the content of the course. The facilitator must understand their needs and address them. In other words, teach what you must in a way that meets their needs.

Adults are not interested in or may even reject feedback on their performance in training.

- People differ; some like feedback and others don't. Know your students.
- In general, everyone needs feedback and will accept it if it is given in the right way.

Adults learn better when the facilitator recognizes and values the experience they bring to a learning situation.

- Adults value experience more than “book learning.”
- Facilitators must show that they know that the learners have a lot of valuable experience to share, and must respect those experiences when they hear about them.

Adults would prefer to listen to an instructor rather than get actively involved in other types of learning activities.

- Adults prefer a variety of learning activities.
- They learn by doing, so practice is very important.
- Adults learn better when multiple senses are stimulated.

EYE CONTACT

The Key to Two-Way Communication

Eye contact is a positive way of opening up real communication between speaker and listener. Next to the voice, the eyes are the most effective communication tools a speaker has. An audience can learn not only by listening, but by watching a speaker's eyes. Eyes give the intention of the words. Avoiding eye contact kills communication.

Methods of Effective Eye Contact

- Look right in your listener's eyes (not at his/her forehead), but don't stare.
- Attempt to make your listener feel a part of the total audience, make it clear that you want everyone to understand your message. Deliver an entire sentence to one person, making eye contact throughout, and then move to another listener, again making eye contact.
- Avoid extremes – don't zero in and lock eyes with one person, and don't sweep your eyes all over the room and never settle in one area.
- Let your eyes reflect your message. If the situation requires warmth or good humor, let your eyes show it. Your eyes will reinforce your satisfaction, skepticism, sincerity, praise or criticism, and the participants will respond accordingly. Make sure that your eyes don't send out one message while your words convey something else.
- If you sense that your eye contact is not welcome and is making the recipient nervous or uncomfortable, move your attention elsewhere at once.
- Be natural – don't establish a set pattern of eye contact.

Adapted from: Instructional Techniques Workshop, Communication Skills chapter; Friesen, Kaye and Associates; Ottawa, Ontario, Canada; 1995.

INTERPRETING NON-VERBAL BEHAVIOR

What does Positive/Accepting/Satisfied/Attentive Behavior look like?

- Leaning forward
- Relaxed
- Nodding
- Facing you
- Arms are in an open position
- Legs are uncrossed
- Maintaining eye contact

You should also look for these behaviors in learners as they show that the learners are feeling positive in the class.

These are behaviors that you, as a facilitator should work at demonstrating at all times. They will reinforce whatever you are saying with words. Your non-verbal behavior should be neutral or enhancing, but not distracting. A facilitator should stand straight with weight evenly balanced and avoid slouching; s/he should use positive, deliberate hand and arm movements.

What does Negative/Rejecting/Dissatisfied/Inattentive Behavior look like?

- Sitting back
- Arms are crossed
- Hands are clenched
- Legs are crossed
- Stiff or rigid posture
- Squirming
- Slouching
- Fidgeting or doodling (repetitive behavior)
- Face or body is turned away
- Frowning
- Gaze is averted
- “Dead” facial expression
- Pursued lips

These are signs of that a learner has a problem. Make sure that you as a facilitator do not exhibit any of these behaviors either, as they will stick with your listeners much longer than your words.

Adapted from: Instructional Techniques Workshop, Communication Skills chapter; Friesen, Kaye and Associates; Ottawa, Ontario, Canada; 1995.

VOICE AND LANGUAGE

- a. Know what you are going to say before you say it.
- b. Be natural (even if you have to work at it).
- c. Be positive, friendly and straightforward.
- d. Practice to increase vocal capability and fluency.
- e. Speak spontaneously, relying as little as possible on notes.
- f. Speak conversationally and enthusiastically.
- g. Speak with authority.
- h. Make sure that you can be heard comfortably by listeners.
- i. Watch your pace (not too slow or fast).
- j. Articulate – speak clearly.
- k. Vary rate of speaking, pitch (higher or lower) and volume (louder or softer)
- l. Work on troublesome words so that you can pronounce them easily.
- m. Read aloud often and get feedback.
- n. Work on posture, breathing, and tension-free throat and jaw to improve vocal quality.
- o. Avoid poor grammar, sloppy pronunciation and misused terms. They create a poor impression.
- p. Use short words in the active voice.
- q. Choose your words carefully to avoid ambiguity.
- r. Use jargon and acronyms sensibly.
- s. Show poise, personality and professionalism.

Adapted from: Instructional Techniques Workshop, Communication Skills; Chapter; Friesen, Kaye and Associates; Ottawa, Ontario, Canada; 1995.

XI. SESSION 10: CLIENT MONITORING AND REPAYMENT

Objective: Participants will be able to effectively monitor clients to insure repayment, solve problems and insure ongoing participation of clients in the program.

Materials: flip chart and markers

Time: 3 hours, 30 minutes

A. Step One: Purpose of Client Monitoring

Explain that for the next few hours the class will be discussing client monitoring. Ask: What does client monitoring mean? Answer should be: all contact with the client after the loan is disbursed, for the purpose of making sure the client fulfills her responsibilities, for assessing client and group activities, and for problem solving.

Ask: How do you think that client monitoring might decrease risk? Answers might include:

- Insuring that the loan is used primarily for the approved activity
- By foreseeing and solving problems
- Reminding clients of incentives for on-time repayment
- Penalizing clients for incompliance
- Responding immediately to problems with loan repayment, increasing the chance that the payment will be made

Time: 20 minutes

B. Step Two: Process of Client Monitoring

Explain that client monitoring involves the following activities:

- use of loan verification
- attendance at meetings of SG
- visiting clients before loans are due
- receiving loans on due date
- responding appropriately to late loan payments

Use a participatory approach to discussing each of these activities, except the last, which is addressed separately. Discuss each of them one at a time following the guidelines below, using a question and answer format to help participants discover the purpose of each activity and how it is carried out. Emphasize how client monitoring can help improve their repayment rate and client retention without requiring all their time.

1. Use of loan verification

What do you do during the loan verification visit? Make sure that the client spent the loan funds on the approved items and activity. Why is it important to visit the client soon after the loan is received? To emphasize the importance of complying with obligations. How soon? Within one week. What do you do if you can't verify how the money was spent because the client is away on business for an extended period? The client should have made prior arrangements with you or her group if this is the case. Talk to group members to find out what they know about the client's purchases. What if the client has **not** spent the money on the approved activity? Find out why. Report it to the Solidarity Group and ask them to deal with it.

2. Solidarity Group meetings

What is supposed to take place at SG meetings? Members discuss their activities, encourage and solve problems together, collect payments, and participate in other organized group activities. How often should the group meet? Preferably twice per month. What is the role of the CO? Facilitate: catalyze, offer support, act as resource person, and ensure that loans are repaid. The CO's role is **not** to lead the group. If the CO sees some kind of problem in the group, what should s/he do? Help solve the problem, but don't take over. How often does the CO attend? Usually more often at the beginning and less later if the group is functioning well.

3. Visiting clients **before** loans are due

Do COs visit every client before the due date? No, usually the CO visits clients who have paid late previously, are experiencing problems, or who request a personal visit. How do you know which clients you should visit? Check your records. What do you say to the clients during these visits? As during the group meetings, your role is as a facilitator. You might discuss the business activity, remind the client about her payment, discuss problems, or something else. How long does the average visit last? 20 – 30 minutes. What if the clients tell you that the payment will be a day or two late? Get the participants' ideas; this will be discussed further below.

4. Receiving loans on due date

Who should you receive the loan payment from? You should have arranged to meet the Solidarity Group Treasurer, either in the field or at the office. What kind of documentation is required? Passbook and receipts as well as the manual record-keeping book. What do you do with the funds? Take them to the Regional Office as soon as possible. What do you say to the clients? Congratulate them on their promptness and their success in operating their businesses. Remind them that they are ensuring their future participation in the program. What if it's the last payment that is due on the loan, and it's on time? Prepare the documentation for subsequent loans (to be discussed later).

Time: 1 hour

C. Step Three: Delinquency

Ask pairs to work together to develop a list to answer this question: What are the problems that result from late loan repayment? Discuss their answers, emphasizing that the credit officer ends up spending time chasing delinquent payments rather than recruiting new clients, and that available loan funds are decreased (less money is available for other clients). Eventually programs fail when default is consistently too high.

Ask them to turn to the information on the late loan recovery process, which is attached to these notes and copied in their participant manuals. Ask participants to study the handout with a partner. Request that the partners make as much sense of the handout as possible and that they place question marks next to information they do not understand.

Reconvene the group and ask questions to determine how well participants have understood the material. Answer participant questions. In essence, you will make a presentation about late loan recovery that is guided by participant comments and questions. Note that the notes reflect how to proceed with clients who have not experienced any problems in the past (the first time a client's loan is late). If this is the client's first payment ever, reaction must be very stern and swift, although COs will probably follow the process outlined on the chart. If the client has paid late repeatedly, they may choose to skip offering a chance at a new repayment date and move directly to subsequent steps.

Time: 45 minutes

D. Step Four: Summary

Summarize by listing the following principles of repayment on the flip chart and explaining each of them one by one (explanation in parentheses):

- Cement relationships (begin by establishing a strong relationship with the client and within the Solidarity Group)
- Exercise discipline (follow steps in responding to delinquency without fail)
- Circulate information (all members of the group must know if there is a problem)
- Act immediately (don't let any time go by before responding)
- Pass the test (it is typical that clients will test you; pass the test by responding immediately)
- Demonstrate respect (even late clients should be treated respectfully although firmly)

Ask: Is there is a conflict between good customer service and strictness in dealing with delinquency? Answer should be no, because discipline is positive as long as it is done

respectfully. Ultimately you are serving your clients better if the program continues to function and funds are available for loans.

Ask: How do we maintain a good relationship with the client in the face of repayment problems? Answer should not be by being lenient, but by being respectful, consistent, and establishing clear rules.

Ask: What should we write on the flow chart regarding the steps called “Client Monitoring” and “Loan Repayment”? For client monitoring, the activities should include use of loan verification, attendance at meetings of SG, and visiting clients before loans are due. For loan repayment, include receiving loans on due date, and responding appropriately to late loan payments.

Time: 30 minutes

LATE LOAN PROCESS

IF THIS IS THE FIRST TIME THE CLIENT HAS EXPERIENCED A PROBLEM:

- Discuss the client's situation with her;
- Confirm that the client has explained her situation to the group;
- Review the importance of paying on time and incentives to prompt repayment;
- Set a new repayment date on which the client must make at least a partial payment. This date must be no more than 7 days, and preferably less, from the original due date.

IF THE CLIENT DOES NOT MEET THIS PAYMENT DATE:

- Ask the group about the status of the client's business.
- Remind members of their obligations to guarantee this member's loan, and ask how they plan to meet them.
- Remind them of the consequences of late payment and default.

IF THE GROUP DOES NOT MEET THE MEMBER'S OBLIGATIONS:

- Provide written notice to the client that her collateral will be seized 7 days from the date of the notice unless payment is received.
- Make sure that the group is aware that the letter has been delivered to the client.

IF THE CLIENT DOES NOT MAKE HER PAYMENT:

- Seize the client's collateral and tell her that the collateral will be sold after 7 days;
- Forfeit the client's savings.

IF THE CLIENT DOES NOT MAKE A PAYMENT WITHIN 7 DAYS:

- Sell the client's collateral.

XII. SESSION 11: SUBSEQUENT LOANS

Objective: Participants will be able to promptly and efficiently carry out the process for analyzing, approving and disbursing repeat loans.

Materials: flip chart and markers

Time: 1 hour, 15 minutes

A. Step One: Client Retention

Ask: Is it important that we keep clients in the program? Why? Participants should note that repeat loans are less expensive to administer because older clients require less CO time. They are less risky because clients have proven that they will repay. They also earn more income for the program because the loan sizes are larger and the terms longer. Also, it is easier and more cost effective to please old clients than to constantly find new ones.

Ask: What do we need to do to keep clients in the program? Participants will probably mention the earlier discussions about customer service. Another way to keep clients in the program (improve client retention) is to provide quick and easy follow up loans, the topic of this session.

Time: 15 minutes

B. Step Two: Process for Subsequent Loans

Ask each participant to make a list of questions they have about subsequent loans. They will need about 5 minutes. Ask one participant for one of his/her questions, and note it on the flip chart. Ask another participant for a different question, and so on around the room until everyone has given his or her ideas. The list will probably include the following:

- Who is eligible for repeat loans?
- What are the requirements for applying for repeat loans?
- What are the conditions clients must meet?
- What loan analysis and documentation is required?
- What are the steps and documentation for loan approval and disbursement?
- How soon should repeat loans be given after the previous loan is paid?

Discuss the process for subsequent loans using their questions as a guide. Answer each question in turn, making sure that they understand the key points. This is not a key session at this point because it will be many months before they will be involved in this activity. By that time they will have had more opportunity to become familiar with the process.

On the flow chart on the wall, under “Subsequent Loans,” write “Prepare paperwork **prior** to final payment on previous loan” and “Disburse subsequent loans within one week of final payment on previous loan.”

Time: 1 hour

XIII. SESSION 12: PLANNING AND REPORTING

Objective: Participants will be able to manage their time wisely in order to meet targets and decrease costs; and accurately complete all required records.
Materials: flip chart and markers
Time: 4 hours

Preparation: Ask participants to read Chapter 9: Efficiency, pages 185-193 in the CARE Savings and Credit Sourcebook prior to this session. It is found in their participant manuals.

A. Step One: Introduction to Time Management

Ask: Why are planning and time management important in their jobs? They will give a variety of answers; note that it's very important in enabling them to reach the targets for credit officers. They must become productive, efficient and effective in order to reach those targets, and planning and managing their time wisely is the first step. Ask: What happens when you don't wisely plan your activities?

Tell them that the keys to time management are TO DO lists and diaries. Ask: What do the COs have which is similar to these? Answer: their manual record keeping book, diary, and receipt book. Explain that the key to any time management tools is to have them available at all times, and to update them **every day**. These tools are used to coordinate with others, especially for appointments which require the presence of managers, and appointments with clients. Ask: What happens if you do not keep your time management tools updated every day? Answer should include: you don't direct your efforts wisely because you don't know what is happening with your portfolio; you forget appointments and obligations which you have agreed to; you spend more time trying to get your records up to date when you do it sporadically.

Ask: Why is it important to keep your appointments and arrive on time, especially for meetings with clients? COs represent CMS to the community; clients are more likely to fulfill their obligations if you fulfill yours; clients will trust you; sign of good customer service.

Time: 30 minutes

B. Step Two: Planning for the Credit Officer

Break the reading material (Chapter 9, pages 185-193) into several learning segments, depending on how many participants there are in the training. For example, you might choose among field staff productivity, organizing time, optimizing time spent with clients, minimizing travel time, minimizing paperwork and meetings, minimizing unproductive time, and choice of methodology. Divide participants into as many small groups or pairs as there are segments. Give a different assignment to each group.

Ask each study group to reread the material (if necessary), discuss it, learn it, and prepare to teach the rest of the participants what they have learned.

Summarize by reiterating the important points from the session, including:

- The importance of time management for COs
- Priorities in time management for CO
- Gaining control of your time by minimizing unproductive time

Time: 1 hour

XIV. SESSION 13: REVIEW

- Objective: Participants will be able to summarize and synthesize what they have learned, allowing the facilitator to evaluate the extent to which participants have mastered the material
- Materials: index cards (or half sheets of paper)
- Time: can be adjusted to meet the needs of participants and to reflect the time available

A. Review One: Index Card Match

1. Write down on separate index cards the names of techniques and/or concepts examined in the training sessions (for example, Loan Analysis). Create enough cards to equal one-half the number of participants. If the group is small enough, the exercise can be repeated.
2. On separate cards, write clear definitions of each of the techniques or concepts you have chosen **or** give a clear example of the technique or concept. For the Loan Analysis example, write “A one time opportunity to decrease risk before the loan by assessing the client’s character and business.”
3. Combine the two sets of cards and shuffle them several times so that they are well mixed.
4. Give out one card to each participant. Explain that this is a matching activity. Some participants have the names of techniques or concepts examined in the training session and others have definitions or examples.
5. Direct participants to find their matching cards. When a match is formed, ask each pair of participants to find seats together. (Tell them not to reveal to other participants what is contained in their cards.)
6. When all the matching pairs have been seated, have pair members quiz the rest of the group on their technique or concept by reading aloud its definition or example and asking for the name of the technique or concept.

B. Review Two: Giving Questions and Getting Answers

1. Hand out two index cards to each participant.
2. Ask each participant to complete the following sentences:

Card 1: I still have a question about _____

Card 2: I can answer a question about _____

Ask them to be thoughtful in creating their responses.

3. Create small groups and have each group select the most important **question** and the most interesting **answer** from the cards of its members.
4. Ask each small group to report the question it has selected. Determine if anyone in the full group can answer the question. If not, the trainer should respond.
5. Ask each small group to report the answer it has selected. Have the group members share it with the rest of the group.

C. Review Three: Participant Recap

1. Explain to participants that it would be contrary to the principle of active learning if **you** provide a session summary. Therefore they will be creating their own summaries.
2. Divide participants into small groups of two to four members.
3. Assign each small group one of the training sessions. Ask the groups to create their own summary of that training session. Encourage the small group to create an outline or any other tool that will enable them to communicate the summary to others.
4. Use any of the following questions to guide the participants:
 - What were the major topics we examined?
 - What were some of the key points raised your session?
 - What experiences did you have during your session? What did you get out of them?
 - What ideas and suggestions are you taking away from the training on your topic?
5. Invite the small groups to share their summaries. Applaud their efforts.

**Addendum to Credit Officer Training Facilitator's Notes: Credit Management Services
Sue Waterfield, Weidemann Associates, Inc.
August 2000**

This addendum lists various activities that CMS staff should undertake to make the Credit Officer training more complete.

Session 1: Course Introduction

Some documents that should be included in the participants' manuals already exist at CMS but should be revised to incorporate changes and additional information. Others will need to be created. These include:

- "Usage and Application of the Loan Documents." Take out all references to "individual loan scheme (which they will not be dealing with) and add any documents that are missing. Make sure the explanations are as clear and concise as possible.
- "Credit Management Services Background and Overview"
- Credit officer, credit coordinator and regional manager job descriptions
- Executive summary of CMS' business plan
- CMS Credit Methodology document

Session 8: Loan Analysis, Approval and Disbursement

More information and explanation are required here for each of these steps in loan approval and disbursement. The procedures for each of these seemed to be changing and/or unclear during our workshop with the existing Credit Officers. More information should be added to each of the activities listed.

Add "Step Seven: Documentation Practice." Practice exercises should be prepared for all of the documentation required for loan analysis, approval and disbursement, including:

- Loan Agreement
- Loan Repayment Schedule – I don't think CMS has such a thing yet but each client should receive one so they know how much they need to repay and on what date. Monthly repayment amounts (principal and interest) should be equal if possible. This is also the opportunity to teach participants how to calculate interest and total repayment amounts.
- Disbursement Request Form
- Disbursement Form/Sales Ledger

- Loan Pass Book
- Manual Record Book

I left three hours in the overall agenda for step seven, although it doesn't appear in the notes.

Session 9: Client Training

During the credit officer training and in discussions with CMS management, we decided to change the approach providing credit education to participants. Business management services would then be provided to groups of clients at their request. Credit officers would be taught the modules in a separate training, and then would provide that training to groups of Solidarity Groups on an occasional basis. Such training would be optional for clients. This is the same training that was previously provided to all clients. If this is no longer the case, simply omit reference to it at this point in the notes.

CMS should create written documentation (detailed facilitator's notes and training materials to use with clients) that outlines the contents of the client training in credit education. All new credit officers will then be trained as trainers to appropriately use the notes and materials. Until it is developed, the training session in these facilitator's notes should be used as is. However, facilitators must make sure that participants take notes and clearly understand everything that must be included in the client training, because no supporting documentation exists. Facilitators might consider adding more information and giving them the topic outline included in these notes until something else is designed.

The training session also requires explanation and exercises on required forms, including the Loan Application, Loan Application Tracking Sheet, and Cash Receipt Book. These should all be practiced during the training process. I would add these exercises as "Step 8: Documentation" and have left an hour on the agenda for carrying it out.

Session 10: Client Monitoring

To teach COs to manage their own portfolios, an exercise is needed where participants use a manual record book to determine who to visit and what kind of visit is required from the list of client monitoring visits. The record book can show things like a client who has been having trouble repaying (requires a personal visit before the due date), someone who just received a loan (loan verification visit), etc. They can also work on a problem that will allow them to calculate the CO's overall repayment rate using the manual record book by looking at number of loans due, number paid on time, and number late. This exercise can be put together by copying various pages from actual record books belonging to the COs. Add these exercises to this session as "Step 3: Portfolio Management"; I have left one hour on the agenda to carry it out.

This late loan process flow chart requires careful review. I developed it based on the suggestions of the credit officers during their training, but it does not necessarily reflect the opinions of management.

Session 12: Planning And Reporting

Add Step Three: Practice. Participants need to review and practice two things in relation to this session: use of CO time in CMS, and reporting requirements.

Regarding use of CO time, guidelines should be established for how much time on average a CO spends in each of the activities discussed in the chapter on efficiency read during this session. Emphasis must be placed on maximizing time with clients, and guidelines should be established for how much time is to be spent per client on each of the activities listed in the loan process (client identification, loan analysis, client training, etc.) These figures can be added to the loan process that is posted on the wall in order to underscore their importance to CO planning and success. In addition, COs should know approximately how much time they will spend on average in transportation, paperwork and meetings. It will be much easier for them to work productively if they know exactly what is expected of them. To my knowledge these guidelines have not yet been established at CMS.

In this session, CO targets must also be reviewed, and guidelines given for how many new clients they must add each month in order to reach the optimal number of clients in the proscribed time period.

Regarding reporting requirements, during this session the preparation and use of CO diaries and the monthly report should be reviewed and practiced. The contents of a client's file should be reviewed so that they know how to keep appropriate paperwork in each file.

If the MIS is in place, its operation should be explained to them. In any case, they should be given guidelines for meeting regularly with computer operators to make sure that CO records and computer records match.