



SKILLS DEVELOPMENT IN FINANCIAL INSTITUTIONS IN SUB-SAHARAN AFRICA

Introduction

Skills shortages among financial institutions (FIs) in Africa have long been recognised as an important – and perhaps the most important – constraint to their growth. Although there is already a major skills deficit in financial markets in Africa, the pressure on FIs to source appropriate technical skills and professional services will unquestionably become more intense as FIs face external challenges such as more complex regulation, growth, increased competition and a wave of technological innovation that is opening up new channels and markets. FIs need to be able to access vibrant services markets to manage change safely and effectively and to stay competitive.

The paradox, however, is that despite acknowledging the need to invest in skills and other services, such as consulting or IT services, FIs underinvest dramatically in these areas, to the extent that some services that are widely utilised in developed financial markets – such as executive coaching – are grossly underutilised in some African countries.

In late 2012, the Consultative Group to Assist the Poor (CGAP)¹ conducted a global on-line survey that explored this paradox. The survey was part of a larger research initiative which aimed to better understand the dynamics within the market for skills development and other services; and to develop guidelines for funders to support market development.

In total, representatives of more than six hundred FIs and providers of capacity building services completed the on-line survey. Two hundred and fifty seven of the survey respondents were based in sub-Saharan Africa (SSA) and serve as the sample for the SSA analysis contained in this brochure.

Key highlights from the SSA analysis include:

- FIs acknowledge that the most significant short-term challenge they face is the lack of capacity to run their institutions professionally. They regard risk management, strategic planning and mid-level and people management skills as the most needed.
- Consistent with the demand for strategic planning and risk management capacity building, more than 75% of capacity building service providers (CBPs) claim to provide these services while only 58% claim to provide mid-level and people management skills training.
- Although FIs are aware of the availability of the services they need in the marketplace, they do not always regard these to be of high quality.
- Senior management of FIs, while acknowledging the need for skills development, do not always invest in capacity building. The result is that most capacity building initiatives within FIs are donor funded.
- Capacity building providers (CBPs) regard their inadequate understanding of FIs and the resultant inability to keep up with a fast evolving financial inclusion environment as their most significant challenge. In addition there is the challenge of finding, training and maintaining qualified staff for the provision of high quality services.

FSD Africa (FSDA)² recognises the critical role that services markets play in well-functioning financial markets. It also recognises that some FIs involved in providing services to the poor – some banks, but also non-bank FIs such as microfinance institutions (MFIs) and Savings and Credit Co-operatives (SACCOs) – are particularly hard hit by dysfunctional services markets because they tend to have weaker systems and find it difficult to compete with larger banks for scarce, skilled staff. FSDA aims to support the development of services markets in SSA and, for this reason, contributed funding towards the analysis of this data.

1 CGAP works toward a world in which everyone has access to financial services by developing innovative solutions for financial inclusion through practical research and active engagement with FIs, policy makers, and funders. <http://www.cgap.org> and <http://www.fsdkenya.org>

2 FSD Africa seeks to expand financial inclusion across Africa through building the capacity of FIs, promoting innovation in financial services delivery, as well as the facilitation of skills, knowledge and technology transfers and increased coordination between markets. [://www.fsdkenya.org](http://www.fsdkenya.org)

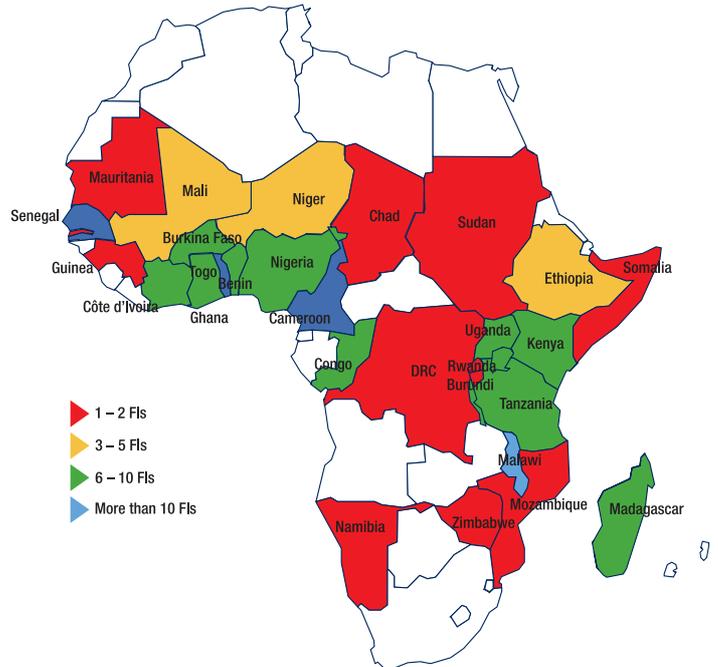
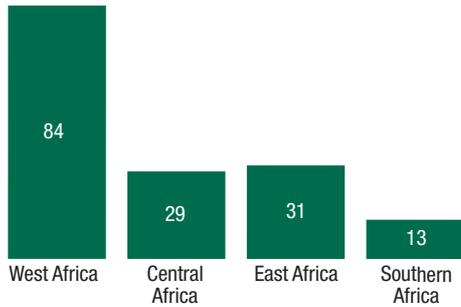
Sample description

The SSA sample comprised 157 respondents from FIs and 99 respondents from CBPs. As the SSA sample is not representative of FIs and CBPs across all regions within SSA findings should be regarded as indicative of trends.

■ The FI sample was skewed towards representatives from microfinance institutions from West Africa.

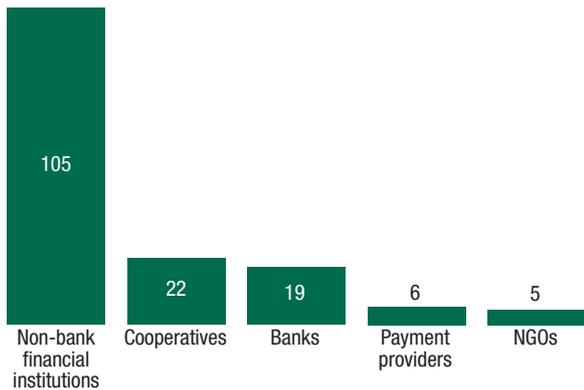
GEOGRAPHICAL DISTRIBUTION OF RESPONDENTS FROM FIs

Number of respondents



INSTITUTIONAL DISTRIBUTION OF RESPONDENTS FROM FIs

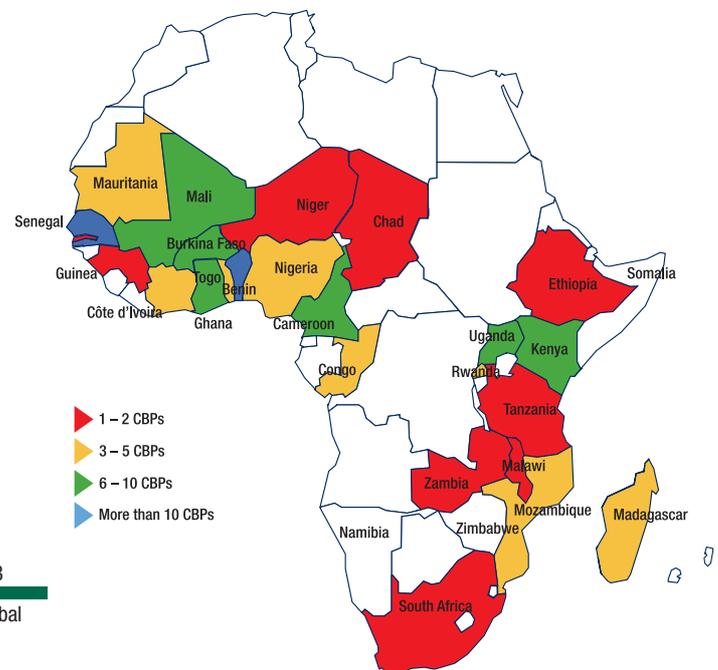
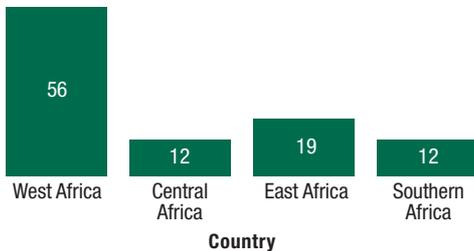
Number of respondents



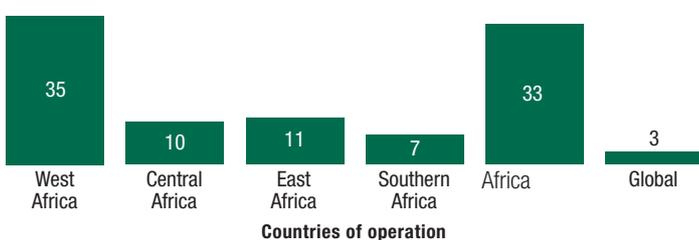
■ The CBP sample was skewed towards consultants (either from consulting firms or independent) from West Africa.

GEOGRAPHICAL DISTRIBUTION OF RESPONDENTS FROM CBPs

Number of respondents



Number of respondents



INSTITUTIONAL DISTRIBUTION OF RESPONDENTS FROM CBPs

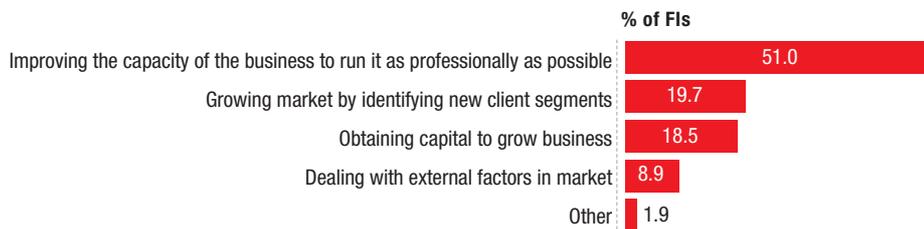


Challenges faced by FIs and CBPs

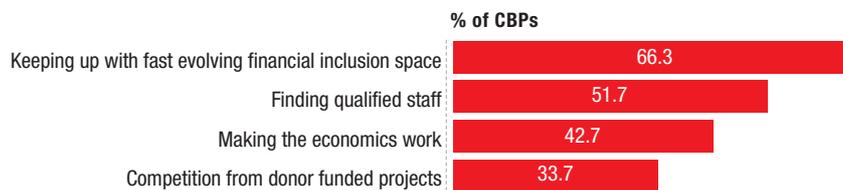
The majority of respondents from FIs (51%) regarded their most significant short-term challenge to be *the lack of capacity to run their institutions professionally*. Respondents from CBPs, on the other hand, regarded their most significant short-term challenge to be an inability to *keep up with a fast evolving financial inclusion environment e.g. regulation, political intervention, macroeconomic situation*.

- Respondents from commercial banks were less likely than those from non-bank FIs to regard *lack of capacity* as the most significant challenge they faced, and more likely to regard *dealing with external factors* as a significant challenge.
- Respondents from smaller financial institutions were significantly more likely than those from larger financial institutions to regard *lack of capacity* as their most significant short term challenge.

CHALLENGES FACED BY FIs



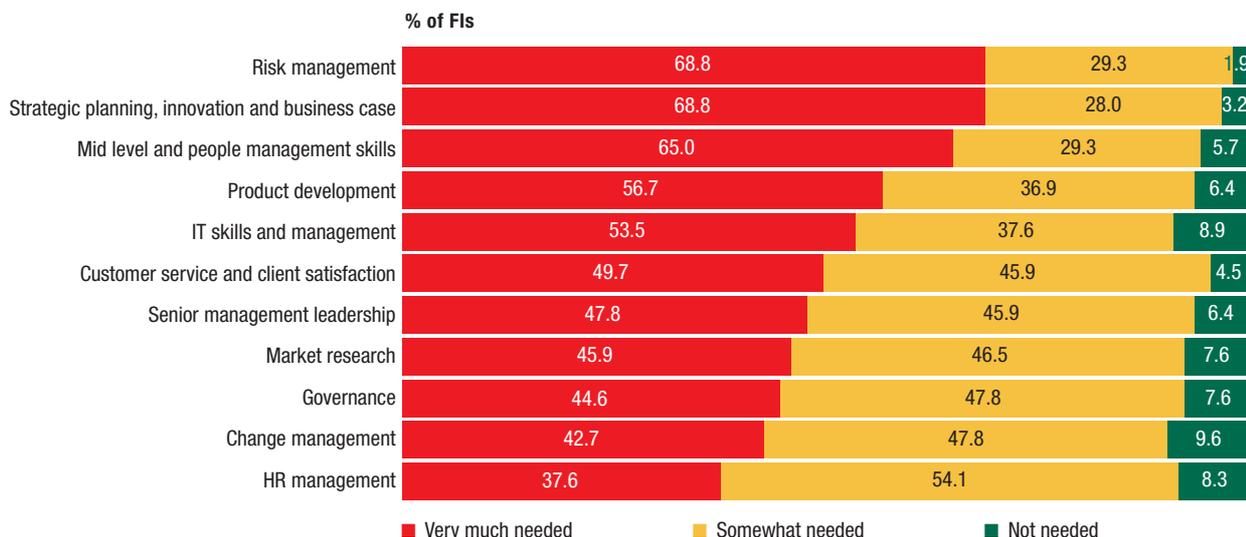
CHALLENGES FACED BY FINANCIAL SECTOR CBPs



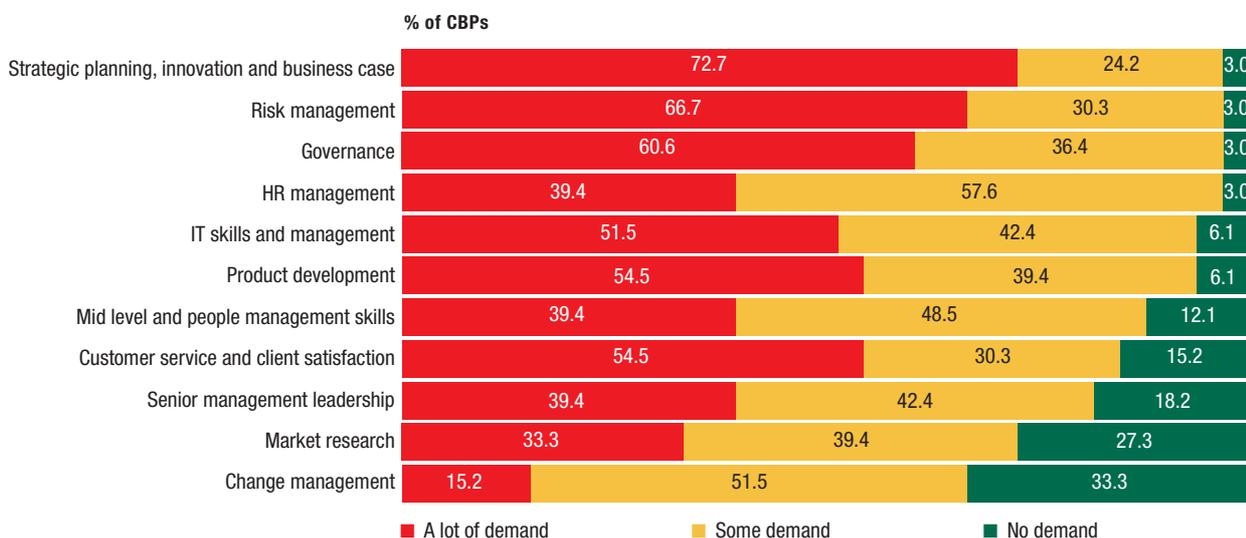
Perceived capacity building needs of FIs

Most respondents from financial institutions regarded *risk management, strategic planning and mid-level and people management skills* as the most needed capacities. Although most capacity building provider respondents were aware that there was a high demand for *strategic planning and risk management* capacity building amongst FIs, they seemed to over-estimate the demand for capacity building with regard to *governance* while under-estimating the demand for *mid-level and people management skills*.

PERCEIVED CAPACITY BUILDING NEEDS: FIs



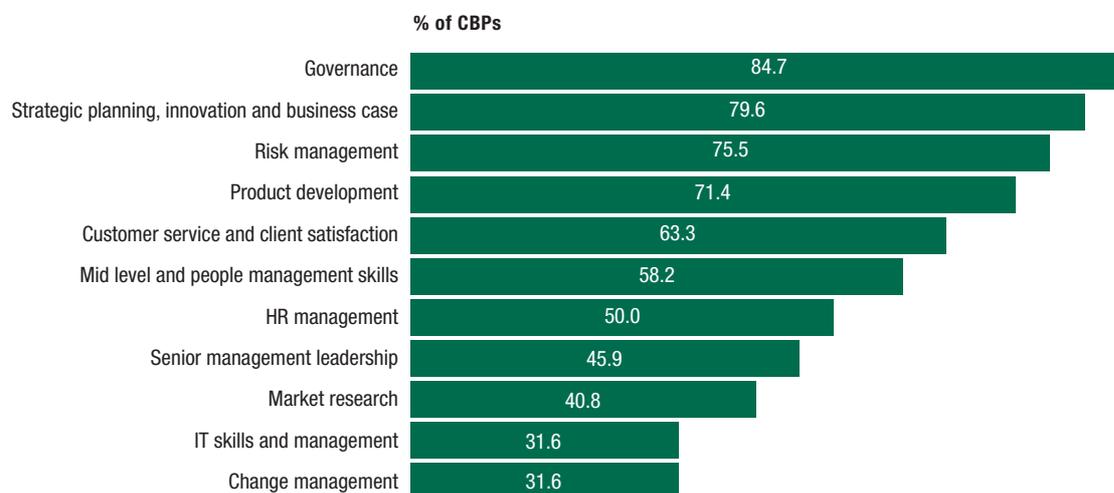
PERCEIVED DEMAND FOR CAPACITY BUILDING SERVICES: CBPs



Availability of capacity building services

Consistent with their perception of a high demand for *strategic planning and risk management* capacity building, more than 75% of CBPs claimed to provide these services while only 58% claimed to provide *mid-level and people management skills training*.

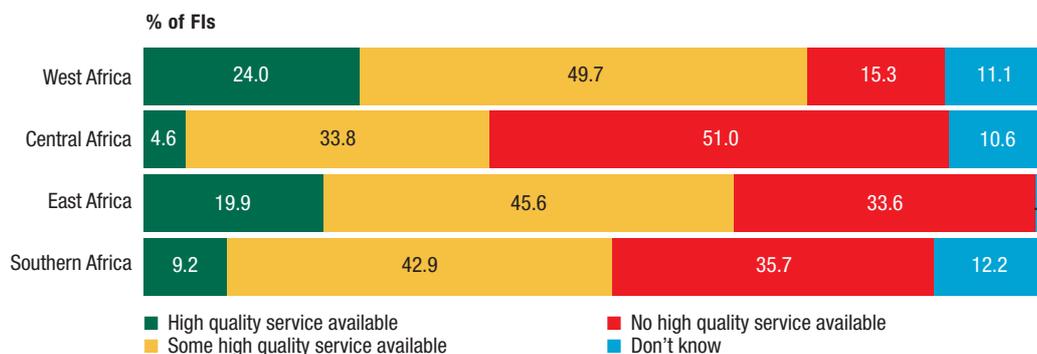
SERVICES OFFERED BY CBPs



Although FIs were aware of the availability of the services they needed in the marketplace, they did not always regard these to be of high quality. There was however, significant differences between regions as well as between different types of FIs.

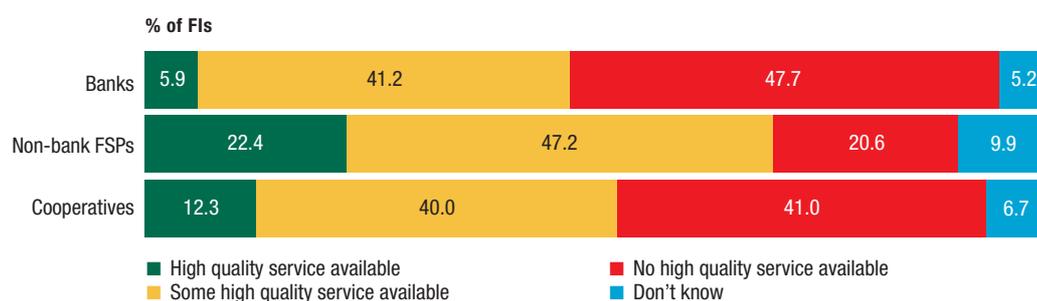
- Respondents from FIs in West and East Africa were most likely to be of the perception that high quality capacity building services were available.

PERCEIVED AVAILABILITY OF HIGH QUALITY CAPACITY BUILDING SERVICES BY REGION



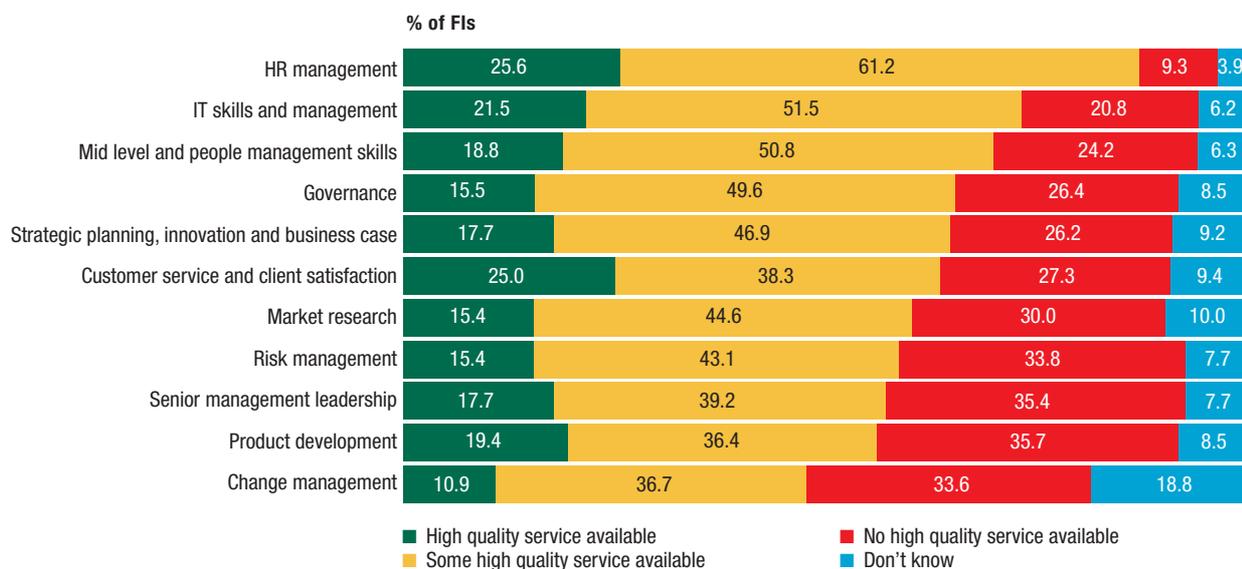
- Respondents from non-bank FIs were more likely than those from commercial banks to be of the perception that high quality capacity building services were available.

PERCEIVED AVAILABILITY OF HIGH QUALITY CAPACITY BUILDING SERVICES BY TYPE OF FIs



- Respondents from FIs were most likely to be of the perception that high quality services were available for capacity building programs which were non-financial (or more generic) in nature such as *human resources (HR) management, customer service and client satisfaction and information technology (IT) skills and management*. They were less likely to be of the perception that high quality capacity building programs for which knowledge of the financial sector was needed were available (i.e. *product development, senior management leadership, risk and change management*).

PERCEIVED AVAILABILITY OF HIGH QUALITY CAPACITY BUILDING SERVICES

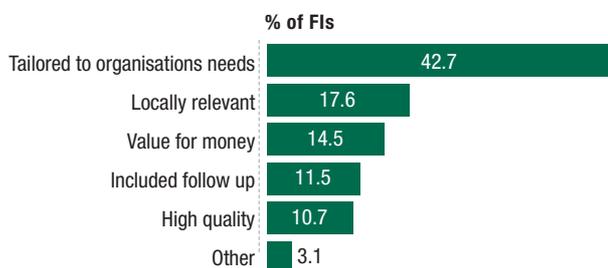


Most important features of capacity building services and conditions for change

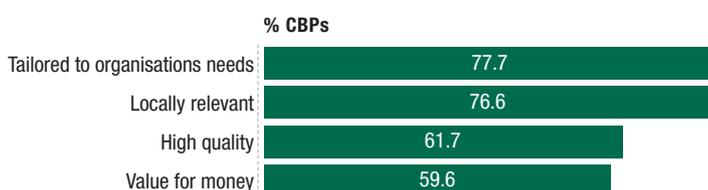
Respondents from FIs and those from CBPs were in agreement that the most important requirements for capacity building courses were that they had to be:

- Tailored to organisational need – implying a financial sector as well as institutional understanding – a feature regarded by CPBs as one of their most significant challenges.
- Locally relevant – implying a need for a local contextual understanding i.e. preferably **local** CBPs.

FIs' PERCEPTIONS REGARDING MOST IMPORTANT FEATURES OF CAPACITY BUILDING INITIATIVES



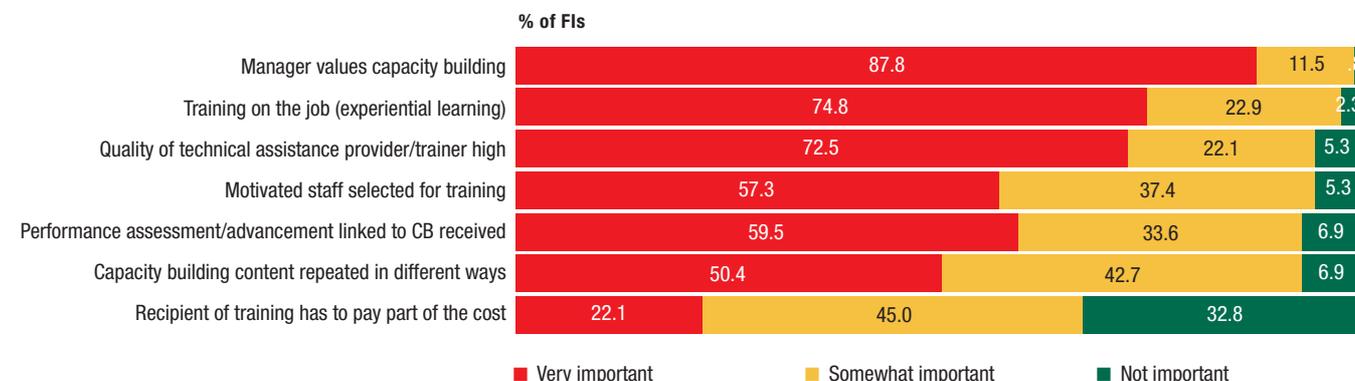
CBPs' PERCEPTIONS REGARDING MOST IMPORTANT FEATURES OF CAPACITY BUILDING INITIATIVES



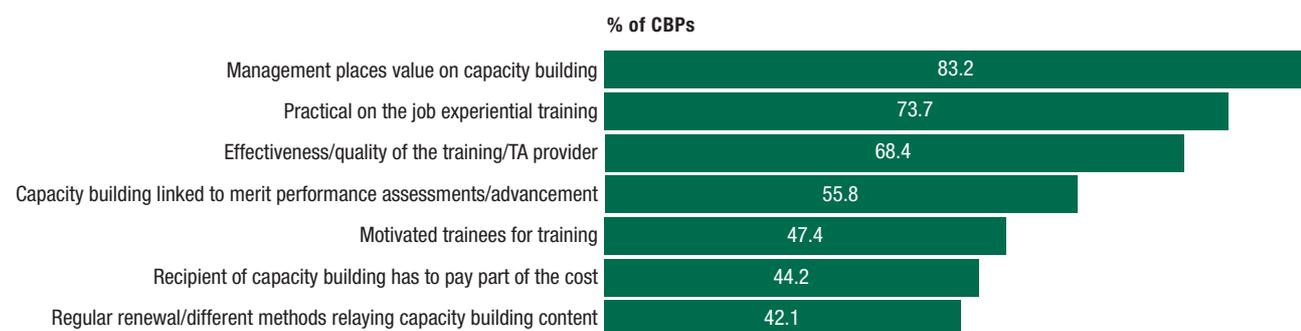
Respondents also agreed that in order for capacity building programmes to have an impact, it was critical that:

- Management of organisation receiving capacity building values it; and that
- Experiential (on-the-job) training was included in the capacity building programme.

FIs' PERCEPTIONS REGARDING MOST IMPORTANT CONDITIONS FOR IMPACT OF CAPACITY BUILDING



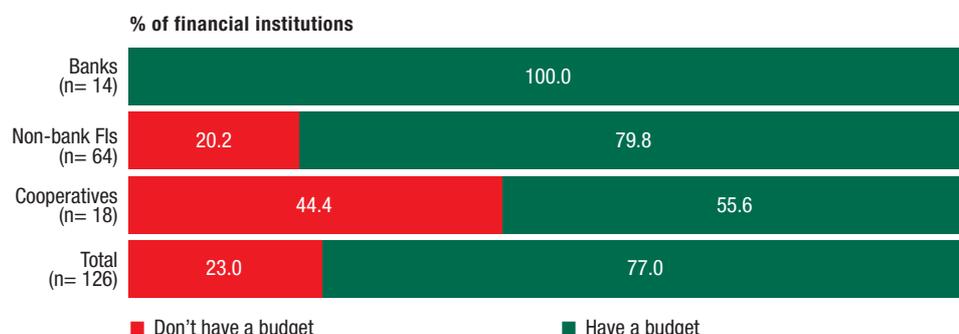
CBPs' PERCEPTIONS REGARDING MOST IMPORTANT CONDITIONS FOR IMPACT OF CAPACITY BUILDING



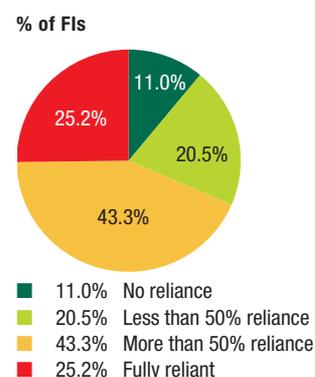
FIs: Budgeting and perceptions regarding value for money

Most (77%) respondents from FIs indicated that their institutions had a budget for capacity building. There was however a significant difference between different types of financial institutions. Commercial banks were most likely to have such budgets while non-bank financial institutions were significantly less likely to have such budgets and significantly more likely to rely on external financial support for capacity building. Only 11% of respondents from FIs indicated that external financial support was not important and that their institutions covered most capacity building costs themselves while 69% indicated that external financial support was either very or extremely important for capacity building.

AVAILABILITY OF BUDGETS FOR CAPACITY BUILDING AMONGST FINANCIAL INSTITUTIONS



FINANCIAL INSTITUTION RELIANCE ON EXTERNAL SUPPORT FOR CAPACITY BUILDING



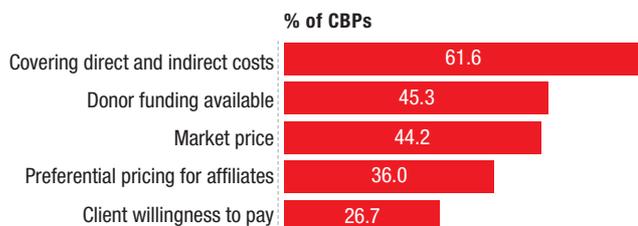
- Respondents from FIs in East Africa were significantly more likely than respondents from other regions to regard external financial support as either very or extremely important for capacity building.
- 82% of respondents from FIs were of the opinion that capacity building services were worth the cost.
 - Respondents from West African financial institutions were most likely to regard funds spent on capacity building as worth the money (89%)
 - Respondents from commercial banks were least likely to regard funds spent on capacity building as worth the money (36%)

CBPs: Pricing of services

Most CBPs had a profit motive (71%). Most respondents (62%) indicated that they regarded *covering direct and indirect costs* as important in setting a price for training services; 45% indicated that the availability of donor funding played a significant role.

- Only 30% of CBPs covered all their costs themselves while 70% relied, to some extent, on subsidies.

CBPs: PRICING FACTORS



Perceived bottlenecks to achieving a sustainable market for capacity building services for financial inclusion

Respondents from CBPs perceived the most significant bottlenecks to achieving a sustainable market for capacity building services to be:

- The **lack of funding** for capacity building especially amongst non-bank FIs and their consequent donor dependency in this regard.
- Lack of a training culture** amongst FIs often as a result of senior management not adequately valuing capacity building.
- Their **lack of understanding of the financial sector and its demand for capacity building** resulting in a supply orientation rather than a demand driven capacity building strategy.
- Their **lack of skilled trainers** – resulting in poor quality of services and generic/academic training rather than training customised for local context and institutional needs.

Conclusion

Lack of capacity to operate in a professional and sustainable manner in order to achieve their objectives remains a significant constraint for SSA FIs.

Capacity building initiatives that result in improved business success for recipient organisations is crucial to creating a sustainable financial market that would effectively facilitate increased financial inclusion. It is therefore crucial for capacity building initiatives to be relevant and focused on organisational needs. The importance of understanding the local context, the financial sector and the institutions responsible for service delivery, was highlighted by respondents of the CGAP on-line survey. It was recommended that this becomes a key area of development focus for CBPs as well as development agents funding capacity building initiatives. As the impact of capacity building initiatives aimed at building a sustainable financial market will be incremental, survey respondents also emphasised the importance of monitoring its effectiveness on an on-going basis.

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