

# 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

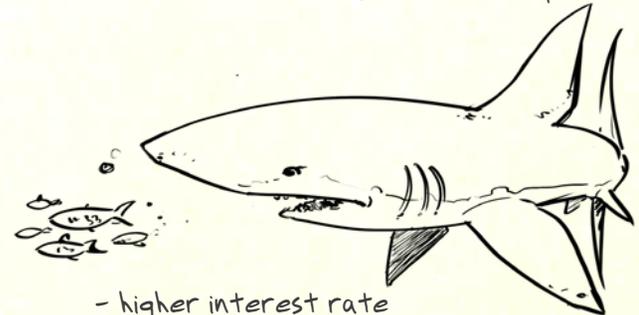
## Provision of Credit

### 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?

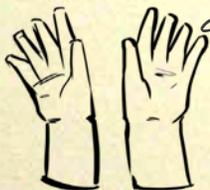
Teach entrepreneurship... what does that mean?

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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