



# Improving the financial health of micro-entrepreneurs

*All you wanted to know about financial health and never dared to ask!*

**06/05/2021**

With the support of  
**J.P.Morgan**

# Agenda

- **Introduction**
  - **Nicola Benaglio** (EMN) and **Mathilde Bauwin** (ADA)
- **Presentation of the Financial Health Manual & Tools**
  - **Klaas Molenaar** (Timpoc Consultants)
- **Q&A**

# Improving the financial health of micro-entrepreneurs

- **Implementing partners**
  - EMN-ADA (with the support of J.P. Morgan)
- **Duration**
  - July 2018 - September 2020
- **Project partners**
  - 16 FSPs and NFSPs active in Europe and emerging economies
- **Objective**
  - To understand the financial health issues faced by micro-entrepreneurs (businesses with less than 5 staff)
  - To develop an operational guide for the staff of FSPs and NFSPs to assess the financial health of micro-entrepreneurs and support micro-entrepreneurs in dealing with financial issues

# Improving the financial health of micro-entrepreneurs

## ■ Methodology

- Literature review
- Field surveys with a qualitative approach
  - in 8 countries – 4 in Europe, 4 in the South
  - With staff from 8 FSPs and 8 NFSPs
  - With 5 or 6 micro-entrepreneurs per organization, or 83 in total
- Consultative workshop with actors supporting entrepreneurship in Vienna, to validate conclusions on financial issues faced by micro-entrepreneurs and solutions to offer

## ■ Main outputs

- A study: *“Enhancing financial health of micro-entrepreneurs: beyond a mere assessment”*
- A manual for coaches and mentors supporting micro-entrepreneurs on financial health issues, with associated tools

### **Both available on ADA and EMN websites**

- <https://www.ada-microfinance.org/index.php/en/emn-lead-page>
- <https://www.european-microfinance.org/activity/improving-financial-health-micro-entrepreneurs>

# When are you financially healthy?

- **A micro-entrepreneur is considered financially healthy if they:**
  - Possess the capacity to deal with financial issues in his/ her business;
  - Understand how to manage finance;
  - Plan the future of their business in line with their aspirations and capabilities.

# Two levels

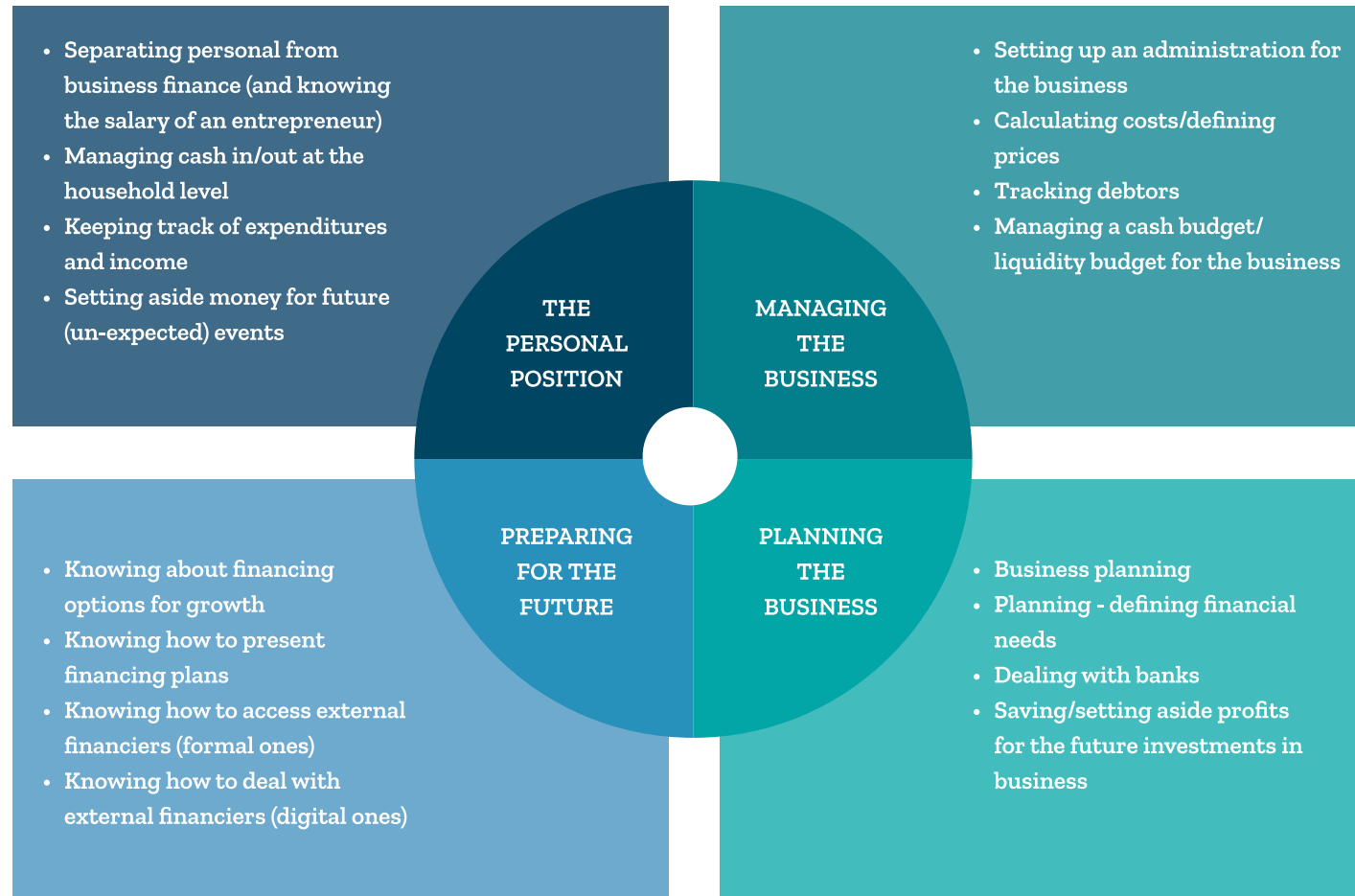
**Individual as member of household**

- Understanding issues
- Knowing how to use money

**Person as entrepreneur**

- Understanding issues
- Knowing how to use money

# More than one issue to look into



# The many “how to’s” to know



Learning about financial health



Segmenting the client base of MSMEs



Identifying the various stages of the business life cycle



Determining different working (learning and teaching) methods



Assessing financial health



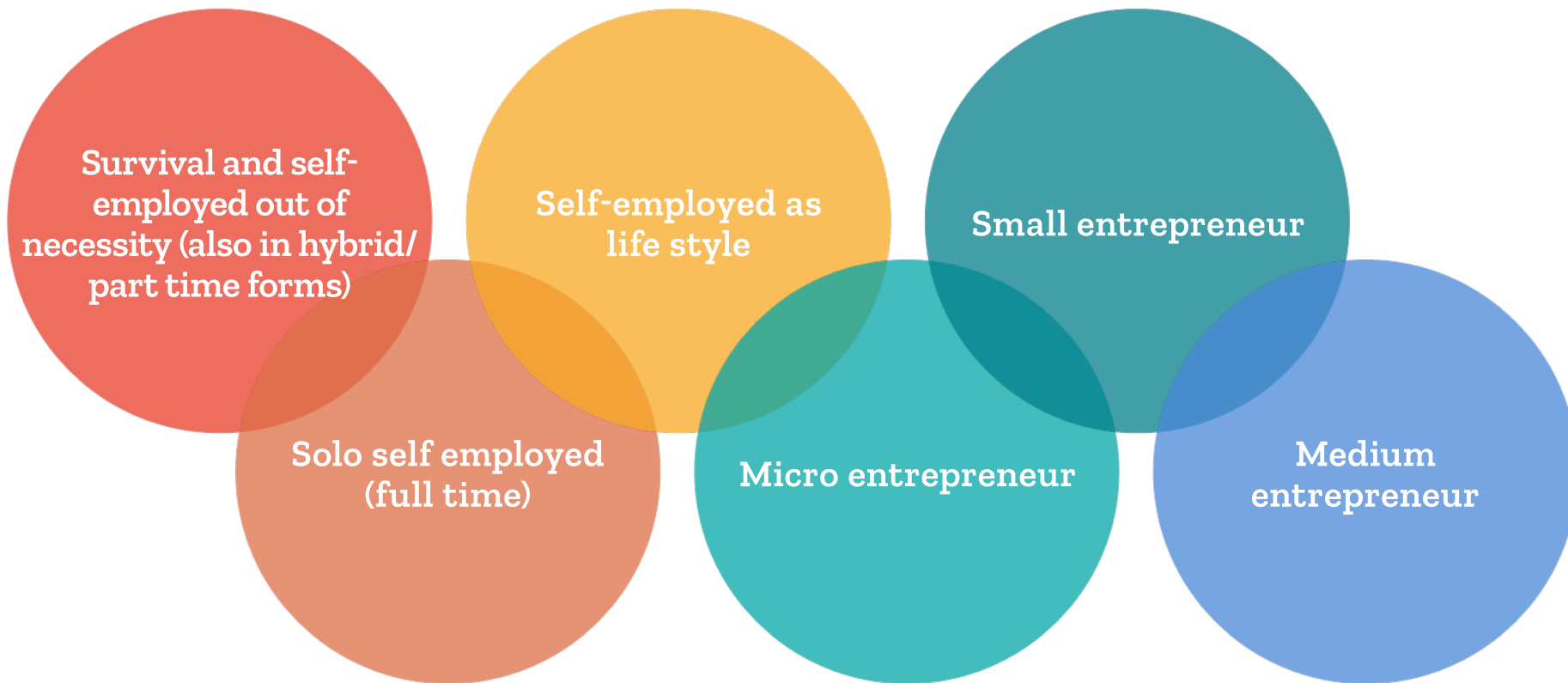
Drawing up action plans



Measuring progress



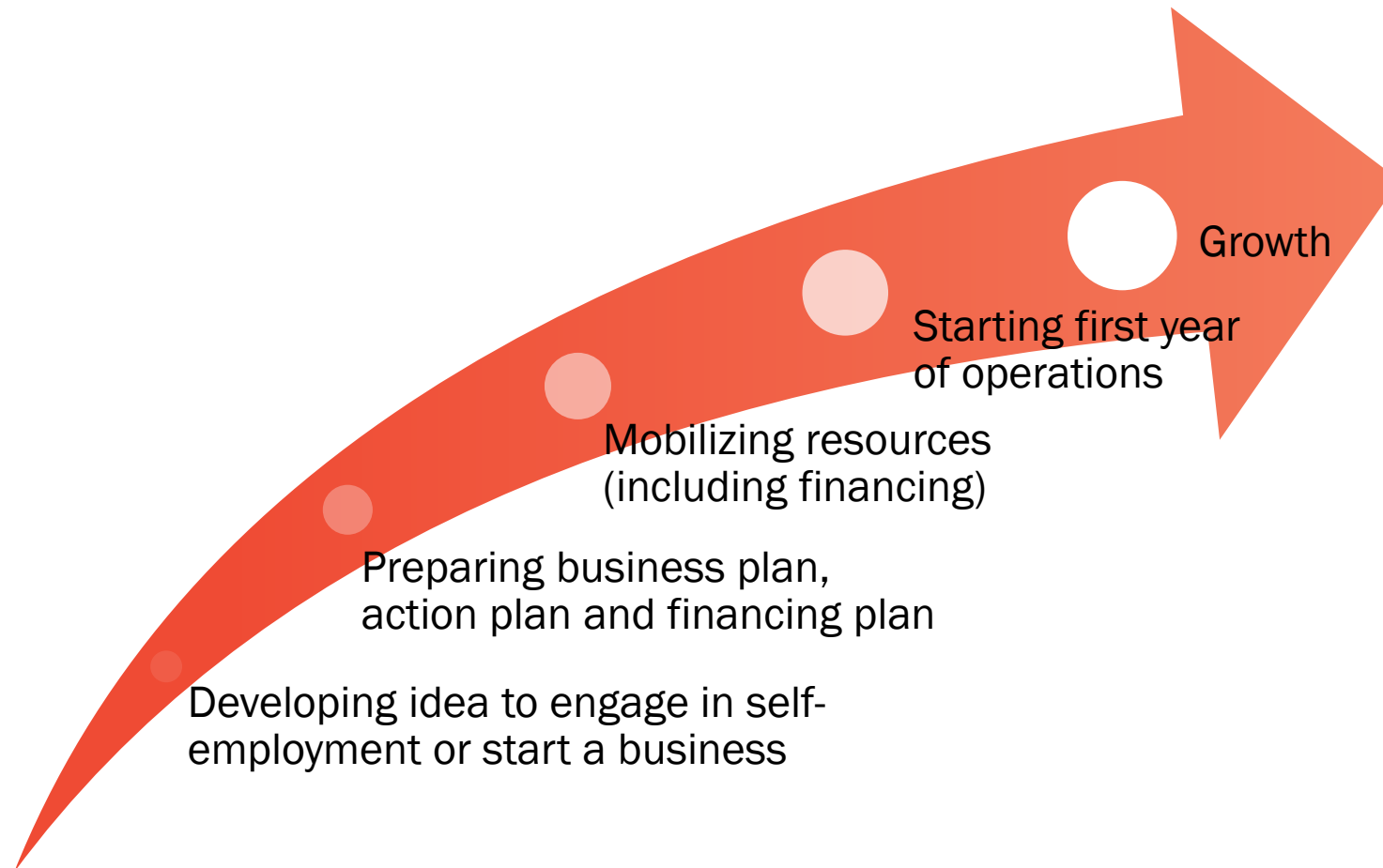
# Segmenting your market



# The learning triangle

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

# Recognising stages in business life



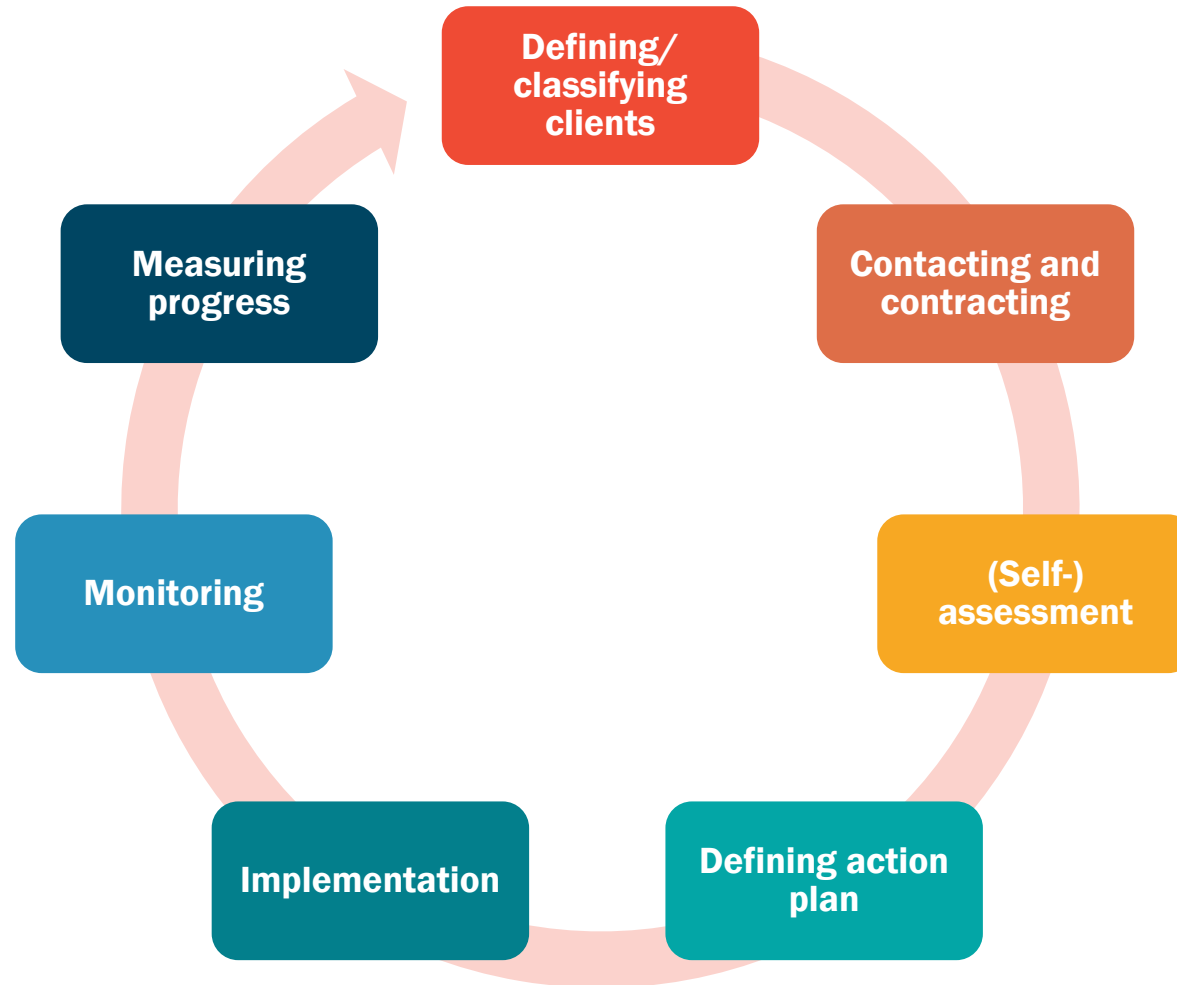
# Common issues

Type of economic activity and business life cycle	Start-up	Operational	Growth	Diversifying/selling - exit
<b>Part time self-employed - survival</b>				
Most common financial issues causing problems	Not knowing what to do or how to do it	Running out of cash	n. a	
Method and main instruments	Assisting	Problem solving by setting up personal cash budget		
<b>Solo Self-employed - opportunity driven</b>				
Most common financial issues causing problems	Not knowing what to do or how to do it	Running out of cash, mainly due to not properly separating personal and business finance	n.a.	
Method and main instruments	Assisting	Problem solving, direct assistance		
<b>Micro-entrepreneur- opportunity-driven</b>				
Most common financial issues causing problems	Poor plan/lacking a plan	Liquidity problems due to mix of late payment by clients, poor costs/ prices, weak administration	Lacking a financial plan	n.a.
Method and main instruments	Training and coaching	Developing control mechanisms, advising	Orienting, referring to training, providing templates	

# Common issues

Type of economic activity and business life cycle	Start-up	Operational	Growth	Diversifying/selling - exit
<b>Micro/ small entrepreneur - growth oriented</b>				
Most common financial issues causing problems	Poor plan	Liquidity problems due to mix of late payment by clients, poor costs/ prices, weak administration	Lacking a financial plan	Plan lacking
Method and main instruments	Training & coaching	Problem solving, direct assistance	Orienting, referring to training, providing templates	Advising, informing, linking to third parties
<b>Lifestyle entrepreneur (self-employed)-self-development driven</b>				
Most common financial issues causing problems	Finding investors	Overspending	Lacking a financial plan	Finding investors
Method and main instruments	Informing, referring to websites	Developing control mechanisms, advising	Orienting, referring to training, providing templates	Advising, informing, linking to third parties

# An integrated, iterative process



# How long does it take?

Preparatory period		Action period		Feedback - evaluation period
Month 1	Month 2	Month 3	Month 3 - 6	Month 7
Defining/classifying clients/ defining working methods	Contacting and contracting	(Self)-assessment and defining action plan	Implementation and monitoring	Measuring progress
Key role for the coach/mentor is to prepare themselves	Key role for coach/mentor is to seek contact; FSP/ NFSP also engaged in contacting and contracting	Joint key roles of entrepreneur and coach/mentor	Key role: entrepreneur implementing action plan with active support from coach/mentor	Joint key roles of entrepreneur and coach/mentor
<ul style="list-style-type: none"> <li>The segmentation matrix - Tool n° 1</li> <li>The business life cycle assessment tools n° 2, 3, 4, and 5</li> </ul>	<ul style="list-style-type: none"> <li>A standard contract;</li> <li>Create commitment</li> </ul>	<ul style="list-style-type: none"> <li>The questionnaires</li> <li>Template Action plan Tool n° 6.</li> <li>Pre-selected apps, websites Tool n° 8</li> </ul>	<ul style="list-style-type: none"> <li>Pre-selected templates (e.g. cash plan, cost calculation or organizing an administration)</li> <li>Monitoring plan - Tool n° 7</li> </ul>	<ul style="list-style-type: none"> <li>The questionnaires</li> <li>If needed: revised action plan</li> </ul>

# Logical steps to take for mentor, coach, staff





# A logical set of tools to deal with financial health

Tool	Description	Issues
<b>Tool 1</b>	Classifying (segmenting) self-employed micro, and small, entrepreneurs/enterprises	<i>Various forms: Solo Self employed, Hybrid, Out of necessity, Opportunity driven, Growth oriented, Lifestyle</i>
<b>Tool 2</b>	Business life cycle related to financial health and coaching	<i>From idea to full operations; changing needs/FH issues</i>
<b>Tool 3</b>	Business life cycle, needs for coaching/mentoring and prevailing roles to enhance financial health	<i>Different levels ,different capacities, different styles</i>
<b>Tool 4</b>	Segmentation, learning and coaching methods for financial health	<i>Each client-segment needs a different Coaching/mentoring approach</i>
<b>Tool 5</b>	Scoring prevailing characteristics and levels of understanding/ capabilities to deal with financial issues and determining required intervention-questionnaires	<i>Assessment; joint or stand alone</i>
<b>Tool 6</b>	Action plan to plan an intervention to enhance Financial health for Micro-entrepreneurs	<i>Defining actions and relevance</i>
<b>Tool 7</b>	Monitoring and evaluation action plans for the improvement of financial health for micro-entrepreneurs	<i>Progress</i>
<b>Tool 8</b>	Selected apps that deal with financial problems for micro-entrepreneurs	<i>Continuous innovating, Use your own, skills of users</i>

# Online as well (but do not forget direct contact!)

	Engagement of micro-entrepreneur		Contact between FSP/ NFSP and micro-entrepreneur		Contact between client and other (micro-) entrepreneurs		Possible effect
	Low	High	Indirect	Direct	No	Yes	
Call by phone or WhatsApp by coach/ mentor	●		●		●		Sharing of experiences; coach/mentor can provide (general) advice and refer to special measures
Call by phone or WhatsApp by Staff of FSP/NFSP	●			●	●		Sharing of experiences; staff of FSP/NFSP can provide (general) advice and refer to special measures
Webinars to share information	●		●		●		Sharing of experiences; staff of FSP/NFSP can provide (general) advice and refer to special measures
Digital training on selected topics	●			●		●	Trained/informed micro-entrepreneurs
Zoom meetings (or Microsoft Teams/Skype) between micro-entrepreneur and mentor, coach, or staff of FSP/NFSP		●	●		●		Sharing of experiences; coach/mentor or staff of FSP/NFSP can provide (general) advice and refer to special measures
Digital community between micro-entrepreneurs facilitated by mentor coach or staff of FSP/NFSP		●	●			●	Sharing of experiences; micro-entrepreneurs start assisting and coaching each other

# Tools to use when things go wrong

Tool	Description	Issues
<b>Tool 9</b>	Identify possible Covid-19 related problems affecting financial health of micro-entrepreneurs	<i>Short term, long term effects</i>
<b>Tool 10</b>	Identify and prioritise options to control and reduce expenditures in times of crisis at the household level	<i>Short term, long term effects, actors</i>
<b>Tool 11</b>	Identify and prioritise actions to adjust/increase income at the household level	<i>Expected effects, costs, actors</i>
<b>Tool 12</b>	Seek additional financing for the household – diversify sources of financing	<i>Needs, costs, accessibility, consequences</i>
<b>Tool 13</b>	Short-term actions to control or reduce expenditures at the enterprise level	<i>Prioritising</i>
<b>Tool 14</b>	Identify and prioritise short-term related actions to increase payments and revenue streams at the enterprise level	<i>Prioritising and possible LT/ST effects, costs, actors</i>
<b>Tool 15</b>	Identify and prioritise short-term related actions to increase external financing at the enterprise level	<i>Needs, costs, accessibility, consequences</i>
<b>Tool 16</b>	Defining actions to meet financing problems at the enterprise level (long-term related)	<i>Prioritising and possible LT/ST effects, costs, actors</i>
<b>Tool 17</b>	Measures to support MSMEs in times of crisis (during Covid-19)	<i>Public, private, local, national, accessibility, costs</i>
<b>Tool 18</b>	Assess relevance of Covid-19 related measures and define related actions	<i>Prioritising and possible LT/ST effects, costs, actors</i>



**Any questions?**



**Thank you  
for your  
attention!**

Download the financial health manual on the [EMN](#) and [ADA](#) websites

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