

MICRO-ENTERPRISE DEVELOPMENT AND THE COMMON GOOD

by Gasper F. Lo Biondo, S.J.

Senior Fellow, Woodstock Theological Center, Washington, DC

lobiondg@gusun.georgetown.edu

Serious discussion about micro-enterprise development and the common good is one of the great challenges facing Church-sponsored agencies that serve the poorest of the poor. As micro-enterprise finance and development programs proliferate around the world, corresponding discussions about the technical aspects and institutional arrangements are also evolving. Yet, the ethical side of these discussions is lagging.

Ethical discussions lag because program designers and practitioners of micro-enterprise development programs limit their consideration of ethical questions to what they garner from performance indicators and social impact studies. When performance indicators and social impact studies become the sole criterion for designing and managing micro-enterprise development programs for the common good, they miss a more inclusive focus on the moral dimensions of human decisions and actions. The ethical value of technical operations becomes equal to their social consequences, rather than to the moral quality of the individual's decision. Consequently, discussions about micro-enterprise development and the common good remain limited to a social ethic that may or may not pertain to the individual ethic.

Few studies pay attention to the role of individuals who seek the good. This makes it difficult to establish a relationship between ethical questions which individuals face and the efficient use of the technical tools of good business and finance. In this scenario, those who provide technical assistance and training may assume that "Anything goes!" as long as it succeeds in the marketplace. Such an approach even may assume that success in the marketplace is not compatible with individual ethical conduct in the world of micro-business: participants must become greedy, individualistic, and predatorial, in order to become financially self-sufficient micro-entrepreneurs. This may lead people to believe that the very nature of micro-enterprise finance programs prevents them from helping to build a morally good society.

The Need for an Individual Ethic

How can poverty-lending programs provide financial services and training that foster "a social ethic that situates individual choices within consideration of the common good?" (Woodstock Seminar in Business Ethics, 1995, p. xiv) How can micro-enterprise development relate to the common good and include a discussion of ethical choices of individual micro-entrepreneurs? How can poverty lending programs move beyond the question of empowerment and toward the broader question of what kind of empowerment?

Ethical dilemmas and changing values

One way to address these central and challenging questions is to consider the ethical dimension of the ongoing cultural dialogue between donors in the United States and participants in developing countries within the area of micro-enterprise development.

An unprecedented variety of local cultures are opening their doors to significant amounts of start-up and working capital from private international agencies. As working capital becomes more accessible through credit and savings programs, local borrowers confront a new set of alternatives. Participants must now weigh their religious beliefs, their cultural attitudes, whatever they cherish with market-oriented entrepreneurial decisions such as how much to save or invest, what to sell or produce, and where to sell.

In order to deal intelligently with these choices, individuals have to clarify their old set of values and beliefs within the new and changing environment. The difficulties they experience in making the right choices among these alternatives reflect their new ethical "dilemmas".

As people confront these dilemmas, their personal values change: the new information and skills an individual gathers by participating in a micro-enterprise program leads him/her to begin reordering his/her priorities. If the individual and common good are to be realized, this reordering process requires the broadening of the horizon of one's awareness of freedom and responsibility, or moral consciousness. When a human being stays attentive to new information and data, faces all the right questions, and understands the information and data, he/she can reorder priorities that are based on a moral judgment that is autonomous, responsible, and free (B. Lonergan, *Topics in Education*, 36-38). This moral judgment allows one to value most what is worthwhile for oneself and for the common good. Moreover, it underpins a new kind of micro-enterprise development. If this new kind of micro-enterprise development is to take place in relation to the common good, local programs face the task of providing a learning environment that allows people to acknowledge and deal with the dilemmas they face. This environment must foster healthy moral consciousness that compels individuals to raise questions involving social and individual ethics.

They do so by situating individual choices within consideration of the common good of their own local cultures.

Neither the efficiency of technical operations nor institutional development serve as sufficient touchstones for this kind of ethical discussion. A sounder basis for reflecting on the ethical dimension of human conduct across cultures is one that involves the human decision-making process. Reflection by people on their ordinary decisions opens the door to both the intellectual and the affective aspects of decision-making. This reflection allows both head and heart to play a role in responding to dilemmas that arise from competing values at every level of moral consciousness (vital, social and economic, personal, cultural, religious levels of moral consciousness).

Micro-enterprise development participants must reflect upon their every day enterprise and economic dilemmas at each level of moral consciousness. In enterprise decisions,

ethical dilemmas reflect situations in which there appears to be a choice between equally unsatisfying economic alternatives. To cope with these kinds of dilemmas, financially successful micro-entrepreneurs' decisions require an understanding of competing economic values.

Economic Values and Opportunity Cost

In order to understand competing economic values, micro-entrepreneurs need to comprehend the value of foregone alternative action. Economists have labeled this fundamental concept of economic reasoning "opportunity cost".

A practical grasp of opportunity cost is essential for achieving the goal of financial self-sufficiency and is pivotal for reflection on business and financial ethical dilemmas. The greater understanding one has of alternative enterprise choices, the greater the possibility of prioritizing competing values in business decisions. Unless poverty lending programs allow for this kind of integration of economic and ethical reasoning, they end up doing a shoddy job at laying the foundations for sustainable development.

Once ethical dilemmas have risen to the fore, a program must help develop skills that can lead to their resolution. Micro-entrepreneurs live in a dynamic, changing, and open world in which the abstract principles of traditional business ethics will not suffice. Rather, effective skills must combine financially sound decision-making processes with morally sound criteria. These criteria are to be found in the capacity of individuals to choose what is good for themselves and for the common good. The ethical responsibility of program practitioners is to provide the social, intellectual, affective environment that allows culturally and ethically responsible decisions by the micro-entrepreneurs themselves! In order to do this, programs can build on people's developing economic reasoning process in an environment of responsible decision-making.

Ethical Responsibility Nurtured by Informal Education

Training programs can provide the environment for responsible decision-making, and thus can foster moral development. By establishing forums that encourage informal discussion about the dilemmas of competing "goods", individuals can gradually seek not only "what is good for me" but also "what is the common good." Through this basic learning process they reach new levels of personal differentiation by which micro-enterprise development becomes humanizing, empowering, and humanly sustainable.

Informal adult education (popular education) represents one training approach that can provide the environment for human and moral development. It is particularly suited to people who are illiterate, pre-literate, and/or innumerate who tend to resolve business problems by "talking things out." The ordinary group interaction of informal education encourages micro-enterprise participants to consider the circumstantial factors affecting their decisions much more than they could in any formal technical assistance and/or training program.

Catholic Relief Services/El Salvador (CRS/ES) has begun to implement an informal education program for micro-entrepreneurs called "popular economic education (PEE)." PEE rests on the premise that the more a training program adjusts to the requirements of strategic micro-enterprise decisions, the more adequately it will meet real needs and result in sustainable micro-enterprise development. Thus, PEE requires a "curriculum" that can adjust and adapt to the order and magnitude of dilemmas that the micro-entrepreneurs encounter.

The adjustability and adaptability of PEE lead to the belief that it has great potential for raising the discussion of micro-enterprise development and the common good to a new level. Without violating the integrity of individuals, it can locate business dilemmas in the larger context of moral development through reflection on human decision-making.

The Woodstock Micro-enterprise Study

The Woodstock Theological Center's North-South Dialogue Program fosters policy discussions about issues related to international development from an ethical and theological perspective. This program seeks to balance the individual and common good in society without sacrificing attention to hard economic decisions. Woodstock employs a method of theological reflection and dialogue among interested and involved parties that incorporates the ethical dimensions of decision-making in order to foster policy recommendations.

Woodstock has initiated a series of grassroots studies on Micro-enterprise Development and the Common Good. The first, completed in December of 1994 is entitled, "Micro-enterprise Development in El Salvador: Village Banking, Changing Values, and Informal Education." It was funded by the University of Miami North-South Center, presented at a symposium there on February 3, and was published in the March-April, 1995 issue of *Realidad* at the Universidad Centroamericana in San Salvador.

This study endeavored to provide CRS/ES with some general guidelines for designing and implementing its nascent PEE program. To arrive at these guidelines, a research design was created to gather data on the strategic enterprise decisions of participants in the CRS/ES micro-enterprise development program. This data will serve as the basis for further reflection and discussion by those who design PEE for the empowerment of micro-entrepreneurs through their own moral development.

The CRS/ES village banking methodology distinguishes three levels of borrowing groups. Each group has progressively higher entry levels for borrowing and saving, and a series of credit cycles which offer stepped access to progressively higher levels of financial risk and return:

- Village Banks. Receive initial loans of \$50 and average approximately 25 members.
- Subsistence groups. Begin with loans of \$125 and average six members.
- Simple Accumulation Groups. Start with initial loans of \$780.

One hundred and twelve semi-structured interviews in eight different parts of the country provided the qualitative data for the report. A survey questionnaire consisting of fifty-three questions provided quantitative data for providing recommendations. Thirty-three of the 337 groupings of village banks around the country participated in the survey. Of the one hundred and eighty-five micro-entrepreneurs surveyed, 92.3% were women. The interview and survey questions were geared toward decisions involving a practical grasp of the concept of opportunity cost, reinvestment priorities, and factors which micro-entrepreneurs take into consideration in the sale of their products.

The opportunity cost index served as the indicator for the level of the economic logic micro-entrepreneurs use to make their key business decisions. This index helped gauge if individuals were using logic that would eventually lead to self-sufficiency. A second index measured income growth and the third measured reinvestment. These indices also helped determine the level of economic logic members used for strategic business decisions.

Results and recommendations of Woodstock study

The study found statistically significant associations between:

1. The type of group (village bank, subsistence groups, and simple accumulation groups) and the opportunity cost index. Participants in the higher group levels tended to have a greater grasp of opportunity cost than those at lower levels.

This would justify the way in which CRS/ES has differentiated village banks into three groups. Assuming that sustainable development grows out of the development of human capital through increased practical grasp of basic economic logic, whatever fosters the use of this kind of logic will also contribute to a more effective delivery method. The Woodstock study concluded that CRS/ES could design PEE to fit these groupings and that these groupings might serve as the basis for individual moral development.

2. Credit cycles and the opportunity cost index. The data reveals that this particular system of cycles is working in a positive relation with 1) increased income; 2) reinvestment; and 3) employment creation. Because they play a part in differentiating the way in which changing values are based on practical knowledge, cycles emerge as a critical element in the design of PEE. Most village banks are in the early cycles.

The Woodstock study recommended that designers of training programs establish a PEE matrix that relates the progressive nature of credit cycles to the cumulative nature of the participants' practical knowledge. This matrix would establish and administer training themes critical to earlier cycles, during those cycles.

3. Credit-cycles and an "index of growth". This indicates that the program generally succeeds in moving borrowers along from one credit level to another.

4. Credit-cycles, income growth, and type of group. This indicates that there is a solid basis for distinguishing factors specific to cycle and type of group in relation to decisions regarding earnings when designing PEE.

The Woodstock study recommended that designers of PEE build on the level of economic rationality that already shows itself to be operative in the decision-making of participants. The design of PEE might incorporate exercises in which the groups reflect on some of the successful and failed decisions that they have made. Tools for this reflection would include explicit reference to basic elements of economic rationality as

embodied in the practical grasp of opportunity cost.

The basic elements of opportunity costs are present in strategic enterprise decisions, comparisons of costs and benefits, and the corresponding decision regarding the allocation of resources. Strategic decisions that relate to these costs can be financial, productive, administrative, and commercial.

5. Credit Cycles and use of profits. The more advanced the cycle, the greater the reinvestment of profits. Hence, the importance of focusing on the specific level of practical knowledge related to each of the developmental stages of this process. Decision-making topics corresponding to each level would then be incorporated into the design of PEE.

6. The type of group and use of profits. "Simple Accumulation Support Groups" tended to reinvest a greater part of their profit.

From these associations, the Woodstock study recommended that PEE establish modules on different topics and at different developmental levels that can adjust to the circumstances of strategic micro-enterprise decisions. These modules could then be used in the order that the local circumstances demand.

The findings and recommendations of this study provide a sound empirical basis on which to integrate PEE, ethical decision-making, and thus consideration of the common good. They illustrate how learning, decision-making, and changing values relate to one another. As values continue to change, they suggest that micro-enterprise programs of church-sponsored agencies can potentially contribute a healthy new dimension to micro-enterprise development. This potential can be realized when informal education is designed to respond to changing values, not of static ethical principles or of exclusively technical criteria. In its most practical sense the study suggests that when PEE programs match the progressive nature of cycles with the participants' cumulative practical knowledge, they can establish a matrix to present training themes critical to earlier cycles.

Questions for Field Personnel

The CRS village banking program methodology lends itself to the possibility of training procedures that provide participants with the kind of value formation that is true to the tradition of Catholic Social Teaching. These training procedures can integrate instruction in human values with technical operations rather than separate them.

Local promoters serve as the critical communicators of this type of training. They bridge the gap between program designers and participants in the CRS poverty-lending programs. They embody personally the tradition of Catholic Social Teaching by the way they, as well as the participants, seek the common good.

The following questions can serve as the basis for promoters to facilitate the reflection of micro-entrepreneurs on their own ethical decision-making. They serve as an approach for the promoter and as a reflection process for the micro-entrepreneurs as they stress the integration of training in "human values" (honesty, civility, etc.) and "technical skills"

(keeping accounts, administering business, marketing, etc.). They also nurture the individual and social dimensions of micro-enterprise ethics by facilitating individual and group reflection on how micro-entrepreneurs behave individually and how they work within their own society. By asking the following questions, promoters can facilitate the exercise of ever fuller freedom and responsibility of micro-entrepreneurs in their financial and business transactions.

1. Do I start with and continually stay with the experiences of the micro-entrepreneurs as they face and resolve the ethical dilemmas they encounter?
2. Do I begin by helping micro-entrepreneurs to evoke their images and hopes for themselves; their regard for others; and, their view of the role of business and the economy in promoting the common good?
3. Do I provide participants with the occasion to discuss economic and ethical dilemmas.
4. Do I facilitate exchange between micro-entrepreneurs on the way in which they try to behave ethically in carrying out their business decisions or actions?
5. Do I provide micro-entrepreneurs with the opportunity to diagnose their decision-making process?
6. Do I help micro-entrepreneurs identify any technical skills they need in order to become efficient as well as ethical?
7. Do I assist participants in asking what were the values (the "good things") they were trying to preserve or promote in the decisions they reached?
8. Do I encourage participants to discuss the values that may have competed or conflicted with others (the most common conflict is between competitiveness and compassion)?
9. Do I encourage participants to examine how to prioritize values in the actual decisions they reached?
10. Do I encourage participants to reflect on what impedes their efforts to decide and do something ethically within them and their business and outside of them and their business?
11. Do I encourage them to ask and identify what promotes or bolsters their efforts to decide and do something ethically?

Theological reflection on micro-enterprise and common good

The effective use of these kinds of questions implies that the various functions carried out by program personnel have to achieve some degree of integration in relation to participants. Those responsible for the analysis of program data, the delivery of credit and technical assistance, and training and education would need to work together at some level. The degree of integration they achieve, while maintaining their separate functions, requires them to take seriously the kind of information that the above questions generate.

By itself, even this kind of institutional development can only be the occasion for improved ethical discussion. In a worldwide institution that is sponsored by the Catholic Church, the basis for relating micro-enterprise development and the common good is ultimately a theological reflection. An understanding of the world that is based on the experience of faith means that those who have final responsibility for field programs go a step further and engage in theological reflection.

In order to reap the fuller fruit of Catholic social teaching in the pursuit of the common

good, micro-enterprise programs would profit by reflecting on the theological underpinnings of the CRS approach to "poverty lending." The Church's perspective on human work in the world has taken a new turn since Vatican II: we approach our work as people with a vocation. Those who are called to create material wealth as entrepreneurs are invited to a new self understanding because they have a specific vocation in the world of business. They are co-creators, made in the image of a God who is at work in creation.

When the ultimate goal of a micro-enterprise program is the fostering of this kind of vocation, the quality of reflection by those responsible for programs is enhanced. Viewing participants in poverty lending programs as "labor" no longer suffices. Likewise an individual ethic based on just wages in return for responsible wage labor no longer suffices. The "vocation" approach means that participants have the "responsibility for managing capital." When applied to the formation of micro-entrepreneurs for the common good, this notion of vocation evokes a sense that each participant is being called to and entrusted with the means for developing the civil society in some new and creative way.

Conclusion

Programs that build on an accumulation of common experience of decision-making around the world can provide a new common understanding that gives ethical values a central place in the learning process. With a spirituality that is rooted deeply in Catholic social teaching, they contribute to a social ethic that fits the demands of today's world. They give perspective to the individual choices of micro-entrepreneurs within the consideration of the common good from the global perspective of the human community while allowing for local cultural differences.