FROM MICROCREDIT TO MENTORING

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One of the factors that influence Latvian rural development is the level of entrepreneurship development. It is not sufficient to involve the workforce that has emerged in agriculture. It is important to prepare rural population for business activities. One of the methods applied in recent years to involve rural women in entrepreneurship is the microcredit movement that has created the basis for the development of mentoring activities in Latvia.

Key words: endogenous model of development, entrepreneurship, microcredit, mentoring.

Introduction

The endogenous model of rural development that has become the challenge of the 21st century demands the optimisation of rural communities in all spheres of life, particularly in economics. At present the data of rural development is not favourable enough.

First, the agricultural sector employs more people than it is necessary for the agricultural production. Only 25% out of all work force registered in the farms are full time employed. The remaining three fours are employed only 2-6 hours a day (Table 1).

Second, entrepreneurship other than agricultural is not developed in the countryside. This is proved by the number of active businesses and the number of people employed in them. According to Latvia Rural Development Plan for the Implementation of Rural Development Programme for 2004 – 2006 (LR Zemkopības…2004), in almost half of the parishes in Latvia the number of active companies (excluding farms and household plots) does not exceed five.

Table 1. Number of employees in the farms

<table>
<thead>
<tr>
<th>Number of employees (thousands)</th>
<th>% from employed in all branches of the farm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of employed in the farm</td>
<td>271.2</td>
</tr>
<tr>
<td>Employed in agriculture</td>
<td>265.5</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
</tr>
<tr>
<td>full-time</td>
<td>66.2</td>
</tr>
<tr>
<td>part-time</td>
<td>199.3</td>
</tr>
<tr>
<td>Number of employees whose main income is from work in farm</td>
<td>97.8</td>
</tr>
</tbody>
</table>

Source: CSB, Results of…, 2001)

Besides, there are 12 parishes without a single active company. In these parishes people are employed in their own farms, public institutions and organizations (e.g., local governments, schools, healthcare institutions). As a result, in the rural areas only 3.5% out of all employed are entrepreneurs/employers. Accordingly, women constitute only one third of this amount. (CSB. Labour Force…, pp.15, 25)

The main obstacles for starting business activities in the countryside are the following ones:

- lack of confidence, lack of experience and necessary skills for starting the business, lack of knowledge regarding the places where to sell the products. It is difficult to work out business plans and develop a vision.
- insufficient capital, limited opportunities to apply for the loan, lack of start-up capital.
- underdeveloped infrastructure outside Riga (LR Zemkopības…2004, pp.38)

Under such conditions it is important to find the method for solving the problem. The present paper is devoted to one of possible methods: the movement of rural women microcredit. The following hypothesis is suggested: women need a gradual involvement into the entrepreneurship. As the informative basis of the paper the research on the microcredit movement carried out by the authors (Rivza B., Kruzmetra M., 2001 and other publications) has been used. The interviews with the group members, unpublished material, and four years experience on the implementation of the microcredit movement have been analysed.
Microcredit movement in Latvia

In the Baltic States women that are interested to start small-scale entrepreneurship, cannot be subjected to an ordinary bank financing system. In the Nordic countries the so-called co-operation group microcredit has become popular. According to the terms of this microcredit, a group consisting of 3–5 women takes a loan. Then the group decides which of the group members is best prepared for the beginning of the entrepreneurship and thus deserves the loan. As the microcredits emerged in the Nordic countries, the Baltic States have overtaken this model. Since 1999 the Nordic Council of Ministries has been funding the project “Nordic-Baltic Network for Rural Women Microcredit”.

The project has set two aims:

- to find out whether the idea of microcredits is relevant for Latvian conditions and whether microcredit movement has the future after suspension of the project;
- to establish at least one experimental microcredit group.

The project had enough funding for granting the loan to the first groups thus there was the problem of the collateral when receiving the loan. Besides, bank loan restrictions regarding the use of loan were not in force.

Project Implementation. Two directions prevailed in the course of the project implementation: first, the dissemination of the ideas in the community and, second, practical organization of the microcredit groups and help for starting their activities.

To disseminate the ideas of the microcredit, the steering group prepared and published an informative brochure. Training seminars became the contact form for the explanation of the microcredit system. In February 1999 the first seminar for Latvia rural women was held with the presence of Swedish and Finnish colleagues. The first seminar was followed by next seminars in different areas of Latvia. The main task of the seminars was to share the Nordic experience and introduce Latvian rural women with the opportunities offered by the project. Eventually, it turned out that the total number of women attending the seminars reached 500 persons who in turn spread the idea of the microcredit among their friends and relatives.

As a result formation of first microcredit groups started. During the first year of the project implementation the microcredit groups were set up in Islīce parish (Bauska district), Koknese parish (Aizkraukle district) and Karki parish (Valka district). Women from Islīce and Karki parishes set up businesses in service, but in Koknese parish - in non-traditional farming. During the next years the microcredit activities expanded, new groups were formed, the types of entrepreneurship were different, and at the present moment there exist 24 microcredit groups in various stages of maturity. The whole territory of Latvia is covered, however, the biggest density is registered in Bauska district. Since five groups have been established in this district, it has become the basis for the further development of the movement.

The interviews with the group participants regarding the problems they face when starting the small business revealed that all problems could be divided into four groups: financial, material, environmental and human ones. All participants indicated the financial problems: lack of start-up capital, no collateral for the bank loan. The advantage of the microcredit is that it is available without any collateral, just on the basis of the warranty. That was one of the most crucial aspects that persuaded women to use the microcredit.

Every fourth group member named the lack of relevant premises, vehicles, computer and the Internet connection that did not allow starting the business. Every fifth pointed out environmental problems: unsuitable geographical situation of the parish, big distance from the highways and the parish centre, poor infrastructure, unfavourable attitude towards the women who want to do something and find the way out of frustration. Human problems could be classified into two groups: one group refers to a woman herself, the other – to the problems of an individual in the business. Regarding personal problems, women spoke about insufficient knowledge, lack of information and poor knowledge of foreign languages (58.3%). As the further obstacle they admitted low self-evaluation, lack of confidence and therefore certain unwillingness to start something new (42%). The lack of the support in the family was mentioned as the third inconvenience. As regards human problems in the entrepreneurship, women mentioned the lack of contacts with necessary people (16.7%), the search for the qualified workforce and payment for their work (50%), small number of the customers with sufficient income (66.7%) (Rivza B., Kruzmētra M., 2001, pp. 29-30).

With the increase of the number of the groups and the women involved in them and taking into account the results of the interviews, the training was arranged in the following way:

- formation and development of positive self-evaluation;
- Basics of Entrepreneurship: Business Plans, Accounting, Basics of Law, Loan Taking, Market Analysis;
- team work: management, reaching agreement within the team, decision making, co-operation, mutual reliability and conflict management.

The participants of the seminars evaluated and analysed experience of successful groups.

Consequently, over the time period of four years, the movement reached the level when:

- several women from the first groups of individual entrepreneurship expanded their activities and established a small business company where they employed other women (Islīce group, Vecumnieki group);
- several members of the first groups were engaged in sharing their experience with new members of the movement (Māra Bite from Islīce group in economic analysis and management, Eleonora Maisaka from Vecumnieku group in developing business plans and cash flow control);
- women started to form groups and queue up for the training seminars and on competitive basis apply for the loan to start their business (Auce group, Vaidava group, Sēļi group).
The microcredit movement has not suspended its activities yet. The idea of entrepreneurship development in Latvian rural areas and formation of new groups is still topical one. However, it might change the direction under influence of the mentoring idea.

**Mentoring as the factor to increase the number of women entrepreneurs in rural areas**

The essence of the mentoring is “long-term relationship between a mentor (an experienced entrepreneur) and a mentee (young entrepreneur), where a mentor on voluntary basis and free of charge shares his/her experience, knowledge and contacts, but a mentee develops his/her professional skills and searches solutions to the business problems” (Lidere, 2004, pp.7). Since mentoring might operate either individually or in groups where a mentor works with several mentees, then microcredit groups could become a relevant place for the mentoring movement in rural areas. Several aspects determine it.

In a microcredit group one of the members is the first that receives a loan and starts the business, while others are working on their business plans. The group members observe the loan payment process in the time period of one year (it is the time when the loan should be repaid); they participate in the discussions and analysis of the problems and finding of the solutions. In this way they acquire the experience. The significant issue is if the first member is able to share her experience and whether other members accept this experience with relevant attitude.

In the course of microcredit member seminars and in unofficial talks more experienced members share their ideas among new members especially if the latter are getting ready for the business activities. Very often members from two groups that operate in the same business establish closer contacts. Thus Kārķi group (Kārķi parish, from Valka district) visited Iļišce group (Īlišce parish, Bauska district) to exchange experience since they were planning to start tailoring and hair styling business.

To establish mentoring movement it is important to find not only mentors but also mentees, i.e., businesswomen with little experience, namely, 1-2 years, who need help and advice for business expansion. A member of a microcredit group that has received a loan with 1-2 years of business experience can become a mentee.

To conclude, the microcredit movement with the formation of new groups can serve as the basis for the new movement - mentoring. INTERREG IIIB project envisages special seminars both for mentors and mentees. Mentors have to learn to become advisors not commanders. Mentees, in turn, have to learn to analyse their business to be ready to prepare questions to the mentors.

**Conclusion**

The microcredit movement development and formation of mentoring movement witnesses that a part of rural community is eager to start their business and create social capital under minimum favourable conditions (training seminars, small loan), thus getting involved in the implementation of Latvia Rural Development Plan worked out by the Ministry of Agriculture.

The idea dissemination and movement management have got the academic staff of Latvia University of Agriculture involved in the “knowledge transfer” (Mathieu M., 2004) when researchers not only spread knowledge but also carry out the research that directly influences economic development in regions.

**References**