



From Theory to Practice The Effect of Business Development Services on Enterprises

A Rapid Assessment Report

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Introduction

Business Development Services (BDS) encompasses an array of business services, including training, consultancy, marketing, information, technology development, and business linkage, all aimed at improving enterprise performance, market access, and competitiveness. Launched in October 2022, the MESMER Programme not only provides financial support but also provides BDS and Psychosocial Support Services (PSS) to enterprises, along with technical assistance to financial institutions.

This nationwide, 5-year initiative aims to support 72,200 enterprises and create 410,800 jobs by facilitating access to finance for micro, small, and medium enterprises (MSMEs), helping them realize their growth potential and resilience. The BDS component's core objectives is to assist the MSMEs and entrepreneurs in operating efficiently and growing their businesses, thereby contributing to economic growth and job creation. It is anticipated that 66,200 informal and formal enterprises will benefit from BDS support under this program.

Among the MESMER components, BDS provides a comprehensive framework that helps trainees understand the financial implications of borrowing and encourages responsible decision-making. This proactive educational approach fosters a more mindful and entrepreneurial mindset regarding financial planning and loan management. The expected outcome of BDS to MSMEs is to observe change in practice within these enterprises. "Change in practice" refers to improvements in financial literacy, including attitudes towards loans, savings, bookkeeping, and internal efficiency.

As of September 2024, the MESMER Program has provided BDS training to over 12,500 formal enterprises (MSMEs).

This assessment evaluates whether BDS training has helped these MSMEs meet their objectives and catalyzed changes in their business practices. The study also highlights the effectiveness of BDS in enhancing business performance, operational efficiency, and market competitiveness—key factors expected to lead to increased employment within these enterprises. The most notable change observed was the transformation in attitude towards loans: prior to MESMER, only 34% of the enterprises had taken loans. After BDS training, 97% of participants expressed a willingness to take out a loan, indicating a positive shift in perception.

Objective

The primary objective of this assessment was to determine whether changes in practice amongst MSMEs materialized after BDS training and to evaluate how effectively BDS is achieving its goals in promoting enterprise growth. The assessment specifically focuses on how BDS training is driving transformation that enables enterprises to gain practical experience in entrepreneurial, financial and business management skills. Moreover, it examines how these changes improve working conditions for employees and contribute to enterprise growth.

Research Questions

The primary research question addressed by this assessment was: What transformational changes have occurred within enterprises because of participation in BDS training?

Change in practice can be evaluated through the following aspects:

1. How effective is BDS in improving the entrepreneurial mindset and skills?
2. How effective is BDS in providing financial literacy?
3. How effective is BDS in shaping trainees' attitudes toward loans?
4. To what extent does BDS training improve the internal efficiency and productivity of enterprises (e.g. through the introduction of bookkeeping, human resource management, raw material sourcing, and marketing)?
5. Is there a need for an intensive BDS program in the future?

Target Population and Sample Size

The targeted population consisted of 670 BDS-trained MSMEs, from which a sample size of 10% (67 MSMEs) was taken. We focused on MSMEs that had received BDS training but had not yet secured a MESMER loan from the banks, in order to avoid response bias. Response bias can occur when participants provide untruthful or misleading answers, leading to inaccurate results or conclusions. MSMEs that had already obtained a MESMER loan might attribute changes in their business to the loan rather than the BDS training. A stratified sampling technique, based on region, was used to ensure that the sample was representative.

Methodology

Study design

A descriptive study design was used for this assessment, which outlines the characteristics of BDS participants and examines how their business operation changed following the BDS training. The study did not answer questions such as “Why did some businesses not change their practices?” if they responded, they did not. Additionally, the effect of BDS on the internal efficiency and productivity of enterprises is qualitatively analysed based on the participants' responses. To accurately measure productivity, further studies should incorporate quantitative output-to-input analysis involving a larger sample of MSMEs.

This assessment is categorized as a rapid assessment, utilizing an intensive, team-based qualitative inquiry approach with triangulation and iterative data analysis. It employs a small sample size to quickly develop a preliminary understanding of a situation from the insider's perspective.

Data Source and Method of Collection

In this assessment, primary data sources were collected through structured phone interviews with individuals who received BDS training.



Figure 1: Sample distribution by region

Amhara, with the highest number of MSMEs that are trained and awaiting credit, accounted for 18 respondents, followed by Oromia with 17. Afar had only 1 respondent, as there are very few who have received training in the region and are waiting for credit in the region.

Data Analysis Method and Presentation

Percentages, frequencies, and charts were used to analyse the responses and present the data. Both qualitative and quantitative analysis help inform the MESMER Programme about the impact of the BDS training on enterprises and whether it aligns with the program's objectives.

Limitation

This was a rapid assessment, so it was impossible to conduct an in-depth assessment. We plan to conduct additional assessments on counterfactual enterprises, as well as on the productivity and efficiency of BDS participant enterprises.

Some participants raised concerns about credit delays, which led to reluctance in answering the questions. This may have influenced their perceptions of the effectiveness of the BDS training.

Additionally, language barriers in certain regions posed challenges during the interview process.

Demographics of Respondents

The majority of respondents in this assessment were female youth business owners and micro-level enterprises. The MESMER Programme defines the youth group as individuals aged between 15 to 35 years. From the sample, it was found that 63% of the respondents were within the youth age group (15-35 years), while 37% were over 35 years old. In terms of gender, 82% of the respondents were women, and 18% were men.

Another classification we aimed to identify was the enterprise size of the sampled businesses, to determine if responses varied based on enterprise size. Of the respondents, 61% were micro-sized enterprises, while the smallest proportion (6%) were medium-sized enterprises.

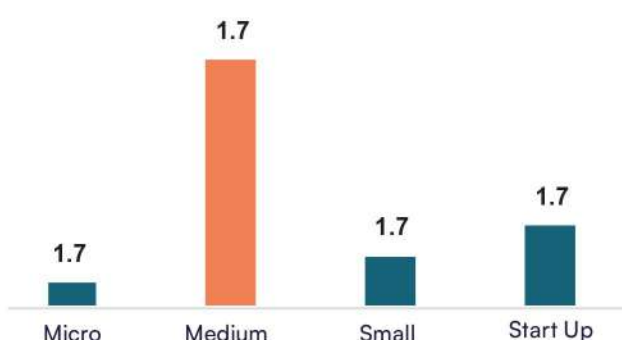


Figure 2: Percentage of enterprise by size

Key Findings

Overall BDS Related

A remarkably high level of satisfaction with the training indicates that the MESMER Programme is effectively fulfilling its purpose.

On the quality and overall experience of the training, the respondent's feedback shows a high level of satisfaction, with the majority (57%) being very satisfied. Only a small percentage (1%) felt dissatisfied. We found out that all respondents expressed a willingness to recommend the training to others.

A significant majority (94%) expressed interest in more intensive one-to-one BDS training in the future. The remaining 6% do not want more intensive BDS training, due to concern on the time it will take to attend the training in person, and they did not want to lose focus on their business. With MESMER launching digital BDS in September 2024, many MSMEs will have the chance to attend the training without closing their businesses. This flexibility may encourage more participants to pursue additional BDS training and follow-up sessions. The high satisfaction levels reported suggest a positive overall experience with the current BDS training, along with willingness for further training.

How would you rate the training?(%)

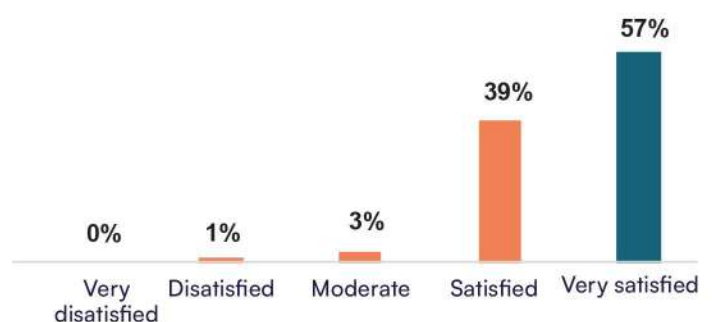


Figure 3: Percentage of those who rated the training

Do you suggest a more intensive one to one BDS mentorship in the future?(%)

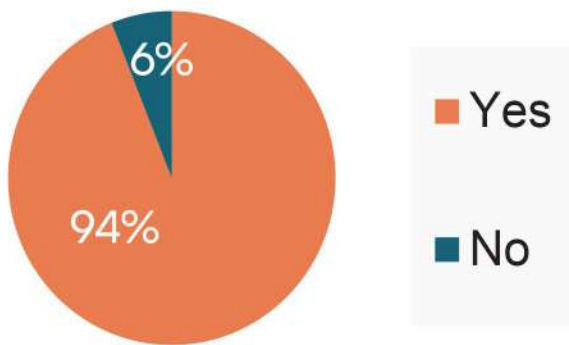


Figure 4: Percentage of those who suggested mentorship

MSMEs are more generally willing to apply knowledge gained from BDS training to their businesses; however, some find it difficult due to lack of capital or financing.

We aimed to assess whether BDS content was practical and applicable to the respondent's business. A majority (61%) of respondents agreed that the BDS training was realistic and relevant to their work environment. When asked about challenges faced in applying the training to their businesses, 51% of the respondents said "none", demonstrating their readiness to implement what they had learned. However, 42% identified "lack of capital" as a barrier to application. A few others mentioned additional challenges, including:

- "It's challenging to find a market."
- "Adjusting to a new routine difficult."
- "It has been a long time since the training."
- "I couldn't secure suitable work premises."

Addressing some of the challenges mentioned could enable business owners to fully apply their knowledge to their businesses. Participants highlighted the need for BDS follow-up, noting that it often takes time for enterprises to secure MESMER loans after completing initial training.

Is the BDS content realistic to apply to work?(%)

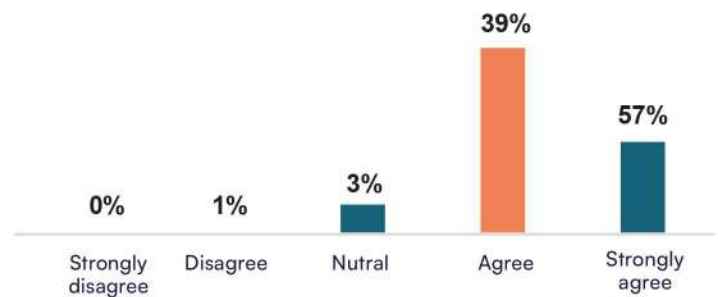


Figure 5: Percentage of response on challenges faced on applying BDS

What challenges, if any, have you faced in applying the training to your business?(%)

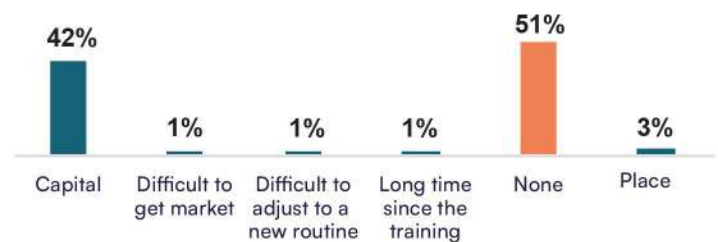


Figure 6: Percentage of respondents on BDS being realistic

While there were positive responses to the BDS training, there are areas where the MESMER Programme can make improvements based on participant responses. Some of the concerns raised include:

- "The training venue lacked toilets and refreshments."
- "The training was held on the 6th floor".
- "The training should incorporate more experience-sharing sessions so that we learn from other successful business owners."
- "The training content should be more closely aligned with business activities."
- "The credit system should be faster."

Entrepreneurial mindset

Most business owners have gained a strong understanding of entrepreneurship concepts because of BDS.

One of the goals of BDS training is to equip participants with a basic entrepreneurial mindset and help them improve their business using this newfound knowledge. To assess how well they understood the training, we asked them about the difference between an entrepreneur and a businessperson. Thus, 63% of the respondents were able to differentiate between the two, while 37% could not. Some of the reasons cited by those who couldn't differentiate were that they had forgotten the concept due to the time elapsed since the training or that they didn't fully grasp the concept during the training.

Do you understand the difference between an entrepreneur and a business person?(%)

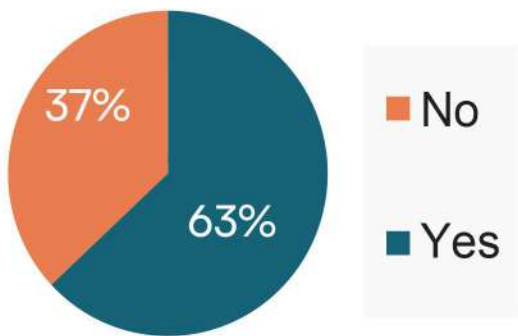


Figure 7: Percentage of responses regarding the difference between entrepreneur and business person

Additionally, based on the responses that we got:

- Majority of the participants 33 (44%) are applying business communication skills.
- 15 (20%) of are not using any of the entrepreneurial skills they learned during the training. Specifically, prototyping and business modelling are not applied by these respondents.

Financial literacy

Most of the respondents did not fully comprehend the concept of working capital and fixed investment.

Financial literacy is one of the key components of the BDS training, designed to provide participants with a well-rounded knowledge of finance-related concepts that could apply to their businesses. To assess their level of understanding, we asked several questions, including whether they prepare financial plans.

Do you have separate financial planning for personal and business?(%)

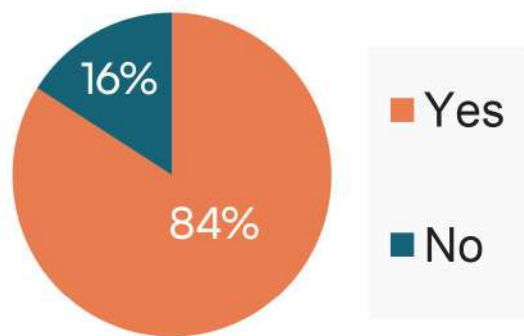


Figure 8: Percentage of responses on separate financial planning

Are you allocating finances separately for working capital and fixed investments?(%)

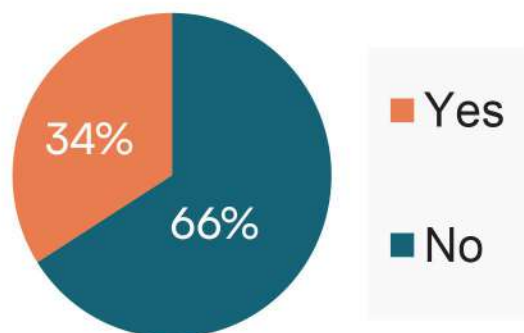


Figure 9: Percentage of response on allocating finances separately

When participants were asked:

- Whether their financial planning is separate, 84% of the respondents indicated that they separate their personal and business expenses, while 16% said they do not.

This indicates that while the training has improved the practice of separating business and personal finances, there is still a gap in managing expenses within the business's financial structure.

Based on the responses gathered, it is evident that a significant majority of the respondents (56%) rely on 'Equb and Idir', while 17% depend on self-capital as their primary source of financing. This suggests that a considerable portion of the population is not utilizing formal financial institutions, such as banks and microfinance institutions, for their financial needs. Equb plays a major role in financing MSMEs, with many enterprises relying on it as a key source of capital for upcoming business activities, even though they may also have accounts with banks or MFIs.

In the context of the BDS training, it is important to assess whether participants have adopted or improved their financial recording and bookkeeping practices because of the training.

Did you start financial recording or book keeping practices after taking BDS training?(%)

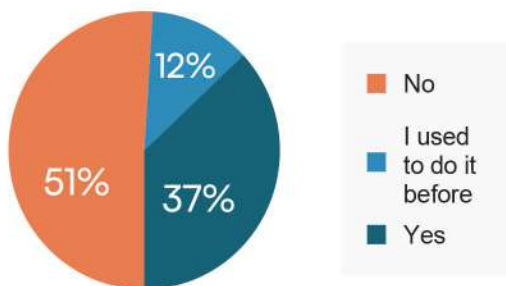


Figure 10: Percentage of respondents practicing bookkeeping or finance recording

To explore this, we asked respondents whether they had started or practiced financial recording or bookkeeping before BDS training. Our findings indicate that the BDS training has encouraged a notable percentage (37%) of respondents to begin bookkeeping and financial recording practices. A significant 51% had previously kept some financial records, but not in an organized way, and are now willing to adopt the more structured approach taught in the training.

However, 12% of respondents did not keep financial records before or after the training.

For those who already kept some form of financial record, the training further ensured and improved their record-keeping practices. This confirms that BDS training enhances the financial management practice in MSMEs, contributing to the growth of these enterprises. Improving or starting financial recording and bookkeeping is one of the key changes that can lead to more consistent and timely payments to employees.

Financial Practice

BDS training has changed the mindset of participants regarding loans, with more participants encouraged to take loans from banks.

One of the metrics for assessing change in practice is savings. Before the training, 56 BDS trainees (84%) had a savings habit. Among the 16% (11 individuals) who did not save previously, 8 individuals have started saving since the training. However, 3 of these individuals are still not practicing saving, citing insufficient income from their businesses to cover their expenses.

Did you practice saving before the BDS training?(%)

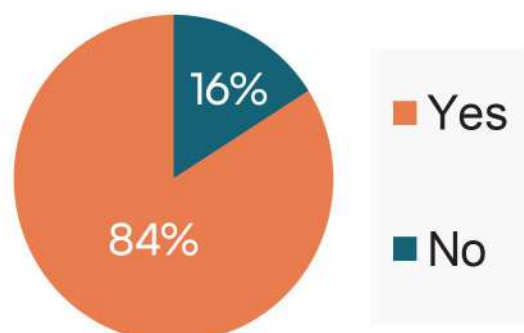


Figure 11: Percentage of responses on savings

In addition to savings, loans were used as a metric to assess changes in participants' attitude after the training.

When asked if they had ever taken a loan from formal institutions before the BDS training, only 34% of the respondents had done so, while the remaining 66% indicated they had never taken a loan.

Have you ever taken a loan from a formal institution before the BDS training?(%)

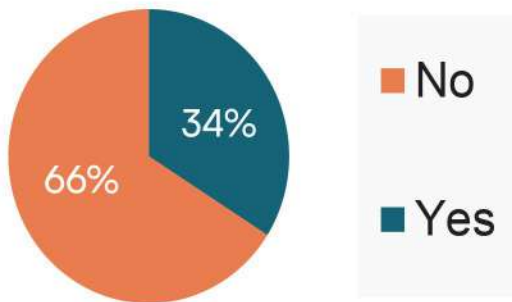


Figure 12: Percentage of Responses on Taking a Loan before BDS

When asked about the reasons for not taking a loan, several notable responses emerged. Among the respondents who answered "No," the most common reasons were:

- "I couldn't get collateral or fulfil the requirements of the financial institutions."
- "I didn't get enough information about the loan."
- "I am afraid to take loans and become indebted."

When asked if they were now willing to take a loan, 97% of respondents answered yes. The remaining 3% who were still unwilling cited that they did not need the money and preferred to continue growing their business by reinvesting the revenue.

Customer handling was the most frequently mentioned change in practice.

The majority (93%) of the trainees have started handling customer complaints properly, indicating that they have recognized the importance of effective complaint management in increasing their customer base and improving their business.

In addition, 66% of respondents reported acquiring new customers and expanding into new markets. They attributed this success to improvements in their work premises and introduction of new, in-demand products.

Did you manage your customers and handle complaints effectively?

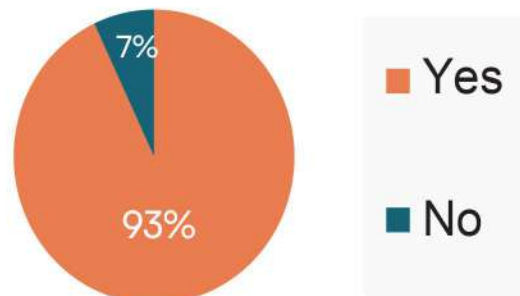


Figure 13: Percentage of Respondents on Managing Customers

Did you get new markets or customers using knowledge gained from the BDS training?

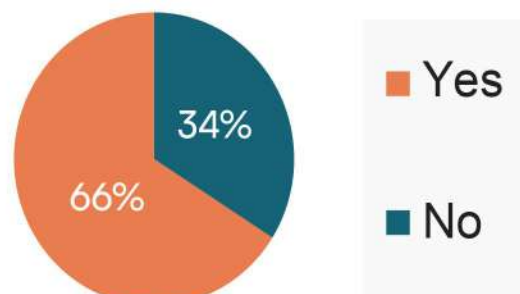


Figure 14: Percentage of Respondents on Acquiring New Markets/ Customers

Conclusion

This assessment revealed a high level of satisfaction among BDS participants. Respondents indicated that the training was relevant and applicable to their specific work, despite setbacks such as limited capital and inadequate workspace. Additionally, participants recommend more intensive one-to-one BDS training sessions. The introduction of digital BDS will address the challenges faced by many enterprise owners,

particularly women, who often must close or abandoning their businesses to attend in-person training sessions, which have been provided thus far.

Based on our findings, while the BDS training has successfully conveyed important entrepreneurial skills and financial literacy to participants, there are gaps in how these skills are applied and retained. A significant number of respondents were able to distinguish between an entrepreneur and a businessperson, suggesting a moderate understanding of the training content. However, the practical application of learned skills, such as prototyping and business modelling, remains limited among participants.

Furthermore, while many participants have adopted the practice of separating personal and business expenses, there is still a lack of financial planning, as evidenced in the limited allocation of funds for working capital and fixed investments. The heavy reliance on informal financial sources like 'Equb' and 'Idir', rather than formal financial institutions, highlights the need for greater emphasis on formal financial practices during BDS training. However, the training has contributed to improving participants' financial knowledge, leading to better financial management and record-keeping. For enterprises that have started financial recording and bookkeeping, owners have improved both their own and their employees' financial conditions, suggesting potential enterprise growth.

It can be said that most enterprises have demonstrated changes in their business practices. The most notable change is respondents' more positive outlook towards loans, indicating a reduced fear or a greater willingness to seek information about loans. Another significant change is in customer management. Most respondents reported improvements in how they handle customers, primarily by actively seeking feedback from clients.

Overall, this descriptive assessment demonstrated that BDS resulted in notable changes in the practices of enterprises that participated in the training. These changes can be attributed to improvement in employment for both wage-employed and self-employed individuals within the enterprises.

Recommendation

1. To enhance the effectiveness of future training sessions, the focus should shift towards the practical application of entrepreneurial and financial skills. Incorporating more hands-on exercises, experience sharing from successful business owners, and providing follow-up support could help bridge the gap between understanding and applying the skills. It is crucial to ensure that participants are better equipped to implement the knowledge gained in their businesses.
2. A major challenge hindering the application of BDS content was the delay in credit. Addressing this issue will help ensure that trainees can apply the training to their work and grow their businesses with the financial support provided through the MESMER Programme.
3. One of the suggestions from respondents was that the training location was not suitable for some participants. We recommend establishing clear standards for service providers to ensure that training centres are comfortable and inclusive for all trainees.
4. There was a gap in understanding certain topics, with some trainees finding them difficult or not directly applicable to their work. Collecting and analysing participant feedback can help identify help identify these gaps. Focusing more on these challenging topics and presenting them in ways that are relevant to participants' work environments will improve comprehension and application.

MESMER is a 5-year program launched in October 2022 to support 72,200 enterprises and 410,800 jobs by creating access to finance for micro, small and medium enterprises to realize their growth prospects and resilience. MESMER will also work to provide support to enterprises through business development support, psychosocial services, and technical assistance to financial institutions. MESMER is a countrywide program implemented by First Consult in partnership with the Mastercard Foundation as part of the Foundation's Young Africa Works strategy and will strive to create dignified and fulfilling work for the youth, the majority of them women. The FDRE Ministry of Labour and Skills is the main government counterpart for the program. Other partners include financial institutions (banks, microfinance institutions, and digital financial service providers), BDS, and psychosocial support providers.

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