SPEED

Support for Private Enterprise Expansion & Development

SME LENDING TRAINING PROGRAM

A training program

for

SME lending staff of commercial banks in Uganda

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Submitted by:

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Organized by SPEED in conjunction with the Uganda Institute of Bankers

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TABLE OF CONTENTS

Page No.

Attachments

SME LENDING TRAINING PROGRAM

1. Background

This report discusses the support provided to SME Finance Component of the USAID-funded Support for Private Sector Expansion and Development (SPEED) Project by Shorebank Advisory Services (SAS) during January 2002. SAS's work focused on SPEED's objective of encouraging financial institutions in Uganda to increase lending to SMEs by providing them with training to support the identification and assessment of bankable small business opportunities.

During the two week period in Uganda from 18 - 31 January 2002, SAS trainers provided the following support to SPEED and the Ugandan Institute of Bankers (UIB):

- Worked with UIB to refine and present a one-week training seminar to Ugandan loan officers on small business skills.
- Prepared and presented a two-day Training of Trainers (TOT) workshop for trainers selected by UIB to manage the small business lending seminar in the future.
- Participated with SPEED in meetings with Ugandan bank managers to discuss the planned one-day training for bank managers and to discuss potential follow-on support for the banks in developing small business lending skills.

This report describes these activities and their respective outcomes, as well as detail potential follow-on activities for the SPEED Project in Uganda.

Shorebank would like to extend its appreciation to the teams at UIB and SPEED for the extensive preparatory work and logistical support that was provided to Shorebank. Without these efforts, it would have been extremely difficult for the Shorebank team to successfully complete the tasks described in this report.

2. Small Business Lending Training

Working closely with UIB, two Shorebank trainers presented the second seminar for small business lenders in Kampala during the week of 21 January 2002. This section describes the presentation and outcomes of this seminar.

2.1 Course Materials & Content

Based on an initial visit to Uganda, SAS designed a course to meet the needs of local Ugandan lenders. This material was tested during the first training seminar, held in September 2001. Based on the experiences of the trainers, certain modifications to the training materials were made prior to the January 2002 seminar, including the addition of several new cases.

The course outline followed the areas described below:

1. Introduction to Small Business Lending
2. Introduction to Cash Flow
3. Step by Step: The Loan Process
4. Credit Analysis (Management, Money and Market)
5. Financial Statement Analysis for Lenders (Income Statement and Balance Sheet)
6. Cash Flow Analysis
7. Breakeven and Debt Service
8. Ratio Analysis
9. Loan Structuring
10. Loan Documentation
11. Portfolio Management
12. Monitoring
13. Problem Loans
14. Marketing and Customer Service
15. Summary and Review of Lending Skills
16. Progress Evaluation (test)
17. Course Evaluation
18. Appreciation – Certificates

Shorebank's trainers focused on the central aspects of the loan process, including financial analysis, due diligence, loan structuring and monitoring. Issues related to marketing, customer services, and problem loans were also covered. The course stressed the understanding and practical application of proper due diligence (both financial and non-financial) in the lending process. SAS placed considerable emphasis upon understanding cash flow, both the analysis of cash flow projections and the vital importance of cash flow to SMEs. Management and its central role in the functioning of a successful business were also highlighted. The dual emphasis on cash flow and management is essential as many credit-worthy SMEs may not have adequate collateral and because the time and cost of resolving loans through the court system is high.

Throughout the week the fundamental emphasis, whatever the topic, was on the practical application of the course material to the types of lending situations the students have encountered or will encounter on their jobs. Loan Officers were instructed to view the lending skills presented as a toolbox from which they would select appropriate tools for the size and complexity of the loan application that they were reviewing. Loan Officers were encouraged to take a practical "triage" approach to credit underwriting, targeting the tools that they used for each loan based on the specifics of the business under consideration.

In addition to the formal course materials, a number of formal and informal cases based on Shorebank's lending experience in various countries were presented. These cases were all selected for the purpose of illustrating specific topics related to small business lending, including the effects of management character, style, and capacity on the overall operation of the company, the impact of improperly structured loans on the operation of businesses and the impact of poor customer service on the reputation of a bank.

2.2 Course Participants

Due to the marketing efforts of UIB and SPEED, the SME course was fully subscribed with twelve participants from four Ugandan commercial banks, one from Uganda Development Bank, and four participants from two microfinance institutions. Two UIB trainers and two SPEED staff also attended. The total number of participants was 21; however, due to work constraints, one participant from a microfinance institution did not complete the program. Eight of the bankers were from Centenary Bank, which had not sent anyone to the September '01 seminar.

Although 21 students is still a little above what SAS believes to be an ideal class size for this kind of course, it was definitely an improvement on the 26 students of the previous training. A smaller class allows for more class participation and group work and reporting back. It also allows the two trainers to give more individual attention to participants and the way different individuals learn. The venue at the Sheraton Hotel was also more conducive to learning than the previous venue which smaller and noisier.

2.3 Course Comprehension

Comprehension: Like the first class of SME trainees in September 2001, the January 2002 class had a high quotient of common sense and most participants were able to appreciate the primary issues relating to considerations of a deal, primarily, the market adequacy and management capacities common to most SME lending situations.

The leading characteristics shown by this class were remarkably similar to those exhibited by the September ’01 class. The latter contained two extremely high performers. This group contained three people nearly at the same level. One of these three was one of those selected to participate in the training-of-trainers seminar the following week. The other prospective trainer, from Allied Bank, was relatively quiet during the five-day course but distinguished herself in the training-of-trainers by her articulation and mastery of the material she was assigned to present, material that covered the entire spectrum of the SME course.

Like the September ’01 class, these attendees demonstrated an ability as a whole to make sound judgments on questions pertaining to the viability and sustainability of markets. In the U.S., anyway, one would not normally expect this facility to the degree demonstrated given the relatively modest experience they have had in lending to SMEs.

Perhaps even more surprising, again like the September ’01 class, many of these students were able in case studies to identify the weaknesses, incipient and potential as well as weaknesses currently existing, of management. We consider this vital in successfully carrying forth a sustainable SME lending program in any environment.

Because of the strong performance of the September ’01 class in this area, the trainers pushed a little further and urged the class to relate management capacity and flexibility to the future most likely course of the business in the two longer case studies presented. Several of the students actually correctly predicted the road events had eventually taken in these cases in real life.

In the day devoted to monitoring and problem assets, given this strong performance, R. Turner challenged the class to plot out the viable options for the bank in a problem loan case which had suddenly and unexpectedly descended into that category--- based on again, an actual situation. The September ’01 class had not been exposed to this case.

Surprisingly, the top performers in class were joined by three or four others in outlining a specific, step-by-step series of actions the bank should take, a strategy encompassing in all respects the actions which the bank in actuality had undertaken.

The point made in the September '01 report about such qualities as these illustrating the sound skills base for the expansion of SME lending in Uganda should be reiterated. The outstanding weakness of the September '01 class--- mastering the mathematical ratios and tools needed in analyzing a loan--- were repeated in this group, and to almost the same degree. Only the top performers in class seemed entirely comfortable with this part of the course, and the test results at the end of the week bore that out.

These skills, however, can be taught and can be practiced quite easily on one's own, since the result is a quantifiable number. It's far more encouraging for the SME lending industry in Uganda for this weakness to evince itself than for a widespread inability or disinclination to dissect markets and figure out management capacities to be a weakness. Numbers and formulae can be taught and are verifiable; the ability to 'read' another human being and anticipate at least some of the time the probable effect on a borrowing business that person's capacities or lack of them is likely to have is much more of an art. It can be demonstrated through varieties of case studies and buttressed over and over through mentoring and loan review devices, but in the end for most of the best practitioners its presence is largely inherent.

Class Participation: The majority of the students in the seminar participated actively, asking questions, seeking clarification and contributing their own experiences to the seminar. Active participation typically suggests a satisfactory level of comprehension of the course material on the part of the students. The participants were also active during the cases, providing solid insight into the problems outlined by the case. This level of participation during cases suggests that the students were able to apply the skills from the course materials to "real world" situations.

Examination: In the examination given on the last day of the seminar, the students, on average performed well (see scores in Attachment A). The passing grade was set at 60% and all students achieved grades higher than this. The average score was 86%, with the highest score being 99% and the lowest 63%. The majority of the students demonstrated a solid understanding of the core skills discussed during the seminar.

However, Shorebank would be concerned about placing too great an emphasis on the outcome of the seminar's exam. Written exams are not able to test a loan officer's "people skills," or his or her judgment or ability to operate under pressure.

2.4 Course Evaluation

SAS used an evaluation form that it developed for similar SME training courses. The form incorporates a scale of 5 to 1, with 5 being the lowest rating and 1 the highest. The areas students are asked to rate on this scale are financial analysis; credit analysis; exercises; cases; general content of the course; and the trainers. A second page asks if the training gave the student appropriate information relevant to small business lending and if there was other information that the student would have liked to see included. The student is also asked if the training was well organized, and how the student found the room, food, and timing. Finally, there is space for other suggestions and comments.

In the SAS report of the September '01 course, we compared the total of the two highest ratings to the total of the second highest and the middle rating. The congruent numbers from this course are a total of 61 '1' ratings; 45 '2' ratings; and 8 '3' ratings. There were no low ratings of either '4' or '5'.

Perhaps a fuller picture emerges from looking at the ratings by course category. Financial analysis gained 12 '1's, and 7 '2's--- there were no threes. Credit analysis counted 10 '1's; 7 '2's; and 2 '3's. Exercises fared less well than the first two categories, showing 5 '1's, 12 '2's, and 2 '3's. We believe that this reflects the fact that exercises involved financial calculations and analysis, perhaps the area that students are most uncomfortable with. Students could relate easily to the case material used and cases registered 10 '1's; 6 '2's; and 3 '3's.

The last two course categories rated, general content, and trainers, scored the highest from the students. General content garnered 13 '1's and 6 '2's. There were no threes. Trainers gained the largest number of '1' ratings of all with 14. There were four '2's and one '3.'

Although the September '01 evaluation form used was UIB's and differed slightly from this one, their import was similar. In the first course, the evaluations of course content and trainers were similarly high, although in September '01 there were no 'middle' ratings in those two categories, and this time as noted one ‘3’ did occur in the trainers’ category. However, there were fewer ‘middle’ ratings this time in the analysis and exercise categories than in September of ’01, even though the SAS evaluation format contained one more category than the UIB format employed earlier.

Apart from the written evaluation, the tone of the course felt quite positive to the teachers, both of whom have conducted many bank lending training courses in a variety of countries. In the case of Richard Turner this experience has spanned twenty years. A number of students, unsolicited and unprompted, expressed highly favorable opinions of the utility of the course in their work at their banks to the teachers.

3. Training of Trainers (TOT) Workshop

3.1 The Workshop

In September 2001, following the success of the first training seminar, it was recommended that a follow-up TOT in SME Lending should be delivered to the trainers who had been selected by UIB and had attended either the September 2001 or January 2002 training. The course would review the substance of the SME training program in detail, and would allow the trainers to gain confidence with the material and answering questions. This course was scheduled to take place in the days following the January 2002 Small and Medium Enterprise Lending Seminar.

From the training group for the five-day lending seminar, UIB selected two bankers to participate in the TOT workshop (one from Allied Bank and one from Barclays Bank). These two trainers were meant to augment the training team selected as part of the September 2001 training course.

SAS conducted this two-day TOT exercise on 28th and 29th January 2002. Both selected trainer candidates from the January 2002 seminar attended, as well as one trainer from the September 2001 course, bringing the total number of attendees to 3. Unfortunately, the remaining selected trainers were unable to attend the TOT seminar due to heavy work loads. However, Shorebank spoke with other trainers individually regarding their participation in the May 2002 training.

3.2 Presentation of Course Materials

The purpose of the TOT was to strengthen the substantive skills of the trainers as part of a long-term effort to build a high quality small business training capacity within UIB. For this reason, the main method SAS used was to allow each 'trainer' to present pre-selected sections of the training material within the prescribed time to the small group of trainers. In contrast to the first TOT, the trainers were not asked to present an entire 2-hour session. Instead, sub-sections of the material were selected in advance by the Shorebank trainers to represent a cross-section of the overall training materials. The objective of this exercise was to test the ability of the trainers to present key skill sets that would be important during the five-day seminar to bank lenders. The table below represents the selected subsections that were covered during the two-day seminar:

Session #	Topic	Time Allotment
#2 – Cash Flow	Taba Case	30 min
#4 – 3Ms (Mkt, Mgmt, Money)	Key Questions to Ask on Market Analysis	20 min
	Key Questions to Ask on Management	15 min
	Summary of 3Ms	20 min
#5 – Financial Statements	Five Key Questions that Income Sheet Can Answer	20 min
	Five Key Questions that Balance Sheet Can Answer	20 min
	Income Statement Items and Discussion of Margins	45 min
#7 & 8 – Ratios	Breakeven Calculation (BEP Illustration)	15 min
	Explain how to calculate Debt Service Coverage Ratio, what it means and give simple example	20 min
#9 – Structuring	Tools for Analyzing Ability to Repay	25 min
#14 – Marketing	10 Rules of Customer Service	20 min

The exercise was successful in giving the local trainers experience in conveying key small business lending skills to loan officers. Shorebank's trainers critiqued the presentations for style, content, and overall teaching effectiveness and provided guidance on basic training techniques. Formal training materials focusing on key trainer skills were also presented to the trainers for their reference in the future.

Shorebank was impressed by the overall quality of the topics presented. In SAS's view, all three of the TOT participants possess a solid knowledge of the content of the material in question and exhibited sufficient skill in presenting to be effective as trainers. At the end of the two-day workshop, Shorebank concluded that the Ugandan trainers had the necessary skills to take on major sections of the one-week seminar in May 2002. One area, however, that the trainers would benefit from is a workshop explicitly designed to help them with teaching methodologies and tools. At the moment, the trainers are most comfortable using the lecture method. We suggest that this happens before the June 2002 training.

3.3 Development of Ugandan Mini-Cases

In addition to presenting the established training materials, each trainer was asked to develop a series of personal examples or mini-cases that they could use during their own training seminars to demonstrate a point from the training materials. The objective of this exercise was three-fold:

1. to assist trainers in personalizing the training materials with their own experiences;
2. to test the flexibility of the local trainers in presenting a wider range of materials; and,
3. to develop additional Uganda-based examples for the training materials.

The trainers were provided with the following instructions relating to the preparing the mini-case exercises:

Topic	Instructions	*If you don't have a personal example:*
Describe a Problem Loan Experience	▪ Briefly describe the business and the problem that caused delinquency ▪ Describe what happened	▪ Describe an example of a problem loan that your bank has had or that a colleague has experienced ▪ Follow instructions to left
Describe Monitoring a Business	▪ Select one of your existing customers ▪ Briefly describe what the business does ▪ Describe a key issue that you look for when you visit the business on a monitoring visit	▪ Take a business that you enter on a regular basis (shop, restaurant, car repair, etc) ▪ Pretend that you had given a loan to the business ▪ Describe what you might look for if you were monitoring the loan

Topic	Instructions	*If you don't have a personal example:*
Provide a Case for Calculating Gross Margin	▪ Select one of your existing customers ▪ Briefly describe what the business does ▪ Give its annual sales and its annual COGS amounts ▪ Calculate the gross margin	▪ Take a business that you enter on a regular basis (shop, restaurant, car repair, etc) ▪ Create estimated financial numbers for the business ▪ Follow the instructions to left
Describe How You Judged One of Your Borrower's Competition	▪ Select one of your existing customers ▪ Briefly describe what the business does ▪ Describe how the borrower described his/her competition ▪ Describe how you verified if it was correct	▪ Take a business that you enter on a regular basis (shop, restaurant, car repair, etc) ▪ Describe how you would judge the business' competition

Shorebank found this training activity to be highly successful. The trainers demonstrated a solid ability to draw from their own experiences to augment the prepared training materials. During the two-day TOT workshop, the Ugandan trainers were able to generate a new set of 10 Ugandan cases that can be used in the future. SAS took notes on these cases so that they could be used in the future. The cases were then distributed to the trainers and are included in this report at Attachment B. SAS intends to integrate these cases into future training materials in Uganda.

3.4 Issues Relating to Future Training Seminars Identified During TOT

The TOT was instructive for the Shorebank trainers in identifying a number of issues that will need to be addressed by UIB as it transitions local trainers into the management of the seminars:

- **Need for Seminar Coordinator:** Based on Shorebank's experience during the training seminar, it will be important that UIB arrange for a Seminar Coordinator to manage the logistics and general management of the training seminar. Key responsibilities of the Seminar Coordinator would include:
  - o Coordinating the preparation of files for participants and trainers ahead of time. The trainers should check that the materials are in the appropriate order and that no pages are missing. It is very seldom that mistakes <u>are not made</u> given the great volume of materials. Checking is thus essential.

- Collecting and maintaining supplementary materials presented by trainers.
- Requesting detailed lesson plans prior to each training session (including topic, main teaching points, time for each session, tools and materials needed). These should be kept in a file as a resource for future trainers.
- Maintaining communication between trainers.
- Insuring that trainers fully cover their material and communicating between trainers regarding material overlap.
- Addressing logistical issues relating to rooms, equipment or supplies.
- Monitoring of all (or selected courses) to ensure key material is covered.
- Communicating with trainers regarding the examination and insuring all questions are covered.
- Administering the exam and the evaluations.

▪ **Restructuring Training Format:** Several of the trainers indicated that a week-long training course would make it difficult for them to balance the demands of the jobs with the training schedule. Shorebank understands that UIB's typical training sessions are run in the evening or on weekends to make it easier for trainers and students to participate fully. The small business lending seminar was originally structured to run over an intensive one-week period. However, Shorebank believes that the Seminar could be converted to fit more closely with UIB's typical training format. Attachment C provides a series of alternate scenarios for how the seminar might be run in evening and weekend sessions.

▪ **Consideration of Participant Numbers:** As UIB moves to take total responsibility for the training seminar, careful control of student numbers will be important. Shorebank has recommended in the past that the participant groups should be limited to a maximum of 20 participants, with 15 being the desirable number. It will be particularly important to limit numbers in the future, as UIB begins to use its own training facilities. UIB should insure that training numbers are maintained in keeping with the room sizes available for the training. <u>Setting training numbers beyond the capacity of the training room leads to a reduction in the quality of the training provided</u>. It is important that the quality of the first training seminars incorporating local trainers receive comparable marks on the evaluations in order to provide credibility for the local trainers, and quality control for the course.

- **Identification of Potential Trainers:** During the five-day training seminar, Shorebank identified several individuals who demonstrated a solid understanding of the course work and the general traits necessary for trainers (outgoing personalities, ability to communicate ideas clearly, etc). They were:

- <u>Centenary Rural Development Bank</u>: Sarah Bettimba & Stanley Ndyabahika
- <u>FINCA Uganda</u>: Joseph Paul Segawa

UIB may wish to interview these individuals for future training positions.

4. Training of Bank Management

Feedback from students who attended the September 2001 seminar was that an obstacle to implementing the new credit skills within their banks is middle managers, who may not be familiar with the new skills. To maximize the impact of the SME Lending Training Program on the trained loan officers, Shorebank therefore proposed that a 1-day SME training course for the managers of the loan officers be arranged. The approach to training was to be practical, taking into account the lending conditions in Uganda and the difficulties of appraising loan applications in the absence of complete information.

This training seminar was originally planned for January 2002. However, in seeking to identify and register bank managers for this one-day training, UIB found that the timing of the training did not fit well with work-loads for the banks. The banks indicated to UIB that the month of January was a particularly difficult time for managers to be away from their offices for training purposes.

It was therefore agreed with SPEED and UIB that this training module would be postponed until May 2002.

In order to further refine the managers' need for small business lending training and to discuss additional follow-on requirements, Shorebank met with managers of key Ugandan banks and Mr. Jack Thompson, SME Finance Advisor for SPEED on Wednesday, 30 January 2002. The specific bank managers visited were:

- <u>Allied Bank International Ltd</u>: Mr. Isaac Sambwa Kakyama, Assistant to Managing Director, and Ms. Margaret Mayiga, Personnel Officer
- <u>Centenary Rural Development Bank Ltd.</u>: Dr. Willibrord Okecho, General Manager, Supervision Department

The purpose of these meetings was to:

- Review the outcome of the training seminars and receive feedback from the banks.
- Discuss the proposed training session for bank managers.
- Discuss potential opportunities for follow-on training/mentoring with banks.

Feedback from the meetings on the idea of a training seminar for managers was as follows:

<u>Allied Bank</u>:

In total, six Allied Bank loan officers have attended the week-long training seminar.

- Mr. Kakyama supported the concept of a training seminar for the supervisors of loan officers. As he stated "Loan Officers need the back-up of their managers."
- Allied Bank quickly identified at least 4 individuals who they felt should participate in the managers training, including Credit Managers, Branch Managers and Accountants.
- They suggested that the session would best be run on a Sunday to allow the maximum number of managers from the Bank to attend. Saturday was also an option, with a starting time in mid-afternoon (2-3 pm) and running into an evening session.

<u>Centenary Rural Development Bank</u>:

In total, eight Centenary Bank loan officers have attended the week-long training seminar.

- Dr. Okecho was in support of the proposed training for managers. He agreed that there would be a mismatch of skills if the bank trained loan officers in new skills, but did not work to "convince decision-makers" of the efficacy of the new skills.
- Dr. Okecho believed that May 2002 offered sufficient time for the Bank to arrange to release managers for this training.

The general impression from these meetings is that the banks would value a short, well-structured seminar for bank management on the basic tenets of small business lending and that UIB should be able to fill such a seminar in May 2002.

5. Next Steps

In the section below we suggest next steps that SPEED, UIB and SAS could take to:

- Increase the level and quality of SME lending in Uganda; and
- Build the capacity of the UIB over time to be a leading SME support institution for small business lenders.

5.1 TOT in teaching methodology

UIB has indicated a number of times that its trainers would benefit from enhancing their presentation and lesson planning skills, particularly using lesson aids and interactive methodologies. SAS believes that it would enhance the effectiveness of the trainers and that a mini- TOT in teaching methodology is a possibility that could help strengthen their effectiveness as trainers in areas such as:

- Lesson planning
- Adapting material to level of class
- Managing class participation (e.g. dealing with 'problem' participants, dominant participants; non-participation issues etc)
- Understanding how best adults learn (i.e. how to use techniques and methodologies like experiential learning vs. lecturing by trainer).

Estimation of Days: 11

1 trainer: 4 days preparation of summary teaching tools handbook; 5 days in-country, 2 days travel. Suggested Timing: Prior to May 2002 SME training.

5.2 SME Lending Course: May 2002 and Laying the Groundwork for the Loan Review Process (see # 3 below)

The next round of the SME Lending Course is scheduled for May 2002. The objectives of this training course will be as follows:

- ✓ Train the next group of loan officers in small business lending skills

- ✓ Incorporate the trained local trainers into the seminar to provide them with real-time experience in presenting the course materials to Ugandan loan officers.

Estimation of Days: 21 days

1 person: 3 days preparation in the US (e.g. liaising with Ugandan trainers re lesson plans); 15 days in-country; 1 day post trip reports, 2 days travel. The 15 days in-country would include:

- Practicing with UIB trainers
- SME Training Course (5 days)
- Debriefing with trainers and UIB
- Preparing Bank Managers Training with UIB
- Conducting Bank Manager Training
- Feedback and evaluation SPEED Uganda and UIB
- Selecting banks, and meeting with bank managers and loan officers for the Post Approval Loan Mentorship Program (see below). This is necessary both to get their buy-in as well as to design a process that would work for them.
- Preliminary design of mentorship program to meet bankers' needs

5.3 Post-Approval Loan Review Mentorship with Trained Individual Loan Officers

Formal training seminars are critical in disseminating key small business lending skills throughout the Ugandan banking community. However, it is Shorebank's experience that on-going mentoring of trained loan officers significantly increases the probability that the lending methodology will be inculcated into a bank's credit culture. One technique for managing this mentoring is through a post-approval loan review to provide feedback to loan officers on credit decisions. This option is typically suitable for banks with more experienced loan officers, who do not need daily assistance to complete credit underwriting, but would benefit from mentoring from experienced small business lenders.

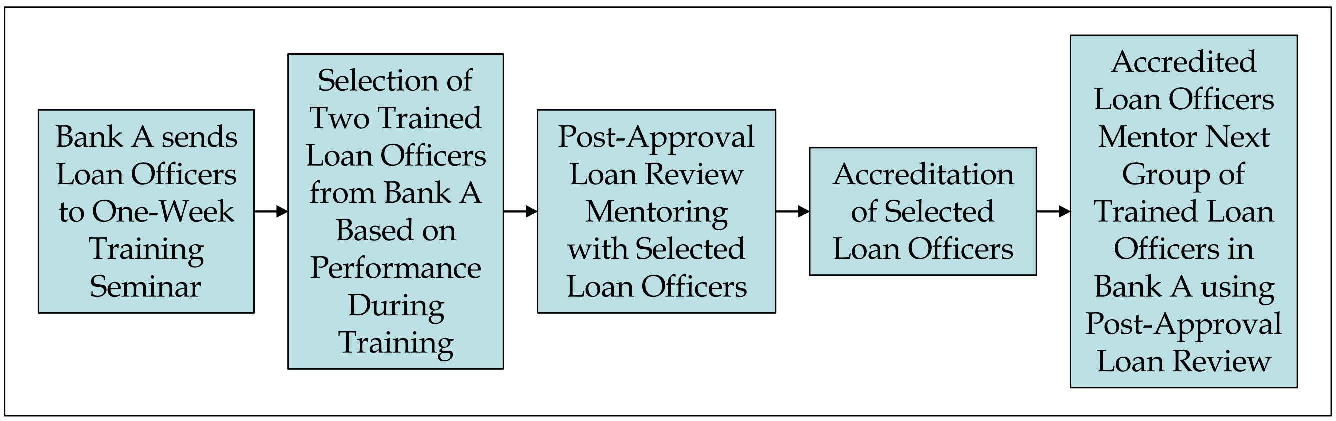
The Post-Approval Loan Review Mentoring Process is structured as follows:

Step # 1: The Loan Officer completes credit underwriting independently using the small business lending methodology and presents the deal to Credit Committee.

Step # 2: For loans which are approved by the Credit Committee, the Loan Officer submits the loan package (loan write-up and financials) to Shorebank via email.

Step # 3: A Post-Approval Loan Review is completed by an experienced Shorebank lender, who assesses the use of the small business lending skills on the deal and provides written feedback via email to the Loan Officer on the inherent risks of the deal and how credit analysis could be improved in the future.

The proposed process is described in the graphic below. The long-term goal would be to train talented loan officers within Ugandan banks to become mentors in small business lending skills to their colleagues in their bank.



To accomplish this, after a pre-agreed period within the Mentoring Program (estimated to be a minimum of 4-6 months and a maximum of 12 months), Shorebank would identify those Loan Officers who have the capacity to become trainers within their own banks. These "accredited" loan officers would serve as resources on small business lending within their bank and would begin mentoring small groups of Loan Officers using the post-approval loan review process. This approach would facilitate a more rapid inculcation of small business lending skills in the Ugandan banking sector.

In addition to providing on-going mentoring support to Ugandan loan officers, a post-approval loan review process is often used as an integral part of a bank's risk management system for banks that focus on small business lending and therefore typically delegate credit approval authority throughout the bank. Therefore the proposed mentoring process could assist in strengthening the risk management systems within the participating Ugandan banks by supporting the development of internal loan review systems.

From Shorebank's experience, many of the Ugandan loan officers who have attended the first two training seminars sponsored by UIB and SPEED have sufficient experience to benefit from post-approval loan review mentoring. Furthermore, the feedback that UIB has received is that the first set of trained loan officers are using the skills, suggesting that the post-approval loan review mentoring process would be beneficial.

We would expect the primary market for loan review services would be smaller and medium-sized Ugandan banks, who are currently lending to SMEs or who are seeking to expand into this market base. Large, long-established institutions such as Barclays and Standard Chartered surely have the loan review function well addressed. However, even those organizations might wish to engage in a loan review process for their SME lending if they have not previously lent in any appreciable degree to this sector.

SPEED and Shorebank presented the idea of the Post-Approval Loan Review Mentoring Process to Allied Bank and Centenary Rural Development Bank during the meetings with the managers of those banks. Both banks expressed interest in the idea and it was agreed that SPEED would provide them with a written description of the process (based on this report) that could be used to stimulate discussion of the idea within the banks' management.

In addition to the benefits gained by the banks, Shorebank uses the post-approval loan review process in other countries to assist donors in assessing the risks associated with managing credit programs within local banks. The post-approval loan review process is used to provide feedback to donors on the quality of underwriting and risk management within a bank.

This primary recommendation is not expensive but delivers a double dose of capacity-building by means of one vehicle, loan review, which has been internationally recognized for some time as an indispensable feature at any modern bank. There is no reason why a loan review system in addition to its traditional function as a risk management tool cannot be an educational and training one as well.

<u>Estimated Days:</u> Depends on scope (length of program; number of loan officers; number of deals).

- Set-up: 5 days.
- Loan Review: Approximately 3-4 hours per deal.
- Monthly conference calls between SAS Mentors and Bank Lenders: 4 hours/call.
- Quarterly evaluation reports to SPEED and bi-monthly reports to respective bank management (2-3 hours / report or meeting).
- In-country follow up (3 days, twice a year – to occur as an add-on to other consultant trips)

Timing: It is recommended that a Post-Approval Loan Review Mentoring Process be implemented in a bank as soon as possible after the selected loan officers have participated in the small business lender's training, in order to capitalize on and reinforce the skills gained during the training.

5.4 Internship for Selected SME Lenders

In addition, a loan officer that participated in the week-long training seminar suggested that training visits to or internships with banks in the United States that focused on small business lending would be a way of reinforcing skills learned during the training and seeing the practical application of the skills in day-to-day lending activities in US banks.

SPEED Uganda also indicated the possibiity for a 'hands-on' learning experience in the US for a select group of lenders. SAS is open to this idea and believes that those lenders selected as mentors, and/or those lenders who are using what they learnt in their respective workplaces would be most suitable. SPEED might consider hosting a competition for lenders who generate the highest number of new small business clients using the new methodology.

A minimum of three and a maximum of five lenders should be selected to come to the US for a three-week period. During this time they would receive on the job training, be mentored by lenders; do some site visits; and attend loan committee. They would also meet with the back office, operations, internal control and accounting arms of the banks to get a better understanding of how the different pieces fit together.

Estimated Time: 32 days: Most of which will be spent with a lenders or equivalent. It is envisaged that either Richard (Dick) Turner or Jennifer O'Neill would run the program for the lenders.

In addition, if SPEED / the lenders were to find it useful, SAS can develop a set of advanced short courses (one to two days each) to further sharpen their skills. These could be in areas such as: problem loan management, portfolio management, coaching peers, and advanced techniques for financing business growth. Notes will be provided to the trainers on these courses, which can later be fleshed out to provide advanced training to other lenders (through UIB) in Uganda. Each course would take approximately 3 - 4 days to develop and 1.5 – 2 days each to run. To keep the preparation time short, selected course materials, rather than manuals will be provided to participants.

5.5 Other Suggestions from Bank Managers and Loan Officers

The bank managers that Shorebank met with on Wednesday, 30 January 2002 made a number of suggestions regarding the week-long training seminar that UIB may wish to consider for future sessions:

- Allied Bank suggested that at the close of the training seminar, each loan officer be asked to prepare an Action Plan for the coming months to describe how they intend to incorporate the new lending skills into their daily work practices. These Action Plans could then be used by supervisors and the personnel departments of banks to check the loan officers' progress over time.
- Centenary Rural Development Bank suggested that more intensive marketing training, focused on getting loan officers away from their desks and into their communities, would be useful. In many of its loan officer trainings within specific banks, Shorebank requires loan officers to prepare a Marketing Plan for the coming month that again is used to check progress.

Both of these suggestions could strengthen the applicability of the seminar and insure that skills are incorporated in loan officers' daily work practices.

ATTACHMENT A

Shorebank Advisory Services

LENDING TO SMALL AND MEDIUM ENTERPRISES SEMINAR
UGANDA INSTITUTE OF BANKING

PARTICIPANT LIST & EXAM SCORES

Bank or Institution	Participant	Exam Score
Allied Bank	Aik, Jane	84.6%
Allied Bank	Beine, Ronald	66.7%
Allied Bank	Sembatya, David	75.3%
Barclays Bank	Kyambadde, Ibrahim	95.0%
Cairo International Bank	Nanyanzi, Asiat	95.9%
Centenary Bank Ltd	Barekye, Albert	92.7%
Centenary Bank Ltd	Bettimba, Sarah N.K.	93.7%
Centenary Bank Ltd	Ijeu, Angela	85.3%
Centenary Bank Ltd	Kadondi, Victoria	83.0%
Centenary Bank Ltd	Ndyabahika, Stanley	90.8%
Centenary Bank Ltd	Tushabomwe, John	62.8%
Centenary Bank Ltd	Walekhwa, David	74.4%
Centenary Bank Ltd	Zewi, Dani	98.7%
FINCA Uganda	Segawa, Joseph Paul	95.0%
FINCA Uganda	Ssebuggwawo, Francis	78.2%
FOCCAS Uganda	Tasenka, Nelson	98.7%
Nile Bank	Naiga, Jennifer	80.0%
SPEED Project	Kabatalya, Olive	86.6%
SPEED Project	Ssebukulu, Godfrey	96.8%
Uganda Development Bank	Kaayimbye, Moses	75.9%

ATTACHMENT B

Shorebank Advisory Services

LENDING TO SMALL AND MEDIUM ENTERPRISES SEMINAR
UGANDA INSTITUTE OF BANKERS

UGANDA MINI-CASES - Prepared by Ugandan Trainers

The following cases are summaries of the mini-cases presented by the Ugandan trainers during the two-day Training of Trainers held 28-29 January 2002. The cases represent a combination of real lending cases and cases developed from known businesses in Kampala. Names and some basic information have been changed to respect the confidentiality between borrower and lender. The cases serve as an additional resource for the Ugandan trainers in implementing the *Lending to SMEs Seminar*.

Mini Case #1 – Competition in Cooking Oil Production

Alpha Industries Ltd is a small business involved in production and sales of cooking oil. The borrower's cooking oil is made from locally produced cotton seed oil. In order to reduce the cost of their product, the borrower began to import palm oil to mix with the cotton seed oil. The borrower's competitor had multiple competitive advantages:

- ☑ The competitor just installed new equipment that allows them to produce cooking oil at a lower price than is generally available in market. Alpha has looked into purchasing new equipment, but has found it very expensive and has put it off.
- ☑ The competitor has large trucks that allow them to distribute the goods throughout the country at lower price. The borrower does not have access to the large trucks to distribute their goods, causing them to have high delivery costs, especially in trying to sell up-country.
- ☑ The Loan Officer compared the borrower's cooking oil with the products found in the local markets and found the quality to be slightly lower because the company is mixing the cotton seed oil with the imported palm oil.

Despite the competitive disadvantages of the business, the bank gave the loan to Alpha Industries, because the company had a strong management team that clearly understood their competitive disadvantages and had a strong handle on their financials. This gave the bank confidence that the business could be flexible in addressing the competitive pressures on the business.

<u>Note</u>: If the business sells a common product, check prices on shelves in stores.

Mini Case #2 – Competition between Restaurants

There are two restaurants in an area that compete heavily for local patronage. The restaurants are located close to each other, both easily seen and accessed from road.

Restaurant #1: "Subiri" - Sells local food (matooki, potatoes, rise, cassaba, tea, coffee). Managed by old lady, son and daughter.

Restaurant #2: "Friends" - Local food sold by Subiri plus chips, chaps, meat pies, etc. One manager plus four workers.

Competitive Strengths/Weaknesses:

Subiri		Friends	
Strengths	**Weaknesses**	**Strengths**	**Weaknesses**
☑ High Quality Food	☑ Small range of Food	☑ Large range of food	☑ Lower quality food
☑ Friendlier staff	☑ Fewer staff members	☑ Larger staff – quicker service	☑ Unfriendly staff, manager berates staff in front of customers
☑ Family business with strong buy-in of the family	☑ Fewer management skills in terms of accounting	☑ Serious manager – more experience as manager	☑ No succession plan
☑ Spacious, clean environment	☑	☑	☑ Small space, slightly cramped

Note: Check competition in restaurant sector by going out and visiting other restaurants in the area. You might even test the food!!

Mini Case #3 – Competition between Hotels

ABC Hotel is a small hotel, strategically located between several big hotels. They target customers who have come to the area looking for a hotel room, but the tariffs of the big hotels are too high. This overflow of customers comes to ABC Hotel. The Hotel has priced its rooms to be below the larger hotels in the area, but high enough to send a message to the market that this is a quality establishment.

ABC Hotel's management has realized that they will not always be able to compete on price with the big hotels. For this reason, they have placed very high emphasis on customer service, training their employees to provide high quality service to their customers. Based on this emphasis, the ABC Hotel has become known in the market as a friendly hotel that is high value for its price. Based on its pricing and customer care policies, the hotel has been highly successful. It frequently runs at almost 100% occupancy for 30 days per month.

However, ABC Hotel does face competitive pressures that it must address. First, the exterior of the hotel is not particularly attractive, which tends to put off customers who may not be sensitive to price. Second, the larger hotels frequently cut their room rates at times of low occupancy to attract customers, eating into ABC's core customer base.

Note: Competitive advantages typically don't hold over the long-term. Considering competition may be less important for short-term lending, but much more important for longer-term lending.

Mini Case #4 – Peter Otim's Financials

Peter Otim is a sole proprietor that runs a trading company in a central location in Kampala, which sells imported goods. The following are the financial statements submitted by Mr. Otim to the Bank.

Income Statement

Peter Otim's Trading Account for the Year ending 31 December 2001

	Shs.	Shs.	Shs.	*Ratios*
Sales			198,860,000	
Less: Sales Returns			2,340,000	
Net Turnover			**196,520,000**	
Less:				
Opening Stock		16,985,000		
Purchases	87,900,000			
Add Carriage In	855,000			
	88,755,000			
Less: Purchases Returns	2,155,000			
Net Purchases		86,600,000		
Total Stock Available		103,585,000		
Less: Closing Stock		19,254,000		
Cost of Sales			84,331,000	*43%*
Gross Profit (to Profit & Loss Account)			**112,189,000**	*57%*

Peter Otim's Profit & Loss Account for the Year ending 31 December 2001

	Shs.	Shs.	
Gross Profit		112,189,000	
Commissioned Received		720,000	
Rent Received		2,080,000	
Discount Received		160,000	
		115,149,000	
Less:			
Carriage Out	160,000		
Rent & Ratings	4,840,000		
Light & Heating	270,000		
Insurance	100,000		
Salaries	49,240,000		*25%*
Advertising	1,484,000		
Discount Allowed	144,000		
Postage	326,000		
Travelling Expenses	75,000		
Bad Debts	60,000		
Total Expenses		56,699,000	*29%*
Net Profit (to Capital Account)		**58,450,000**	*30%*

If salaries increased by an additional Shs. 10 million, what would the Salaries Expense Ratio and Net Pr
Ratio be?

Salaries Expense	30%	Net Profit Ratio	25%

Balance Sheet

Peter Otim's Balance Sheet as of 31 December 2001

	Shs.	Shs.
Fixed Assets		
Land & Building	66,345,000	
Plant & Machinery	26,500,000	
Furniture & Fittings	17,321,000	
Motor Vehicles	15,250,000	
		125,416,000
Current Assets		
Stock at Close	9,254,000	
Sundry Debtors	6,171,000	
Bank	7,254,000	
Cash	2,350,000	
		25,029,000
TOTAL ASSETS		**150,445,000**
Financed by:		
Capital at Start		123,655,000
Add: Net Profit	18,454,000	
Less: Drawings	19,600,000	
Net Worth		122,509,000
Long-term Liabilities		20,000,000
Mortgage	20,000,000	
Current Liabilities		7,936,000
Sundry Creditors	7,936,000	
TOTAL LIABILITIES & EQUITY		**150,445,000**

Activity Ratios	Times	Days
Inventory Turn	6.43	57
Debtors Turn	31.90	11
Creditors Turn	10.63	34

Leverage Ratios	
Debt-to-Equity	0.23
Total Liabilities to Total Assets	0.19

Mini Case #5 – Problem Loan Experience

Bheta Knitting Industries Ltd. is a small business that manufactures knitted clothing. The main product was knitted sweaters, with the primary customer being schools.

The main owner is Mr. A, who is the driver of the business. There are two other owners of the business – Mr. A's father and wife, but they take little active role in the business. Wife is supposed to be accountant of the business, preparing the financial documents.

Bheta Knitting Industries Ltd. had been a customer of the Bank for since 1997. The bank had provided a series of short-term loans over that period. Bheta Knitting had always paid on time, with few instances of relying on overdraft facility. The only real complaint that the Bank had about the business was that it always took far longer than necessary to get management accounts from the business.

The owners decided to expand the business, widening its product lines to make uniforms for schools and factories and hats for factories. They have also recently begun importing boots to sell in sets with the uniforms to the factories.

Some time after the owner's undertook the expansion, the Bank began to see warning signs that there was a problem loan on the horizon. Bheta Knitting's overdraft began to rise. The Loan Officer made multiple attempts to telephone the office, but could never get through. When the Loan Officer was able to get through, she tried to set up meetings with Mr. A, but found that he was never available. A common reason seemed to be that he was on buying trips. This made some sense, as the Bank knew that the business imported most of its yarn and fabrics from India.

After several months of continued rises in the overdraft, the Loan Officer decided to go visit the business, regardless of whether or not Mr. A was present to meet with her. When she got to the factory, she was concerned by what she had seen. The business premises seemed to have declined and she was told that Mr. A was on a purchasing trip and none of the other owner's had visited the business in the past couple of weeks. The Loan Officer learned from the workers when Mr. A was expected back from India and made a note in her agenda to visit the business on that day.

When the Loan Officer was able to meet with Mr. A, this is what she found out:

- ☑ The expansion into uniform sets for factories had been successful and the business had numerous orders.
- ☑ In fact, the expansion had been too successful and Mr. A was finding it difficult to keep up with the growing demand.
- ☑ He explained that neither his father nor his wife were able to manage the business in his absence and that he was now frequently away on purchasing trips, trying to get reduced prices for the raw materials. From this, the Loan Officer understood that the business was not well managed much of the time.
- ☑ In order to be competitive in the market for factory uniform sets, Bheta Knitting had found that it had to extend credit to many of the factories. However, he found that it was difficult to collect these debts and his average creditor was extended out to 3-4 months.
- ☑ In contrast, Mr. A had not been successful in gaining better terms from his suppliers and he was still required to pay in cash. With increasing orders, this was placing a significant strain on the cash of the business.
- ☑ To further weaken the financial position of the business, Mr. A had misjudged demand for certain products and had a large inventory of raw materials that he was finding it difficult to use.

The Loan Officer took this information back to her office and considered the numbers. However, given the long banking relationship, the Loan Officer had several years of historical information to review. This told her that even with the problems listed above, the business should not have been in as serious a problem as it was.

She took this insight back to Mr. A and asked if there were any other problems that he wanted to discuss with her. Mr. A was surprised by the Loan Officer's insight and blurted out, "We would be in a lot better position if my father hadn't purchased that building." The Loan Officer asked Mr. A why the business was planning to move its location. Mr. A shook his head and replied that the business wasn't moving. His father had purchased the building from the business' cash for his personal use.

What are the key problems facing this business and what would you recommend that the Loan Officer do next?

Mini Case #6 – Problem Loan Experience

Flora Fashions is a small women-owned business producing women's dresses. The business is solely owned by Flora. The business is located in low income area, but also get middle-income customers coming from other areas, because the quality of the clothing is so high. Most of the production worked completed by Flora, but she has two additional employees assisting her. One serves as a sales person and one as an assistant in the production process. Flora is an excellent tailor and many of her customers return because the quality of her clothing and the range of styles that she offers. She also sells her clothing for 5-10% less than shops in more central locations in Kampala.

Some time ago, Flora became involved in politics. She began to spend more and more time away from the business. Flora Fashions was frequently left in hands of another individual. Cash in the business became tighter. Flora started to give longer credit terms or offering products as free gifts to support her political ambitions. This reduced cash and led to less inventory and a narrower range of styles offered to her customers.

Flora has received financing from several microfinance institutions. For example, one has financed the business for 5 years. She has always repaid on time and been a good customer. But last month, repayment was made 3 days late as Flora diverts funds to pay for political goals.

Recently she won the election and became a counselor.

What impact might this have on future repayments?

Mini Case #7 – Problem Loan Experience

After the bush wars, there was an initiative by Government to alleviate poverty in farming communities. After negotiations, the UK Government agreed to extend a soft loan to the Government of Uganda with the goal of providing financial support to farmers to purchase fixed assets. The UK extended this loan on condition that the loan was to be disbursed via commercial banks, which would then be responsible for on-lending it to the farmers to purchase farming equipment, mainly tractors. The purpose of this condition was to insure that the funds were lent to the farmers on commercial terms. The banks were required to take 50% risk on the loans given to insure that they took the lending seriously.

Unfortunately, the Government of Uganda placed significant pressure on the banks to relax the credit underwriting process and to move the funds quickly to the farmers. The banks felt significant pressure to make loans to borrowers that typically would not have been eligible for a loan via the bank. In the end, about 20 loans were made to farmers for the purchase of tractors.

In the beginning, the farmers seemed to be making payments on time. Because the farmers were generally located some distance from bank branches, it was difficult and costly for bank representatives to visit the businesses and therefore the banks did not commit resources to monitoring these loans.

However, after a period of time, the repayment rates for the loans under this program began to decline. After several months of delinquencies, the bank management instructed a junior loan officer to go out and speak to the farmers. The loan officer visited the area and returned to give the following report to his superiors:

- ☑ Many of the farmers had purchased the tractors as instructed, but instead of using them to prepare the fields for planting, the farmers had actually created a new business by using the tractors to provide local transportation services.
- ☑ Some of the borrowers had not purchased the tractors, but had instead used the money for personal items. This meant that there was no visible improvement to the farm from the loan.
- ☑ The Loan Officer could not even find several of the borrowers. They had also not purchased the tractors, but instead had taken the money and left the area.

To summarize, the junior Loan Officer reported that most of the loan funds had been mis-used and there was little or no development of the targeted farms. This suggested that there was little or no incoming cash to repay the loans

If you were the bank manager, what next steps would you take?
What were the key reasons why these loans went bad?

Mini Case #8 – Monitoring a Manufacturing Firm

<u>Business</u>: A bread factory that has received a loan from the Bank. The loan was to purchase machinery, worth Shs. 30 million, and the machinery was given as collateral for the loan.

<u>Things to Look at When Monitoring</u>:

- ☑ Is the equipment that has been given as collateral still on the premises? Is it still in working order – is the borrower maintaining the equipment properly? If no, what is
- ☑ Consider the employees and their relationship with their manager. How are they interacting while the Loan Officer is present? Do the employees seem to be working efficiently? Are the main employees still working in the business or are their a lot of new faces (i.e. Consider employee turnover)?
- ☑ How is the quality of the bread? Has the quality of the product declined since the loan was given?
- ☑ Have they added new types of bread to their production? If so, how is it selling? How have they been able to start producing this new bread? Are they using the existing equipment or have they purchased new equipment? If they purchased new equipment, how? Have they taken a new loan from another bank?
- ☑ Who handles the cash? Can I speak to the person who handles the cash and the financials? Does the person who handles the cash have sufficient experience?
- ☑ How is the inventory level? Is it higher or lower than expected? Does there appear to be an increase in dead stock?

Mini Case #9 – Monitoring a Retail Shop

Business: A supermarket.

Things to Look at During Off-Site Monitoring:

- ☑ Look at checks in and out related to the customer's accounts. Look at the amounts (paying to suppliers or tax authorities and receiving) and the amounts withdrawn. Most checks should not be in round numbers. For example, a check to a supplier with VAT included might look like Shs. 1,297,635. If checks come through with round numbers (for example Shs. 2,500,000), the bank should consider whether
- ☑ Use the financial statements submitted by the borrower (balance sheet and income statement) to check the financial condition of the business. How does it compare with the ratios when the loan was given?
- ☑ Check increases in fixed assets. For example, if the supermarket is investing more funds into fixed assets like vehicles that do not appear to be needed for the general operations of the business, the Loan Officer should discuss this with the business' management.
- ☑ Are they meeting the conditions of the loan set by the bank? For example, for a business that requires a lot of cash (like a supermarket), the bank might set a condition that the current ratio or acid ratio should not below 1.
- ☑ What have you been hearing about the management and/or owners of the business? For example, if the owner/manager is running for a political position that will draw management time.

Things to Look at During On-Site Monitoring:

- ☑ Try to make surprise visits to see what is really going on in the business.
- ☑ Compare information provided in financial statements with what you see in the business.
- ☑ Is the supermarket clean? Are the lights all working? Have the floors been swept?
- ☑ Inventory: Are the shelves under stocked? Is the stock on the shelves close to, at, or past their expiration date? Does the supermarket still have the range of products that they did before, or has the range of products shrunk since you were last in the shop?
- ☑ Take to the employees. Find out who is really managing the business – the KEY person. Are the key persons identified during the credit underwriting process still involved in the day-to-day operations of the business?
- ☑ Are there a suitable number of people in the shop for the time of day?
- ☑ Look in the corners of the supermarket. Is the new management
- ☑ Check prices against the competitors in the area. Also, are there new competitors in the area that could hurt the borrower?

Mini Case #10 – Monitoring a Service Business

Business: A hair salon.

Things to Look at During On-Site Monitoring:

- ☑ Is the place being maintained at the same level as when you gave the loan?
- ☑ Look at stock levels in terms of amounts and varieties (shampoos, styling products).
- ☑ Check customers during peak and off-peak periods.
- ☑ Has the staff changed? Do they appear confident in their jobs? How is the quality of the styles being provided? Can they handle the stress of the peak periods?
- ☑ Monitor when the management is not there. Is the business still operating efficiently when the management is not there?
- ☑ Business is a cash business. Would not expect to see receivables. How good are the records being kept on the cash coming into the business?

ATTACHMENT C

Shorebank Advisory Services

LENDING TO SMALL AND MEDIUM ENTERPRISES SEMINAR
UGANDA INSTITUTE OF BANKING

ALTERNATE SCENARIOS TO WEEK-LONG TRAINING SEMINAR.

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5 WEEKS: Combination of Evening and Weekend Sessions

Session #	Timing and Estimated Length of Session	Topics Covered During Session
Session #1	Evening Session 2 hours	▪ Introduction to Small Business Lending ▪ Step by Step: The Loan Process
Session #2	Evening Session 2 hours	▪ Credit Analysis (Management, Money and Market)
Session #3	Saturday Session 6 hours	▪ Financial Statement Analysis for Lenders (Income Statement and Balance Sheet) ▪ Cash Flow Development ▪ Cash Flow Analysis
Session #4	Evening Session 2 hours	▪ Breakeven and Debt Service ▪ Ratio Analysis
Session #5	Evening Session 2 hours	▪ Loan Structuring ▪ Disbursement & Documentation
Session #6	Evening Session 2 hours	▪ Monitoring ▪ Problem Loans
Session #7	Saturday Session 6 hours	▪ Portfolio Management ▪ Customer Service & Marketing ▪ Summary and Review of Lending Skills ▪ Progress Evaluation (test) ▪ Course Evaluation ▪ Appreciation – Certificates

2 WEEKS: 2 Complete Weekend Sessions

Session #	Timing and Estimated Length of Session	Topics Covered During Session
Session #1	Saturday Session 6 hours	▪ Introduction to Small Business Lending ▪ Step by Step: The Loan Process ▪ Credit Analysis (Management, Money and Market) ▪ Financial Statement Analysis for Lenders (Income Statement and Balance Sheet)
Session #2	Sunday Session 6 hours	▪ Cash Flow Development ▪ Cash Flow Analysis ▪ Breakeven and Debt Service ▪ Ratio Analysis
Session #3	Saturday Session 6 hours	▪ Review of Credit Analysis Skills ▪ Loan Structuring ▪ Disbursement & Documentation ▪ Monitoring
Session #4	Sunday Session 6+ hours	▪ Problem Loans & Portfolio Management ▪ Customer Service & Marketing ▪ Summary and Review of Lending Skills ▪ Progress Evaluation (test) ▪ Course Evaluation ▪ Appreciation – Certificates