Micro Enterprise w/ Bish

If you are interested in this, let me know.
Because I can go into more detail outside of class (Bish)

3 TYPE OF ASSISTANCE
1. Supply Side
   - Give Credit
   - ME (Micro Enterprise)
     train owners + workers
     IE help to make more w/ market
   - Create Technologies [D-Lab]

2. Increase Demand for Product (not so common)
   - IE ask gov’t to buy from vendors
     gov’t needs receipt/difficult w/ informal sector

3. Empowerment
   - a lot of talk about this
   - multiple definitions
   - assumptions of empowerment... (later in notes)

SUPPLY SIDE
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Won’t go into detail about the following options:
- Trade Organizations + Co-operatives
- Improve working conditions
  IE giving them gloves
  repeal gov’t regulations for people working in the informal sector
  Street Vending > Police Harrassment > Bribe
  Making street vending legal reduces this cost

GOOD RESEARCH:
When policy was made, what were the assumptions
use this assessment to inform new policy

Provision of Credit
Reluctance to Provide Credit
1. High Default Risk
   Muhammed Yunus changed this assumption completely
2. ?
3. Prejudice against women
   “business is what men do”
   assumptions proven wrong

There is bias towards people saving in a way that you don’t
4. Inability to meet bureaucratic procedures
5. Existing Loan repayment system not convenient for MEs
   don’t have fixed income (unpredictable)

- higher interest rate
- money lenders set the price for the money
- money lenders charge the market rate
  “what people are willing to pay”
Lessons Learned

Credit to Yunus

proving poor is not high risk group
  poor is not a homogenous group
  identifying good candidates

Created Structure in which communities decides

ULTIMATELY AFTER INFORMATION

Social pressure by peer group to pay back loan.
  - people meet everyday
    (have to live close by, doesn’t work in Arkansas)
  - a monitoring social network
    connect to other people
    share issues other than the loan

Leasons Learned about Credit Delivery

2 Types
- Short Term (crisis)(loan shark type)
  important to get short term elements right
  or else people will stick with loan shark
- Long Term (renegotiable)

Poor people are more concerned with ACCESS to the loan than
with the INTEREST RATE
- Grameen charges 32%
- IF interest rate is too low, you attract
  the wrong target audience
- make unattractive to middle class
  people who don’t have time for daily rituals
  - solidarity group helps to define the ritual
    what does the community say

Most institutions created to provide credit,
have yet to become self sufficient
- have to save/invest money too
  [this hasn’t been figured out yet]
- Grameen -> started to move to housing
- Need savings to create a sustainable solution

To ensure lending to large #’s
big institutions have to get involved
- they have the infrastructure to be efficient
- credit guarantee scheme
  {bank of holland example}

Don’t treat money lenders as bad guys
- they have info (of different types) that
  the poor trust. A source and symbol.
  - poor won’t cut off all previous ties to
  be part of new structure (microfinance)

KEY ASSUMPTIONS
Training and Technical Assistance

- lack of tech knowledge
- lack managerial + business skills
- women need to be liberated from household work

Skills are not FIRM specific
- learning new skills doesn’t create labor mobility
- here in the “west” people learn skills then
  move to a new job
- the poor are able to do the same

Does it have to be multi-facted (credit +)?
IF giving business advice too
DO ONE THING WELL, and then expand, after learning
what makes sense
How will it scale over time/space (to the next village)

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have yet to become self sufficient
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  [this hasn’t been figured out yet]
Lessons Learned

- MEs are very responsive to market fluctuation
  - in ways we can’t imagine
  - it takes a lot to be flexible
- Success doesn’t need new skills
  ACCESS to new markets for old skills
  - different demand than asking person to learn a new skill
  - No guarantee for a new market w/ new skill
  There should be a clear benefit for skill training program should reimburse the person

“If it is not a problem that they will face on the day to day then it will not stick.”

Learning on the job, not a training course

People take skills, then move to a new job, move to city
“people want to be in a place that is thriving”
Why should poor be any different then everyone else around the world?

Teach entrepreneurship… what does that mean?

Ask: Why hasn’t cheap technologies not come yet?
  b/c large scale firms don’t cater to the market?
  cheaper than other options
  how much vs their income though
  how much… do they really make can they pay/afford

Tech for ACCESS to new markets are appealing
  cleaners wanting gloves vs. new broom dust pan
  - reduce health hazard, people see the benefit