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**SMALL BUSINESS**

## **Lending Talent, and Money, on a Micro Scale**

**By KATE MURPHY**

Government agencies and international aid groups have long supported programs that train the world's poor in how to start and run their own businesses. The training is seen as a way to end hunger and stabilize societies.

But interest in these programs has grown lately with the wider availability of microloans, or very small enterprise loans made to the poor. As with any start-up, these businesses are more likely to survive, advocates say, if the owners have basic operational skills.

“There’s been a realization in the microfinance community that loan recipients are more likely to succeed if they also receive business education,” said Bobbi L. Gray, research and evaluation specialist with Freedom From Hunger, a nonprofit organization in Davis, Calif., that provides financial education in developing countries.

Indeed, the nonprofit research group Innovations for Poverty Action in New Haven, Conn., published a paper in May that found that Peruvian villagers who had received microloans and had been randomly selected to receive business training performed significantly better than peers who had received loans and no financial education.

“Even those who reported having the least interest before getting the training had higher revenues,” said Dean Karlan, a professor of economics at Yale, a founder of Innovations and lead author of the study.

From Botswana to Bolivia, entrepreneurship training has resulted in thriving microenterprises — like soap makers, cocoa processors and handicraft exporters — that would not have existed otherwise. Some programs may gather villagers in huts and use multiple baskets to demonstrate how to allocate capital. Other programs may focus on established but struggling businesses, giving owners DVDs that cover topics like pricing and distribution.

“A good intervention doesn’t treat everyone the same,” said Bruce McNamer, chief executive of TechnoServe, a nonprofit group in Washington that has worked with entrepreneurs in developing countries since 1968 to expand their businesses and foster economic growth in their communities. “How you help depends on the circumstance.”

Mr. McNamer’s group, which works with the United States Agency for International Development and the State Department, provides free business consulting services and also sponsors business plan competitions to identify aspiring entrepreneurs in developing countries. “These are usually people who

have started a business but they just don't know how to get from point A to point B," he said.

An example is a cooperative of 50 farmers in northern Nicaragua that four years ago was just getting by while cultivating coffee, he said. But the cooperative, with assistance from TechnoServe, turned to other crops, like the starchy staple malanga, that increased their profits. The cooperative now has 250 farmers and has opened its own packaging plant, which employs 80 people. The plant's products are exported as far as Miami.

Teaching financial literacy and entrepreneurial skills is seen as particularly important to the reconstruction of war-torn regions like Afghanistan and Iraq. "It doesn't matter if you build roads if one in four kids dies by age 5" because of illness or malnutrition, said Ross Paterson, a self-described business coach and retired Army officer in Keller, Tex.

He has been to Afghanistan 10 times in the last seven years to teach entrepreneurship. It is more important, he said, to give Afghans the ability to build businesses that will provide the income to sustain them.

Occasionally fearing for his safety because of the continued Afghan fighting, Mr. Paterson says he primarily teaches leadership skills by helping the local residents to recognize and successfully work with different personality types, whether colleagues or customers.

While Mr. Paterson's courses last only a few weeks and are limited to those who speak fluent English, other organizations emphasize the importance of finding and training local people to teach business fundamentals.

"You need people who are going to be there for the long term and who know what really works on the ground," said Fiona Macaulay, founder and president of Making Cents International, a 10-year-old nonprofit organization in Washington that creates entrepreneurship courses for the disadvantaged and trains the people who teach them.

Continuing mentorship and support are crucial to helping entrepreneurs succeed, Ms. Macaulay said. Her organization also offers networking opportunities for its students. "At a business fair in Jordan, for example, we were able to connect a woman who made cakes with a woman who made boxes to transport the cakes," Ms. Macaulay said.

Many of those who teach entrepreneurship in remote and impoverished areas say the biggest hurdle is persuading students to believe that there are opportunities beyond, say, selling fruits or trinkets in an open-air market.

"I'd say getting them to identify new approaches and opportunities is the hardest part," said Harsh Bhargava, a business consultant in McLean, Va., who with his wife, Aruna Bhargava, a sociology professor at Rutgers, started the nonprofit group I Create in 1997 to teach entrepreneurship in India, their native country.

He says many people I Create works with are so downtrodden they cannot envision another way of life. He discussed an Indian woman who was so abused by her husband and in-laws that she lacked the

confidence even to look anyone in the face. After a local I Create trainer persuaded her to take an entrepreneurship course, she left her husband and started a grocery store.

Moreover, she successfully sued her husband and in-laws for the return of her dowry and for child support for her son. “She’s now studying to become a lawyer and hopes to work to protect women against dowry-related crimes,” Mr. Bhargava said. “It’s these kinds of stories that make what we do so gratifying.”

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