

# Synergies through Linkages: Who Benefits from Linking Micro-Finance and Business Development Services?

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**Summary.** — Access to both financial and business development services (BDS) can aid the growth of micro and small enterprises. Early efforts to combine or “link” these two types of services proved unsuccessful, however. BDS was supply driven, of poor quality, and often confined to management training. A renewed interest in linking services is driven both by a concern that “credit is not enough” to generate bottom-up poverty reduction and by a new approach to BDS. Business services must be demand driven, managed in a sustainable manner, and diversified beyond management training. For success, linkages must provide benefits to the three key actors involved: enterprises, BDS providers, and micro-finance institutions. Thirty linked programs are analyzed using a six-part typology.

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## 1. INTRODUCTION

In developing countries, micro and small enterprises (MSEs) employ a significant portion of the total labor force. Support for the development of these informal and formal businesses can lead to higher profits, wages, and employment levels which, in turn, can contribute to a bottom-up transition out of poverty for entrepreneurs and workers. One way of strengthening MSEs is to improve their access to vital enterprise support services.

These services can be divided into two basic categories: (1) financial services, notably micro-credit and (2) business development services or BDS. The latter comprises a broad range of non-financial services that boost competitiveness through higher productivity, better product design, improved service delivery, and/or enhanced market access. The main categories of BDS are management training, vocational skills training, marketing assistance

(for inputs and output), technology access, technical assistance, productivity and product design, accounting and legal services, and access to various sorts of information (about standards, regulations, ideas in the enterprise field) (see Table 1).

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Table 1. *Business development services: type, intensity and modes of delivery*

Type	Intensity		Modes of delivery
	Low	High	
Financial literacy and credit use	Basic instruction on loan repayment Short refresher	Regular, intense instruction	Group, classroom-setting prior to first loan During loan repayment meetings Training workshops
Management training and business planning	Business start-up advice Business idea planning	Advanced marketing, upgrading and strategic planning	Business plan competitions Continuing education at local colleges Business associations and private trainers On-going mentoring
Vocational skills training	Short courses on single abilities	Apprenticeships, long-term training plan, competency based learning	Limited designated programs Existing VET institutes and private providers Sector/cluster/business associations
Human resources develop. and employee relations	Short legal instructions and advice	Personnel management, hiring, firing, Occupational safety and health Strategic planning on HRD Incentive schemes, Benefits planning	Local lawyers Designated courses, government OSH unit Specialist HRD consultants Employer and employee organizations
Marketing and advertising assistance Market analysis	Design of advertising materials Basic information on local suppliers and output markets, Advertising advice	Market surveys and strategy Planning and organizing group buying and group selling	Local graphic design shops Marketing consultants Embedded media services (e.g., newsp. ad department) Through coop/sector/cluster association
Technical advice related to productivity, design, etc.	Usually services embedded in other business transactions	Consultancy Contracted consultancy services Embedded training	Trainers, consultants Equipment/input suppliers, product buyers Coop/sector/cluster association

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