

MICROENTERPRISE OVERVIEW

Date: 06/07

(1 HOUR)

OBJECTIVES: 1. Participants will be able to gain an understanding of Microenterprise.

OVERVIEW FOR TRAINERS: This may be used in TOT I if there is high interest in microenterprise. Recommendation: Add the SAIL Explanation lesson to provide SAIL ME financial funding option.

METHOD	TIME	KNOWLEDGE
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Case Study: Mamu Kabedi is a businesswoman. She makes and sells fried cakes. She and her daughter mix batter at home each morning. She sets up her stand along the road to the airport. She borrowed \$50 (or local equivalent) to get started. The equipment is simple. The pots, spoons, table, and brazier she uses in her business and things her family already owned. Although her husband teaches school, the extra money she makes helps to pay school fees.

10"

----SHO questions----

S = What do you See?
 H = What is Happening?
 O = Does this happen in Our place?

- I. Case study discussion.
 - A. Based on the story we just read, what are the key elements in a microenterprise?
 - B. Read the quote from the knowledge column.

- I. Case Study Discussion:
 - A. Key elements:
 - 1. Generally run by one person or family.
 - 2. The owner, manager, and worker are all the same.
 - 3. The owner usually produces and sells the product or service.
 - 4. They work with a small amount of capital.
 - 5. May only supplement the family income instead of being its main source.
 - 6. Generally provides a simple product or service.
 - 7. Generally in the informal sector of the economy with no taxes or fees.
 - 8. Generally has no permanent place of business, therefore pays no rent.
 - B. Now that we understand what a microenterprise is, let's consider how to set up a microenterprise program.

This lesson is part of an extensive series created by LifeWind International for use in Community Health Evangelism (CHE). In CHE, facilitators skilled in participatory learning methods enable communities to escape cycles of poverty and live as followers of Jesus. For information about CHE and how you can be trained as a facilitator, go to communityhealthevangelism.org, or contact [LifeWind International](#).

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		<p>There are two major components to a microenterprise program: training and funding. A good microenterprise program is a training program involving a little bit of money, not a money program involving a little bit of training.</p>
<p>II. Training in a microenterprise program.</p> <p>A. Break into small groups and make a list of topics that might be used to equip a person from a successful microenterprise before funding is made available. Emphasize that microenterprise is not vocational training, but that people will start a business based on something they already know how to do. Report back.</p>		<p>II. <u>Training in a Microenterprise Program:</u></p> <p>A. Topics in Microenterprise (ROSCA) training:</p> <ul style="list-style-type: none"> - What is Microenterprise? - Characteristics of Successful Businesspeople - Honesty - Rotating Savings and Credit Association (ROSCA) Explanation - Being a Person of Integrity - Supply and Demand - Mapping Microenterprises - Withstanding Temptation - Knowing Your Customers and Your Competition - Marketing - Perseverance - Added Value Products I - Faithfulness - Making a Business Plan – Part 1 - Obedience - Pricing and Profits - Measuring the Financial Health of Your Microenterprise - Self Control - Making a Business Plan – Part 2 - Listening and Trusting One Another - Serving Others
<p>III. How might a microenterprise program be funded? What have you seen done by other groups?</p>		<p>III. <u>Sources of Funding for a Microenterprise Program:</u></p> <p>A. Small loans from funding agencies or businessmen who will fund microenterprise programs. This fosters outsider ownership in the eyes of the community.</p> <p>B. Rotating Savings and Loan Credit Association (ROSCA).</p> <p>C. Savings through a Savings and</p>

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		Internal Lending Program (SAIL).
<p>IV. ROSCA Case Study.</p> <p>A. Read the case study and identify the key elements of a ROSCA.</p> <p>Case Study: A group of people from a community in Indonesia who know and trust each other have formed a ROSCA to help fund microenterprises for their families. Each member has agreed to bring a set amount of money each month to a meeting where the monies are pooled. All the money collected at a given meeting will be given as a “prize” to one member of the ROSCA. The group continues to meet every month until each member has received a prize. The order in which members receive the prize is decided by criteria established by the group. Once everyone has received their prize, the ROSCA is concluded.</p>		<p>IV. <u>ROSCA Case Study</u></p> <p>A. Key elements of ROSCA:</p> <ol style="list-style-type: none"> 1. Informal savings system. 2. Takes place among people who know and trust each other. 3. Each member agrees to bring a set amount of money periodically to a meeting where all monies are totaled. 4. The prize is given to a different member of the ROSCA each meeting. 5. The prize is equal to the number of members multiplied by the fixed amount contributed by each member. 6. The order for members to receive the prize is decided through agreement of the members (lottery, bidding, vote, etc.). 7. The ROSCA has a limited life (after each member has received the prize, the ROSCA is over) yet is usually restarted with another cycle. 8. Organized and run by needy people (not by a bank, organization, or microenterprise program). 9. Involves relatively small amounts of money. 10. The money payouts are used for many different needs (household items, insurance, to start small businesses, etc.).
<p>V. Revolving Loan Fund Case Study</p> <p>A. Read the case study below. and then answer the questions below.</p> <p>Case Study: After completing training in microenterprise and moral values, graduates were put in solidarity groups with five people in each group. Each person has a business plan and is waiting for a loan of \$50 to \$200 from the revolving fund. All five agree to be responsible for each loan received by one of their members. Daeng is a member</p>		<p>V. <u>Revolving Loan Fund Case Study</u></p> <p>A. Case Study</p>

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<p>of one of these groups, and she has been chosen by the group to receive the first loan. Immediately she puts the money to work and sets up her microenterprise in accordance with her business plan. The group meets every week to collect loan payments with interest, to monitor progress and to encourage Daeng in her venture. At these meetings they also study how to implement the 12 health principles they have agreed to implement in their homes. At their third meeting, Daeng begins to repay her loan so the next person in the group can receive their loan. They continue to meet together until all receive loans and every loan is repaid.</p> <p>B. Why do we need the accountability groups in a revolving fund program?</p> <p>C. What are the key elements of an accountability or solidarity group?</p>		<p>B. Accountability groups are needed as collateral to ensure that the loans are repaid.</p> <p>C. Key elements of an accountability or solidarity group:</p> <ol style="list-style-type: none"> 1. Made up of graduates of the microenterprise training who have a business plan. 2. Each group chooses who is to get the first and subsequent loans of \$50 to \$200. 3. People immediately start to repay the loan each week with interest. 4. Once the loan has started to be repaid, the next person in the group gets a loan. 5. If there is a default, the rest of the group is responsible for repayment. 6. They meet weekly to monitor progress. 7. At the meetings they are taught how to implement the 12 health principles they said they would do through CHE training. 8. If all loans are repaid in a group, all the individuals can qualify for a second larger loan.

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VI. What is needed to implement a revolving loan program?		VI. <u>What is Needed to Implement a Revolving Loan Program:</u> A. An organization to implement. B. Funds for operations and revolving loan fund. C. Business training program. D. People: 1. Administrator 2. Two trainers to train in microenterprise 3. Field workers to follow borrowers in their weekly meetings, collect funds, and do CHE training E. Borrowers willing to become accountable to others for work and loan repayment. F. Train field workers through an 18 hour field worker seminar
VII. In small groups discuss the advantages and disadvantages of ROSCA compared to the revolving fund in a CHE program. A. Advantages		VII. <u>Advantages and Disadvantages of ROSCA</u> A. Advantages: 1. Not dependent on outside sources of funding (and the associated outside requirements for receive that funding). 2. No interest charges because the prize is not a loan. 3. Higher likelihood that participants will follow through on their commitments because it is their money they are working with and people they know and trust who are involved. 4. Higher sense of business ownership and commitment. 5. Self-cleansing: people are easily excluded from the next cycle. 6. May void regulatory issues associated with traditional revolving loan programs. 7. More conducive to small microenterprise programs as administrative functions are handled by the participants.
B. Disadvantages		B. Disadvantages: the prize to be used for business is generally quite small.

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ATTITUDE: Facilitator has an understanding of microenterprise and is prepared to introduce the various aspects to the participants.

SKILL: Participants will be able to gain an understanding of microenterprise and of how it can be implemented in their area.

EVALUATION: Facilitators will know that participants have learned the content of this lesson when they see the participants begin making plans to implement microenterprise in their area

MATERIALS:

- Newsprint
- Marking Pens
- Masking Tape
- *Microenterprise Overview* handout

This lesson is used in: Program Trainings –

Microenterprise Overview

Case Study #1: Mamu Kabedi is a businesswoman. She makes and sells fried cakes. She and her daughter mix batter at home each morning. She sets up her stand along the road to the airport. She borrowed \$50 (or the local equivalent) to get started. The equipment is simple. The pots, spoons, table and brazier she uses in her business are things her family already owned. Although her husband teaches school, the extra money she makes helps to pay school fees.

Case Study #2: A group of people from a community in Indonesia who know and trust each other have formed a ROSCA to help fund microenterprises for their families. Each member has agreed to bring a set amount of money each month to a meeting where the monies are pooled. All the money collected at a given meeting will be given as a “prize” to one member of the ROSCA. The group continues to meet every month until each member has received a prize. The order in which members receive the prize is decided by criteria established by the group. Once everyone has received their prize, the ROSCA is concluded.

Case Study #3: After completing training in microenterprise and moral values, graduates were put in solidarity groups with five people in each group. Each person has a business plan and is waiting for a loan of \$50 to \$200 from the revolving fund. All five agree to be responsible for each loan received by one of their members. Daeng is a member of one of these groups, and she has been chosen by the group to receive the first loan. Immediately she puts the money to work and sets up her microenterprise in accordance with her business plan. The group meets every week to collect loan payments with interest, to monitor progress and to encourage Daeng in her venture. At these meetings they also study how to implement the 12 Health principles they have agreed to implement in their homes. At their third meeting, Daeng begins to repay her loan, so the next person in the group receives their loan. They continue to meet together until all receive loans and every loan is repaid.