

Micro Credit Programme for Linden Secondary Schools

LEAP activity undertaken from October 2006 – January 2007

- Final report -



Linden Economic Advancement Programme

January 2007

Report on Micro-Credit Program in Linden Secondary Schools

Four Secondary Schools participated in the Micro-Credit Program offered by LEAP:

- New Silver City Secondary School
- Christianburg Wismar Secondary School
- Mackenzie High School
- Linden Foundation Secondary School

The Micro-Credit Program consisted in providing students with individual loans of \$2,000 each with the objective to set up and run a micro business during a maximum duration of two months. The students were allowed to pool their resources in groups of up to 5 persons.

LEAP's input consisted in providing the seed money to the schools, conducting three introductory sessions (1. brainstorm on possible micro-project ideas, 4 P Marketing Mix; 2. accounting exercise; 3. loan handout and start-up advice to students) and one advice- and follow-up session the first week after loans have been handed out. A wrap-up and lessons-learned session was held on the last day of the exercise after the loans have been reimbursed including interest.

Each school designated one teacher to the program who was also in charge of doing the follow-up and the recording of the data. Because the school year ended one week earlier than expected, the wrap-up session on the students' experiences was held only in early January 2007. However, most of the loan reimbursements and payments of interest could be finished in 2006.

Experiences

All the participating schools wholeheartedly supported the program. Due to various school- and educational events (sport competitions, educational days, and internal personnel problems) every school postponed one or two preparatory sessions with the students so that the duration of the actual Micro-Credit exercise had to be reduced to seven weeks in order to finish the exercise before Christmas holidays.

The vast majority of the participating students were female (approximately 90%). Hence, most of the micro-projects centered on food production (biscuits, cheese rolls, chicken foot, plantain chips, ice cream, etc.) and drink production (fruit juice, icicles).

There was a good mix of students selling their produce at school and at home (neighborhood). An overwhelming majority did buying/selling activities mainly in the food-, sweets- and drinks (including all sorts of ice creams and icicles) sector. The establishment of larger groups of 3-5 students was mainly prominent in Mackenzie High School. Hence, in all other schools the majority of the students could really make individual entrepreneurial experiences.

Results

115 students participated in the exercise; unfortunately, Mackenzie High School and Linden Foundation School fell short of the target of 30 students per school. 93 projects have been carried out generating an overall profit of \$225,836 (as the Linden Foundation School was not in the position to collect and submit all accounting sheets despite an extended deadline, the actual amount could have been considerably higher¹).

There is total reimbursement of \$199,000 against the total loan amount of \$230,000 (86.5%). The students of all schools made an overall profit of \$272,750. Only figures on submitted accounting sheets were taken into account. The highest individual profit has been realized by a female student from Linden Foundation School with \$23,300 through the sales of chocolate.

27 accounting sheets (= 29%) were not submitted; the reasons may be negligence, laziness, lack of comprehension, loss of the document or a feeling of shame. No delivered accounting sheet testified losses; in general, they show evidence of a good grasp of simple accounting habits.

The students' learning effects were multiple: apart from the practical side of this entrepreneurship training (producing and/or buying, promoting, selling, accounting), the students learned the implications of the 4 P's (product, price, place, promotion) and

¹ This influences all following figures which could have been more positive.

experienced the importance of the 5th P (person = themselves as managers and doers). Samples of students learning experiences are attached to this report (see annex).

The inter-school competition was won by the Linden Foundation School – LFS – (see table in the annex) with a considerable margin over Christianburg Wismar Secondary School – CWSS. Indicators taken into account for this competition were: overall profits for all projects, reimbursement of principal and the interest accumulated. Cash prizes will be handed out to the winning schools in order to stipulate the conduct of a second cycle with different students during the current year.

LFS students realized the highest profits being almost double of what the students from other schools achieved. With 16 out of 28 projects, LFS also has the highest number of projects considered successful (profit of >\$2,000/person). Almost all students sold confectionary and chocolate which arrived newly on the market. That shows the ability to seize forthcoming opportunities on one hand, but also indicates a certain copycat syndrome on the other.

CWSS was the only school achieving a reimbursement rate of 100% for all 30 loans. LFA has the lowest reimbursement rate with 91%. New Silver City Secondary School – NSCSS – achieved the largest income in terms of penalties and interest with \$7,500 which might be injected into a next round of the micro credit programme under its own management.

A large number of students from MHS ventures into group projects which resulted in relatively low returns. Group projects provide the opportunity to some students to hide behind others and to become passive.

Appreciation / Recommendations

The Micro-Credit Program was highly successful; the original expectations of the organizers were much more pessimistic particularly as far as the reimbursement rate was concerned. Happily, we found out that the opposite is correct. Students seem to have taken this challenge as a real honor to reimburse.

All schools have expressed interest to carry on with that exercise as has been already outlined in the respective project agreement. A manual explaining the different steps of the exercise including all necessary documents for copying will be distributed to all Linden secondary schools and the Linden Technical Institute.

The LEAP sub-activity 6 C.8 has been successfully completed. The respective target of carrying out entrepreneurial activities with three schools has been exceeded.

The Education Department of Region 10 and the Secondary Schools are encouraged to undertake even more activities in future to trigger entrepreneurial know-how in a town which is dominated by a long history of behavioral patterns of employees.

The micro-credit exercise could yield even better learning results on the part of the students if group projects were limited to 2 students and if mere trading projects (buying/ selling) were disallowed. The respective longer chain of entrepreneurial activities would leave more room for learning provided some professional feedback could be delivered by the responsible teachers.

Torsten Stripke

January 15, 2007

Annexes

Overview of Micro-Credit Program Results

Two students' end-of-exercise remarks

Overview of Micro-Credit Program Results

No.	Parameters	School	NSCSS	CWSS	MHS	LFS	TOTAL
1	Loans disbursed		30	30	26	29	115
2	Number of students involved in group projects		5	4	20	2	31
3	Total number of projects		26	28	11	28	93
4	Successful projects (Profit >\$2,000/person)		8	9	6	16	39
5	Accounting sheets submitted		22	16	11	19	68
6	Accounting sheets missing		4	14	0	9	27
7	Loan amount disbursed		60,000	60,000	52,000	58,000	230,000
8 *	Overall profit for all projects		49,092	54,392	58,176	111,090	272,750
9 *	Principal reimbursement		58,000	60,000	52,000	53,000	223,000
10	Interest paid		6,500	4,800	5,200	5,500	22,000
11	Penalties paid		1,000	0	0	0	1,000
12 *	School income (10 + 11)		7,500	4,800	5,200	5,500	23,000
13	Available for next round of micro credits (9 + 12)		65,500	64,800	57,200	58,500	246,000
INTER-SCHOOL COMPETITION *							
14	Overall profit for all projects		49,092	54,392	58,176	111,090	
15	Principal reimbursement		58,000	60,000	52,000	53,000	
16	School income (interest / penalties)		7,500	4,800	5,200	5,500	
	TOTAL SCORE		114,592	119,192	115,376	169,590	
	RANK		IV	II	III	I	