

Microcredit for Sustainable Development

OVERVIEW

Students research a developing country and then apply for a \$100 microcredit grant to start a small business, as if they were a person living in that country. A business plan and an illustrated poster are presented to a “sustainable development panel of experts” (students) who determine whether or not the business plan is economically, socially, and environmentally sustainable.

INQUIRY/CRITICAL THINKING QUESTIONS

- What are some structural causes of poverty?
- What is sustainable development?
- What is microcredit and how can it help alleviate poverty?

OBJECTIVES

Students will:

- Conduct Internet research on a developing country
- Prepare a microcredit business plan as if they were a person living in that country
- Evaluate their peers’ business plans
- Understand how structural solutions can help alleviate poverty

TIME REQUIRED: 2 hours

plus out-of-class time for research and poster preparation

KEY ISSUES/CONCEPTS

- Sustainable development
- Microcredit
- Structural solutions

SUBJECT AREAS

- **Social Studies** (World History, World Cultures, Geography, Economics, Global Studies, Civics/Government, Contemporary World Problems)
- **Science** (Environmental, Life)
- **Business/Finance**
- **Math**

NATIONAL STANDARDS CONSISTENCY

- **NCSS: 1, 3, 5, 7, 8, 9, 10**
- **NSES: C, E, F**

GRADE LEVEL: 9–12



FTF Related Reading

- Intermediate: Chapter 9 from *Global Issues and Sustainable Solutions*
- Advanced: Unit 6, Chapter 6 and 7 from *It's All Connected*

Vocabulary

- **Sustainability** – Meeting current needs without limiting the ability of future generations to meet their needs.
- **Sustainable Development** – Practices in areas such as agriculture, economic development, health care, and

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education that lead to economic, social, and human progress, are locally appropriate, and meet the needs of current generations without limiting the ability of future generations to meet their needs.

- **Structural Solution** – A solution to a critical problem, such as poverty, that addresses the underlying causes of the problem. Structural solutions often require action by governments or large institutions.
- **Microcredit** – The business or policy of making small loans or grants to poor people for entrepreneurial (business) projects.

Materials/Preparation

- Overhead: *Sample Microcredit Business Plan*
- Handout: *Grant Application*, 1 copy per student
- Handout: *Microcredit Business Plan Presentation*
- Internet access for each student (or students can do their research out of class)

Activity – Day 1

Introduction

1. Write this quote on the board or overhead and have students do a freewrite on it:
“Give a man a fish and he’ll eat for a day, teach him how to fish and he’ll eat forever.”
Have students share their thoughts on the quote. What does it mean? What might fish represent? To what global issues might this quote apply?

2. Review the vocabulary words, if necessary.

Steps

1. Show students the *Sample Microcredit Business Plan* and ask if they can figure out what it is. After students have shared their ideas, explain that this is an actual application from a person in India who applied for a microcredit grant from Trickle Up, a micro-granting organization that gives extremely poor people \$100 grants to start a business.
2. Tell students that they are going to research a developing world country and, as if they were a person living in that country, they are going to apply for a microcredit grant to start a small business.
3. Go over the assignment sheet, *Microcredit Business Plan Presentation*. This assignment includes Internet research, a business application, and a poster presentation.
4. Pass out the *Microcredit Business Plan Application* and go over it with them. (You can either have students do this assignment individually or they can work in small groups of 2-3).
5. Give students assignment deadlines when they will be required to bring their poster and business applications to class. They will need a few days of outside class time to complete their research, paper, poster, and business application. Alternatively, you can have the students do some of the work in class if they have in-class Internet access and poster supplies.

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Activity - Day 2 & 3

Steps

1. On Day 2 (and 3, if necessary) students present their posters and business plans to a panel of experts that include a **microcredit funder**, an **environmentalist**, and a **community activist**.
2. Go over the panelist instructions on the assignment sheet. Each student will have a chance to present his/her business plan and serve on the panel.
3. Call on 3 students to take the role of a panelist for each plan presented. Pass out the role cards and give them a few minutes to review their roles.
4. The panel will listen to the applicant's presentation, ask questions, and then assign points (as indicated in the assignment sheet) to the business proposal.
5. Proposals receiving a minimum of 15 points will be granted a microcredit grant. Those that do not receive the minimum points will have a chance to revise their plan until they receive the grant.
6. Conclude with the following reflection questions.



Assessment Reflection Questions

For Intermediate and Advanced Students

- How do you think it would feel if your life was like the person you represented in your business plan?
 - What business would you start if you were given a microcredit grant?
- Does this process of micro-granting seem like it works well as a way to alleviate poverty?
 - What can you do personally to help alleviate poverty?

For Advanced Students

- What do you think might be potential flaws or problems associated with microcredit?
- What are other ways to alleviate poverty aside from microcredit?

Action Projects

- Do a "Trickle-Up" Service Learning Project in which students raise money to provide small business grants for poor people in developing countries. For a detailed description of this and other service learning projects, visit www.facingthefuture.org and click on **Take Action** and then click on **Service Learning Projects**.
- Organize a "Penny Challenge" at your school to support a microcredit organization. Each

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penny is worth a point, and the team that gets the most points wins. Bills or coins other than pennies count as negative points (a quarter is –25 points) and can be put in the other team's container thus decreasing your competitor's total points, but increasing the total money raised! Display the pennies in large clear containers so that people can watch the money pile up. Try guys against girls, grades competing against each other, or classrooms racing to have the most points. The winning team gets to decide which microcredit organization they will donate money to.

- Throw a “BeadWear Party” at your school through the BeadforLife project. BeadforLife is an organization that fights poverty by employing very poor women in Uganda to make beautiful jewelry out of recycled paper. This project gives students the opportunity to help women feed their children and send them to school by selling their products, while at the same time educating yourself and your friends, parents and community about Uganda and the plight of poor people around the world. For a detailed description of this and other service learning projects, visit www.facingthefuture.org and click on **Take Action** and then **Service Learning Projects**.

Additional Resources

Films

- *Credit Where Credit is Due*, Ashley Bruce, Bullfrog Films, 2000, 24 minutes, www.bullfrogfilms.com. This documentary film recounts how taking out a loan revolutionized the lives of village women Jahanara, Bilkis, Nargis, Minara, Majeda and Shonda – not only increasing their incomes but also helping

to improve their health and the health of their children.

- *Small Fortunes: Microcredit and the Future of Poverty*, Sterling van Wagenen, 2005, 60 minutes. This documentary describes the impact that microcredit is having throughout the world through the stories of twelve microentrepreneurs living in Bangladesh, India, Kenya, Peru, The Philippines, and the United States. Microcredit luminaries and experts describe how microcredit is a powerful tool in fighting poverty and provide insights into the issues confronting the microcredit movement.

Websites

- www.grameenfoundation.org
Grameen Foundation USA is a global nonprofit organization that combines microfinance, new technologies, and innovation to empower the world's poorest people to escape poverty.
- www.trickleup.org – The Trickle Up Program's mission is to help the lowest income people worldwide take the first step out of poverty by providing conditional seed capital and business training essential to the launch of a small business.
- www.globalpartnerships.org – Global Partnerships is an innovative leader in the fight against poverty around the world through microlending programs to help the poor help themselves, the development and sharing of model programs that offer sustainable solutions to poverty, and through the Initiative for Global Development.

Lesson 34 Overhead:

TRICKLE UP PROGRAM BUSINESS PLAN

1999

PLEASE PRINT

Date: 01 / 11 / 99
day month year

Business No. IND / KSRA / 143 / 99

Initial Check Number: 935317

Our Country's currency is the: Rupees The exchange rate is 42.00 = US \$1. Please provide figures in local currency

PRODUCT

1. What is your product or service? CYCLE REPAIRING SHOP

2. Where is your product sold? In the market Door to door At Home Other

3. What is the name of your business? _____

COSTS

4. What do you need to start or expand your business? (List only items that last a long time, such as equipment and tools.)

Items	Cost
<u>MACHINE TOOLS</u>	<u>800</u>
One - Time Costs : No. 4 Total =	
	<u>800</u>

COSTS

5. What do you need to buy to keep your business going each month? (List items such as raw materials, rent transportation, animal feed.)

Items	Cost / Month
<u>BYCYCLE PART, TYRE-TUBE</u>	<u>1300</u>
<u>ETC.</u>	
Monthly Operating Costs : No. 5 Total =	
	<u>1300</u>

6. Add No. 4 and No. 5 for total cost for 6 month of operations :

<u>800</u>	+	<u>1300</u>	=	<u>2100</u>
No. 4 Total		No. 5 Total		Total Cost 1st MO.

MEETING THE COSTS

7. What will you bring to the business?

8. What will others contribute?

9. What will you buy with Trickle Up \$50 ?

10. Total resources available : (add 7,8,9)

Items (cash/tools/materials)	Cost
<u>MACHENIC TOOLS, AIR PUMP etc.</u>	<u>800</u>
<u>CYCLE PARTS, TYRE, TUBE</u>	<u>1300</u>
One - Time Costs : No. 4 Total =	
	<u>2100</u>

11. Are the total resources available (No. 10) greater than or equal to your total costs for the 1st month (No.6)? Yes No. If yes, please answer the rest of the questions. If no, you should reconsider your business plan.

PROFITS

12. How much money do you think you can make in SALES in month?
Please refer to Worksheet calculations.

13. What are your COSTS 6 months (No. 5)?

14. (a) Your 6 Months PROFIT is 3500 - 1300 = 2200

<u>3500</u>	-	<u>1300</u>	=	<u>2200</u>
Sales (No.12)		COSTS (No.13)		TOTAL PROFIT

(b) What will your PROFIT be in three months (No. 14a X 3)
The Trickle Up Business Report is based on sales in a 3-month period

<u>2200</u>	X	<u>3</u>	=	<u>6600</u>
TOTAL SALES		TOTAL OPERATING COSTS		TOTAL PROFIT

15. How will you use your profits? Check all that apply.

(a) Reinvestment Buy tools/equipment Buy raw materials/merchandise For savings

(b) For family/personal use

Microcredit Business Plan Application - Page 1

(adapted with permission from Trickle Up)

PLEASE PRINT

Country: _____

Our country's currency is the: _____ The exchange rate is _____ = US \$1. (Provide figures in local currency)

PRODUCT

1. What is your product or service? _____

2. Where is your product sold? In the market Door to door At Home Other

3. What is the name of your business? _____

COSTS

4. What do you need to start or expand your business? (List only items that last a long time, such as equipment and tools.)

Items	Cost
One-Time Costs: No. 4 Total =	

5. What do you need to buy to keep your business going each month? (List items such as raw materials, rent, transportation, animal feed.)

Items	Cost/Month
Monthly Operating Costs: No. 5 Total =	

6. Add No. 4 and No. 5 for total cost for first month of operations: _____ + _____ = _____
No. 4 Total No. 5 Total TOTAL COST 1ST MO.

MEETING THE COSTS

7. What will you bring to the business?

8. What will others contribute?

9. What will you buy with the \$50?

Items (cash/tools/materials)	Cost
Investment: No. 10 Total =	

10. Total resources available: **(7, 8, 9)**

11. Are the total funds available **(No. 10)** greater than or equal to your total costs for the 1st month **(No. 6)**? Yes No
 If yes, please answer the rest of the questions. If no, you should reconsider your business plan.

Microcredit Business Plan Application - Page 2

PROFITS

12. How much money do you think you can make in sales in 1 month? _____
MONTHLY SALES
13. What are your costs each month (from No. 5)? _____
MONTHLY OPERATING COSTS
14. (a) Your monthly profit is _____ - _____ = _____
Sales (No. 12) Costs (No. 13) MONTHLY PROFIT
- (b) What will your profit be in 3 months (No. 14a x 3)? _____ = _____
The Business Report is based on sales in a 3-month period PROFIT FOR 3 MONTHS
15. How will you use your profits? Check all that apply.
(a) Reinvestment: Buy tools/equipment Buy raw materials/merchandise
(b) For family/personal use For savings
16. Does your business involve? (check all that apply)
 growing crops raising animals Food processing or making something
 Services Buying and selling ONLY
 Other (please describe): _____
17. How will you use the \$50 grant? To start a new business To expand an existing business
18. Will this be your main source of money? Yes No
19. Is this a family business? Yes No
20. How many people work in the business? _____ Of these, _____ are female, and _____ are male.

21. Is your business in a (check one) Rural area Urban area or Semi-urban/Suburban area?

LONG TERM GOALS

22. How will your business plan affect structural change and help to alter the cycle of poverty for you and your family?
23. How will the business plan be environmentally sustainable?
24. How will the business plan be socially and culturally sustainable?

I apply for a Conditional Grant of US\$100 for this business. I have read and agree to the following conditions:

1. I will start a profit-making enterprise that generates continuing income;
2. If this plan is approved, the microcredit funder will make an immediate payment of \$50 in the form of a conditional grant;
3. I will save or reinvest at least 20% of our profit in the business;
4. Each person in the business will work at least 250 hours within the first 3 months;
5. The final \$50 payment will be made only if our business is continuing and if we submit a Business Report within 12 months, showing that the conditions of the grant have been met.

Signature _____

Lesson 34 Handout:

Research and Microcredit Business Plan Presentation - Page 1

The project consists of 3 parts:

- **Internet Research** – Research and take notes on a developing country, focusing on its economic situation
- **Microcredit Business Plan** – Prepare a Microcredit Business Plan and apply for a \$100 microcredit grant as if you were a person living in that country
- **Poster Presentation** – Present your Microcredit Business Plan to a panel of experts who will decide if your plan is economically, environmentally, and socially sustainable

Internet Research

Choose a developing region or country and identify an economic challenge there. For example, in India an economic focus could be farmers whose topsoil has eroded away. Research the following questions about your country and take notes:

- **What is the essential geography and demographics of the country?** (physical geography, such as climate and topography, and vital statistics of population density, GDP, per capita income, infant mortality, and other key quality-of-life indicators for the region)
- **What are the economic challenges and effects of long-term poverty in the region?**

Some good websites to start your research:

United Nations Development Program: www.undp.org

CIA Factsheets: <http://www.cia.gov/cia/publications/factbook/index.html>

World Resources Institute: www.wri.org

Population Reference Bureau: www.prb.org

Microcredit Business Plan

As you conduct the research, think about what sort of business plan you will offer as a solution to pressing economic challenges. Then, as if you were a local person from that region, complete a *Microcredit Business Plan* for a \$100 grant. Your plan should be convincing and promising in terms of the realities of the region and economy, as well as in terms of the hypothetical person that you portray as the business owner. In completing the application, you will address these questions:

- **Product:** What is a realistic product or service? Consider local resources, market, and skills.
- **Costs:** What are realistic one-time and on-going monthly costs?
- **Meeting the Costs:** What will the owner's monetary and capital investment be? What other financial resources will they need?
- **Profits:** Calculate and project monthly profit and 3 month profit.
- **Long Term Goals:** How will the plan affect structural change and help alter the cycle of poverty for the owner? His/her family? What are the environmental impacts of the proposed business? How will the business plan affect the local and regional culture?

Poster Presentation

You will present your *Microcredit Business Plan* in the form of a poster session before a 3-person committee representing different interests, including a **Microcredit Funder**, **Environmental**ist, and **Community Activist**.

- Your poster must include a business logo and other visual aids, such as a map, graph, table, diagram, flow chart, timeline, photographs, and drawings. Think about what type of business logo and visual aids will make your proposal more convincing and promising.
- When presenting your plan, be confident, knowledgeable, audible, clear, and organized.
- The committee will vote for or against funding your plan based on how factually convincing and how promising the proposal is in terms of **structural change/poverty alleviation**, **economic feasibility**, **environmental sustainability**, and **effect on society and culture**.

Lesson 34 Handout:

Research and Microcredit Business Plan Presentation - Page 2

Panel of Experts

Each of you will also serve on the panel representing one of the 3 experts: **Microcredit Funder**, **Environmentalist**, and **Community Activist**. As an expert, you will analyze the business plan for its economic, environmental, and social sustainability.

- Read your panel role carefully.
- During the presentation, listen carefully, pay close attention, and take notes.
- After the applicant presents his/her proposal you may ask questions from the perspective of your role.
- Without conferring with fellow panel members, rate the plan for each of the 2 categories listed in the rubric below.
- Converse and debate with the other panelists. You may ask panel members any clarifying question, but may disagree with their rating only if you can cite clear evidence why they should change their rating.
- Present to the applicant the final (total from all 3 panelists) rating.

A Total Final Rating of 15 is Required for Plan Approval			
Category	3 Points	2 Points	1 Point
Is the plan convincing ? Does it rely on accurate information and include details that are relevant to your area of concern?	Very well researched, with thorough consideration of background information	Reasonably well researched, contains most, but not all relevant background information	Poorly or incompletely researched, lack of convincing background information
Is the plan promising ? Does it offer positive change for your area of concern?	Not only sensible, but offers exciting promise and does not contain significant obstacles	Offers significant promise, but some obstacles remain	Seems completely unrealistic and does not offer realistic promise
Your Assigned Points			
Total Points (From all 3 panelists)			

Lesson 34 Handout:

Microcredit for Sustainable Development Panel Roles

Role: Microcredit Funder

You work for a nonprofit microcredit organization that grants money for microenterprises. Your job is to make sure their money is well spent. You must be rational in sorting out which plans deserve funding and which plans do not merit your limited financial resources. You are concerned with the success and longevity of microenterprises – as are your contributors!

Your primary concern is that your nonprofit organization's microcredit grants go only to microenterprises that offer convincing evidence and promising hope.

Initially and over time, will the plan alter the cyclical and structural nature of poverty for the business owner, community, and region?

Role: Community Activist

You work for a local organization devoted to the integrity of regional culture and the promotion of democratic citizenship. You oppose the negative effects of modernization and globalization. You are passionate about preserving local culture – traditions, arts, and language. While you are concerned about poverty, you are unwilling to sacrifice quality-of-life for 1 individual's short-term economic gain.

Your primary concern is that the microenterprise offers convincing evidence and promises that it will preserve and advance culture and democracy.

Initially and over time, will the microenterprise offer genuine progress, enhance local culture, and promote democracy for the business owner, community, and region?

Role: Environmentalist

You work for a large international nonprofit organization that is devoted to monitoring and preventing environmental degradation. Your job survival depends on how carefully you attend to possible environmental consequences of the microenterprises. You must be critical and creative in anticipating environmental effects of the microenterprise.

Your primary concern is that the microenterprise offers convincing evidence and promises that it will be ecologically sustainable. The plan should not be approved simply because it seems to be financially viable or meets the personal needs of the business owner.

Initially and over time, will the environmental impact (ecological footprint) of the microenterprise be acceptable for the business owner, community, and region?