

D-Lab Development

2009.10.30

Micro Enterprise w/ Bish

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

3 TYPE OF ASSISTANCE

1. Supply Side
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

- Give Credit
- ME (Micro Enterprise)
 - train owners + workers
 - IE help to make more w/ market
- Create Technologies [D-Lab]

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

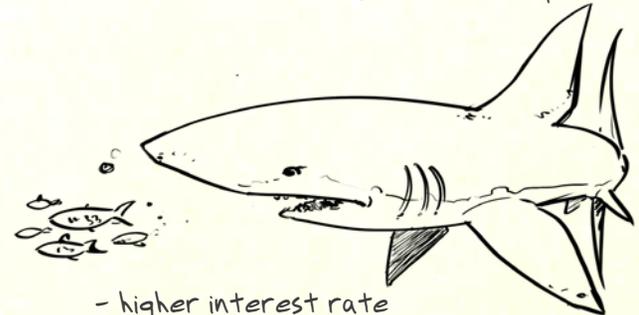
Provision of Credit

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 (unpredicatable)



- 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



Lessons 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

Does it have to be multifaceted (credit +)?



- IE 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)

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

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 than everyone else around the world?

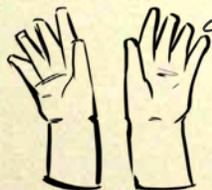
Teach entrepreneurship... what does that mean?

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



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