

Standard Chartered: Enhancing Competitiveness of Small Businesses



“The SME [small and medium enterprises] sector is the engine of economic growth worldwide, and yet the sector’s full growth potential is far from realized. Many small SMEs are chronically underserved.”

-Peter Sands
Group Chief Executive,
Standard Chartered



Initiative Description

In 2008, Standard Chartered responded to the Business Call to Action by launching a pilot training program to provide promising small businesses in Pakistan with training and business development support. Standard Chartered’s initiative leveraged its deep knowledge of enterprise development to help small businesses unlock their full growth potential and strengthen their capacity to access credit.

Standard Chartered’s goals:

- Provide SME owners and managers with business training and skills development to grow their businesses
- Improve financial management and financial reporting among SMEs in order to access finance
- Increase awareness about the business value in implementing customer service best practices

Business Model

Weak infrastructure, conflict, and limited access to finance are among the many challenges that hamper economic growth in Pakistan. For the nation’s 3.2 million small and medium-sized businesses, even the slightest change in the political or economic eco-system can be difficult to weather.¹ But as in many emerging markets, the SME sector, comprised of small and medium enterprises, remains the backbone of the economy. Approximately 90 percent of all employment opportunities originate at this level and are responsible for up to 40 percent of the country’s overall Gross Domestic Product (GDP).² However, the full potential of this sector is not being realized. Not only do many of these small business owners lack the basic business training necessary to succeed, they are also chronically underserved by the commercial financial and banking sector.

With more than a 140-year history in Pakistan, Standard Chartered is the largest international bank in the country. Core to its offerings are products and services tailored to the needs of small businesses. Through its interaction with entrepreneurs, the bank recognized that many seemed to lack knowledge of business fundamentals. The SME Training Program sought to address this skills and knowledge gap with an intensive, two-day workshop that would provide entrepreneurs with a basic understanding of finance and accounting and customer service delivery.

The workshops, which were held in Lahore, Gujranwala, Faisalabad, and Sialkot—all cities where Standard Chartered Pakistan’s SME unit had a presence—attracted 146 small businesses. The entrepreneurs represented

1 Government of Pakistan’s Ministry of Industries, Production and Special Initiatives. (2007) SME Policy 2007: SME-Led Economic Growth – Creating Jobs and Reducing Poverty. Retrieved from <http://www.pakboi.gov.pk/pdf/Sectoral%20Policies/SME%20Policy%202007.pdf>.

2 Small and Medium Enterprises Development Authority. State of SMEs in Pakistan. Retrieved from <http://www.smeda.org.pk/main.php?id=34>

a wide-range of businesses that were directly and indirectly focused on metalwork, rice processing, textile production, and trade, which are the major industrial activities in the target cities. Standard Chartered later followed up with the entrepreneurs to learn more about the impact of the training on the small businesses.

By helping these entrepreneurs build the skills they need to become more competitive, the bank is contributing to the long-term growth of these small businesses and improving their ability to access finance. At the same time, Standard Chartered is realizing its business development goals for its SME banking unit by improving awareness of its financial products and banking services. In Pakistan's cutthroat SME banking environment, this initiative helped to set the bank apart, deepen loyalty of existing customers, and identify new customers.

How it Works:

The Standard Chartered Group announced the launch of the SME Training Program at its headquarters in London in May 2008. Several months prior, the Pakistan team had been approached by government officials requesting support in developing the capacity of the local SME sector. In response, Standard Chartered Pakistan worked in collaboration with headquarters to develop a concept for the pilot project, which they felt could have tremendous potential in other markets.

The Group provided Standard Chartered Pakistan with the funding to launch the pilot and set a December 2009

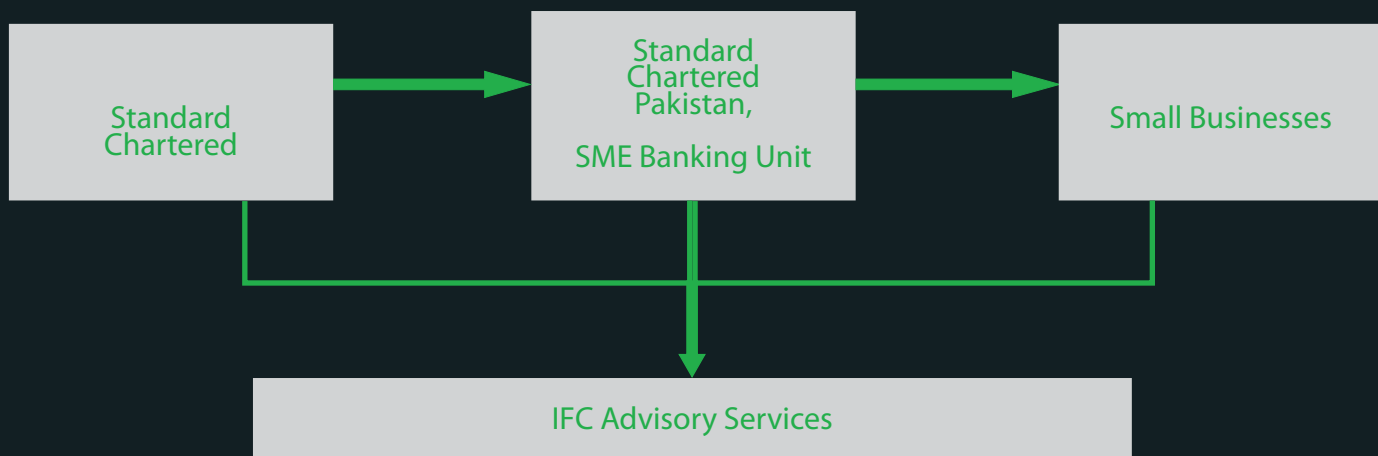
deadline for completion of the program. The Pakistan SME banking unit was put in charge of implementing the program. To help facilitate the delivery of training, the bank developed a partnership with the International Finance Corporation's (IFC) Advisory Services to the Middle East and North Africa (MENA) to utilize the group's Business Edge and SME Toolkit resources, which are geared towards building the managerial capacity of small businesses. Through this partnership, the Pakistan team received ready-made materials and training modules in addition to assistance in developing surveys to measure the impact of the trainings.

Concurrently, Standard Chartered Pakistan developed criteria for selecting which entrepreneurs to invite to the workshops. The SME unit determined that 90 percent of the entrepreneurs would come from its existing bank client base and the remaining 10 percent would be identified by local chambers of commerce or the government-sponsored SME Development Authority.

Throughout the months of March and April 2009, Standard Chartered's Pakistan office hosted the weekend-long workshops in Lahore, Gujranwala, Faisalabad, and Sialkot. The trainings were delivered by a local consulting firm trained in delivering the Business Edge business development modules.

Six months after the completion of the workshops, in the fall of 2009, Standard Chartered returned to each of the cities to follow-up with workshop participants and to gather feedback on the effectiveness of the training program.

Standard Chartered SME Training Programme Business Operations Model



Results Achieved

Standard Chartered's SME Training Program provided 146 small businesses in four cities in Pakistan with business development and capacity building training.

Business Impact

Around the globe, Standard Chartered is focused on growing its SME banking divisions. In Pakistan, the SME unit accounts for 10 to 12 percent of the bank's total business. Considering the importance of the sector within the country, the bank would like to see this unit play a more important role in the overall business. This initiative helped the unit to build its business by:

- Identifying new clients: Over the course of the program, Standard Chartered Pakistan generated 70 new client referrals of banking services from entrepreneurs participating in the workshops.
- Strengthening its relationship with government: By working in close collaboration with the Pakistan government to develop and implement this program, it helped to build and strengthen relationships that are important to the bank.
- Building media awareness: The SME Training Programme received an estimated \$2 million in media coverage from the launch of the workshop series.
- Deepening existing relationships: Approximately 130 of the entrepreneurs participating in the SME Training Program were existing Standard Chartered Pakistan customers. By providing training to these entrepreneurs, the bank has improved the quality of its portfolio, invested in customer loyalty, and helped to differentiate itself and its services from the many competing banks serving SMEs.
- Identifying potential new financial products: Standard Chartered Pakistan is working to identify and design customized banking products to supplement existing SME banking products.

Development Impact

Through this initiative, Standard Chartered is addressing Millennium Development Goal 1 to end poverty and hunger by strengthening opportunities for business growth and providing access to finance. Reported results include:

- Application of newly acquired business knowledge into practice: Just six months after the training workshops were held, 69 percent of participants reported that they have applied knowledge and information from the training into their business operations.
- Improved business practices: Fifty-six percent of participating entrepreneurs reported improved financial reporting, budgeting, and financial decision making. And more than half of the entrepreneurs changed either the structure of their company or improved customer service systems.
- Enhanced credit worthiness: At the beginning of the program, 20 percent of participating small businesses had irregular credit histories and either carried overdrafts or did not pay their loans back on time. After the program, almost three-quarters of these businesses had cleared any remaining debt or significantly decreased the amount they owed the bank, improving their credit worthiness and making them more eligible for subsequent loans.



Standard Chartered is present in more than 70 countries and has operated in Asia, Africa and the Middle East for over 150 years. It opened its first branch in Karachi in 1863 and is the largest and fastest growing international bank in Pakistan with 162 branches in 41 cities. The Group is committed to building a sustainable business over the long term.



Key Success Factors

Support from Headquarters

Although the Pakistan team led the design and implementation of the SME Training Program, Group headquarters remained involved throughout each step of the process. This support ensured that the Pakistan office had the resources needed to make this program a success.

Partnerships

Standard Chartered was able to leverage existing tools, training and resource materials developed specifically for SMEs through its partnership with the IFC. This partnership was a win-win for both sides. By utilizing the IFC's Business Edge training curriculum and materials, Standard Chartered was able to keep costs of the pilot down. The IFC, for its part, also benefited because it was able to extend its outreach to SMEs in Pakistan.

Establish Robust Monitoring and Evaluation Methodologies

Standard Chartered, in partnership with the IFC, prepared a robust monitoring and evaluation plan to measure the results and impact of the pilot project. The IFC outlined the different indicators that needed to be tracked and then provided the forms and surveys used in data collection. Standard Chartered conducted a baseline study of all participants in the training program in advance of the workshops. Three months after the completion of the workshop, a follow-on study was conducted as a means of capturing results. By collecting this data, Standard Chartered can more effectively track business and development outcomes of the program.

Local Engagement

The Standard Chartered pilot program was devised as a means of promoting SME development in Pakistan through its SME banking division in Lahore. This deep understanding and knowledge of the SME sector, its challenges and its growth areas, were critical to the success of the program as were the partnerships with the local chambers of commerce and government offices.

Next Steps and Spin Off Effects

The SME Training Program pilot was considered a success and garnered significant results for both Standard Chartered and the small business owners.

Around the globe, the banking group is evaluating the feasibility of scaling up the program in key markets in Asia and Africa. The next training program will be held in Kenya in Autumn 2010.