

Expanding accounting services to rural SMEs

This is an intervention summary from the MSD for employment (MSD4E) landscape assessment.

*The [Rural SMEs Development \(RSMED\) project](#) is seeking to improve the provision of financial advisory services to rural SMEs in Georgia. It does this through building **accounting services providers' (ASPs) capacities** to develop and diversify their services and delivery models to reach rural SMEs. The RSMED project has been collaborating with the Georgian Federation of Professional Accountants and Auditors (GFPA) to assess ASPs' capacity and knowledge gaps and identify how to develop their service offer; develop curricula for capacity building; build capacity amongst those ASPs and support them to offer improved services to SMEs; and monitor outcomes and report findings. Improved financial advisory services can improve the financial practices of SMEs and enable better access to finance which can lead to impacts including creating employment opportunities for rural people.*

Background information

Project	Rural SMEs Development
Funder	SDC
Implementer	Swisscontact / Mercy Corps/ Springfield Centre for Business in Development
Contact	Richard Rose (richard.rose@swisscontact.org)
Rural or urban?	Rural
Sectors	Multiple
Intended employment outcomes	Job creation
Target group (end beneficiaries)	Rural women and youth
Cross-cutting priorities	Gender and social inclusion
Years of operation	2022-2025

What constraints did the intervention aim to address?

Labour demand in rural SMEs is constrained by weak growth caused by:

- Poor financial management practices amongst SMEs (including financial documentation, investment planning and decision-making, cost-control and cash flow management, pricing).
- Limited access to capital/ finance:
 - In turn limited by weak accounting/ finance systems, lack of financial documentation/ evidence.

- Existing service providers (e.g. rural accountants) focusing mainly on existing needs - tax compliance and not seeing the opportunity to diversify into financial management.
- ASPs lack the soft skills and some technical knowledge and tools to provide financial advisory services effectively (training to address this).

Which market actor partners did the intervention work with?

1. Professional Accounting Federations
2. Regional-based accountants
3. Rural SMEs

What were the intended behaviour changes for these partners?

1. **Professional Accounting Federations:** Organise and deliver capacity-building training for accountants, promote the new service offerings to members, and enable time-bound cost-sharing of the initial service offering (with a declining subsidy).
2. **Regional-based Accountants:** Offer and eventually market new financial management services to SME clients. Improve soft skills and articulate the value proposition to SMEs.
3. **Rural SMEs:** Pay for the service, improve financial management and accounting practices, and use improved financial statements to grow their business (via successful loan applications, new strategies, etc.) and ultimately hire more labour.

How sustainable are these behaviour changes?

The intervention is still in its early stages, but there are some promising initial signs:

- Accounting firms are observing SMEs paying for services—initially subsidised, but in some cases, approaching full market value. Some ASPs are providing improved services to existing clients without additional costs.
- A sizeable portion of SMEs that accessed the financial advisory services have gone on to apply for and receive loans, enabling them to invest in their businesses. This outcome is crucial in reinforcing the value proposition of these services.

What were the intervention's key results?

- A total of 101 rural accounting service providers participated in the training. Out of the first 126 SMEs accessing the services, 47 have successfully applied for and received loans.
- Improved management practices have been observed among SMEs, including:
 - Improved budgeting and financial planning.
 - Enhanced cost analysis and control.
 - Better financial reporting and analysis (based on a survey of 76 SMEs).
- There is also anecdotal evidence of SMEs growing, expanding, and hiring more labour, such as a hotel owner in Kobuleti.

Note: RSMED had not yet conducted an impact assessment at the time of publication.

<i>Has a third party been involved in measuring these results?</i>	No
<i>Is the partner behaviour change the sole/major/minor contributing factor towards the employment-related outcome you've reported? (i.e. are there other contributing factors?)</i>	Unsure
<i>Results chain available?</i>	Yes

What is one lesson learned from this work?

- There is a significant difference between urban, capital city accounting firms and their approach to rural SMEs compared to rural/regional accountants (usually individuals or smaller firms). The latter are far more likely to build (or build upon existing) trust-based relationships and offer quality services that benefit and impact rural SMEs.
- Professional Federations hold significant power over occupations like accounting, which can be both a barrier and a leverage point. Initially, they may resist change, but if engaged effectively, they can provide a powerful network (extending into rural areas) and confer important legitimacy to any changes in practice. In this case, a slow and patient approach to building the relationship with the federations paid off for the project.

Relevant project documents

- Project website: www.rsmedp.ge
- Action Research in extending accounting services for SMEs in rural Georgia: https://backend.rsmedp.ge/storage/upload/application-pdf/2023-05-21/Action%20Research%20in%20extending%20accounting%20services%20for%20SMEs_e2d066af52b2b30d9b9f7900d75aee71.pdf

The MSD4E Intervention Library was compiled by the MSD4E Community of Practice and funded by the ILO, Mercy Corps and Swisscontact.

The [library is hosted by the BEAM Exchange](#)