

# Financial Services Trials

## SNAPSHOT: DEVELOPING MARKET-BASED SERVICE OFFERINGS FOR SMALL AND GROWING BUSINESSES (SGBS)

### Why Financial Services Trials

The financial services industry in Sierra Leone is not oriented around Small and Growing Businesses (SGB). While universities graduate accountants regularly, most training is done at larger accounting firms and those target large corporations, government, and NGOs. However, SGBs also need financial service providers to help prepare proper books and records to allow the businesses to access finance and make better business decisions. In a survey of 114 SGBs in Sierra Leone, financial services were most in demand with 63% of businesses looking for help in this area.

To demonstrate the commercial viability for financial service providers to service SGBs, SOBA sponsored financial services trials to:

- Increase the value offering for businesses through training and services that focus on both book-keeping methods and data analysis.
- Increase the value perception businesses have for financial service providers, while demonstrating that financial service providers are able to increase profits for businesses.
- Introduce rates affordable to SGB's.

### Overview of Trials

The initiative was broken into two phases and worked with the Sierra Leone-based ACE Financial Services, an expert in accounting, financial analytics, and trainings to:

#### Phase 1:

1. Train existing independent accountants to provide financial analysis and recommendations to businesses.
2. Trial the services with SGBs to determine the value created.
3. Suggest design of business model for independent accountants to sell directly to SGBs.

#### Phase 2:

1. Develop a sales pitch and strategy for the accountants

to market the offering independently.

2. Guide the accountants on how to sell the services to additional SGBs to refine financial model.
3. Provide analysis and recommendations for scaling the model.



### Trial Results

It was expected the results of these trials would either lead to additional independent accountants adopting the model or existing accounting firms incorporating the model into their practices. If successful, the scale-up of these business models should result in accelerated growth and access to finance for SGBs.

### Successes

**Improved Value for Money:** Training Krio-speaking independent accountants to provide financial analysis provided high impact for the businesses while lowering costs.

**Proven Success of the Model:** Whilst the reporting in particular required a lot of input, the accountants were capable of doing the fieldwork with little more than a weekly catch-up – showing that an expert trainer was not necessary in this context.

**Client Satisfaction:** A stream of positive feedback from business indicated a willingness to pay for the service.

## Concerns

**Remaining hesitancy to rely on Freelancing:** It is unclear that accountants would go for the freelancing model out of choice. All accountants in the trials are still looking for the stability of full time employment, though most would consider it as additional employment or something to do whilst looking for work.

**Not as cost-effective as anticipated:** The trials were more expensive than anticipated. Time costs were higher, largely due to administration and inefficiency (e.g. meeting cancellations).

**Uncertain market-size:** Feasible repetition of this project is still uncertain. Is there a selection bias from selecting businesses who had already expressed interest? An accountancy would need quite a lot of projects simultaneously to be profitable doing this as a business. The lack of relevant infrastructure means that reaching potential clients is both time- and cost-intensive.

### Success through Proper Recruiting

Human Capital is the one of the biggest issues entrepreneurs have in Sierra Leone. This is true for financial service providers as well. For this model to work, independent, reliable, solution-oriented accountants are crucial. To identify accountants with this capability, SOBA and ACE conducted a structured recruiting process to select the best six accountants from an initial pool of 34.

#### Recruitment Process:

1. Source candidates from three sources: ICASL, Careers.sl, and personal/alternative contacts
2. Initial screenings and accounting tests
3. Conduct training and re-test to evaluate learnability & commitment

#### Four Days of Full-time Business Trainings:

The course was largely participatory and covered these key accounting topics: Designing a business model; Defining a vision statement, unique selling point, and value proposition; Market segmentation and its uses; Estimating and budgeting fixed costs; Creating sales targets and breakeven analysis.

Designing simple controls systems for small businesses; Designing simple templates small businesses could use (eg. ledgers); Professional behaviour; How to listen to and advise clients; Report writing.

## Recommendations for Financial Service Providers Engaging with SGBs in Sierra Leone

- Providing services to SGBs in Krio increases knowledge comprehension and retention, despite most service providers insisting on using English;
- Trade bodies and headhunting provide the best channels for finding talented accountants;
- A combination of written tests and repeated call backs serve as a thorough screening process;
- A model where talented, but relatively inexperienced accountants work as data collectors and client liaisons is good practice;
- Analytical and report writing skills were low among accountants in trials. Therefore, more experienced professionals will facilitate meaningful analysis;
- Independent accountants could be relied on when given decent pay and flexibility;
- To make this into a regular business, significant training time would be required, especially on report writing and IT skills;
- There is a demand, with businesses prepared to pay around Le 500,000 per month for accounting services – while it's still not clear how many businesses can afford this;
- A decent accountant can cost around Le 100,000 a day – with overheads and profit margin this gives a minimum charge out rate of Le 200,000 a day.

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