

Unit 12

Resource Mobilization



General Objective

After studying this Unit, you should be able to help participants in your training session to provide an overview of the requirement of financial and non-financial resources in setting up an enterprise.

Specific Objectives

This Training Unit will help you to enable trainees to:

- Assess non-financial resources by participants in running an enterprise;
- Identify ways and means to mobilize non-financial resources;
- Assess capital requirements of selected enterprise;
- Develop skills in assessing capital requirements, working capital for the enterprise;
- Identify possible sources of financing for enterprise development; and
- Identify ways and means to mobilize finance for the enterprise.

Planning

Time : One hour thirty minutes for Session 1 (non-financial resources), and One hour thirty minutes for Session 2 (financial resources).

Training Methodology: Group discussions, and presentation of case.

Training Materials : Case study on “Kalahandi Masala” – text and pictorial form. List of resource organizations, agencies, institutions and individuals. Markers and chart papers.

Trainer’s Preparation :

- Read thoroughly the case on “Kalahandi Masala’.
- Underline all the non-financial resources for session 1 and financial resources for session 2.

- Prepare a table with the list of resources, their required quantity, time when needed, sources of availability and any procedure involved in accessing these.
- Keep table ready – if possible with pictorial illustrations.
- Keep the business plan ready for reference during the discussions.

Background Material

Introduction

A variety of resources are essential for women to set up an enterprise. A resource may be termed as any thing that can be converted to a product, or used for converting other resources to products. For example, in a leather enterprise, leather is a resource since as a raw material it is converted into shoes or leather products. The tools used to make shoes are also resources as they make the conversion of raw material into products possible. Similarly, skill applied for making shoes is also a resource. The shed where manufacturing takes place as well as the money, which is used to buy the raw material, are also resources for the enterprise.

Types of Resources

In the context of microenterprises, resources are of five types:

1. Material or Physical Resources (**Materials**)
2. Technical or Technological Resources (**Machines**)
3. Financial Resources (**Money**)
4. Human Resources (**People**)
5. Utility Resources (**Methods**)

A) Identifying Resources

Resources can be materials, machinery, money, people and utilities. We begin with material resources. These include location of business, shed, premises and raw materials. Premises may be a simple shed, a building or open space as per the requirement of the enterprise. Location may be specific, suited to the business such as a tea stall near the bus stand. This may be acquired by purchasing a ready-made shed, building a new one or hiring on rent. It is necessary to keep in mind that for certain enterprises the premises need to be insured and for purposes of insurance certain specifications need to be met.

1. Raw Materials

i) *Raw Materials* are required for production, packaging and testing. These may be available locally or procured from outside. These may be available readily, or available with difficulty. Women should be discouraged from selecting products, which require banned raw material such as bamboo shoots (banned in some areas). Such a step could lead to legal complications. While planning for procurement of raw material it should be borne in mind that certain products are available only in a particular season

(like mahua flowers or aonla). Also, prices of these products vary considerably during season and during off-season. These factors need to be kept in mind when estimating annual requirements.

ii) *Technical Resources*: These refer to the machinery and equipment required, technical know how, technical training, production process, quality standard testing.

2. Machinery and equipment

These are generally single or multipurpose. Also they are available in varying capacities. They may be manually operated, electricity-driven or diesel operated. All these factors need to be considered while selecting machinery and equipment. Women, generally, do not possess the necessary background to completely understand the technical aspects of machinery. Research by technological institutes has led to the development of a lot of appropriate machinery to be used by women in running their enterprises. These may be in areas of reduction of drudgery; value additions to products as also increase in production. These machines are available with different 'Brands' and different 'Makes'. While making a selection of the suitability of the machine, it is advisable to observe a demonstration of its functioning. Also ensuring repair, maintenance and supply of spare parts during the warranty period would save women from botheration and unnecessary expense which they can ill afford.

3. Financial Resources

Apart from machines and material, the other important 'M' factor in an enterprise is 'money'. All activities in an enterprise revolve around this factor. It is required to start the enterprise as well as to run it profitably. Understanding the financial needs of an enterprise is absolutely essential for the entrepreneur. In most cases, women are not exposed to the business environment, and find it difficult to understand the concepts involved. However, financial resources are essential in a certain minimum quantity at an appropriate time. Much of the success depends upon the realistic assessment and timely availability of capital at a reasonable rate of interest.

Total Capital for an enterprise includes **fixed capital** and **working capital**.

Fixed capital is a one time expense for acquiring items like land, building, machinery, equipment, appliances and furniture.

Working capital is a circulating capital, required to sustain a required level of activity in terms of production and sales. It is used for items like raw materials, packaging materials, paying wages, salaries, electricity, postage, stationery, transport and the like for which expenses are repeated periodically.

Total Capital = Fixed Capital + Working Capital

4. Human Resources

This refers to the skilled and unskilled workers required for running the enterprise. In certain enterprises there may be a need for workers with specialized training and experience. In some other cases the existing workers may require skill training. There are a number of vocational institutions, training institutes and existing enterprises or industries where specific skill training is available. However, such training will need both time and money.

Adequate thought, therefore, has to be given at the time of hiring a worker. An analysis of the skills of the worker is advisable.

5. Utility Resources

These are resources which are necessary to complete the enterprise functions. The entrepreneur has to make arrangements to access them as they are available in the area but are part of the Government infrastructure. Electricity, water, communications – telephone, fax, e-mail, and transport and fuel are some of the utility resources. These are often available in the area and certain formalities need to be completed to access them.

B) Assessing the Need for Resources

The Premises

While determining the need for the premises the most important consideration is the suitability of location. In an enterprise, more so a woman's microenterprise the production and sales is generally from a common place. The location should be such that it is attractive, comfortable and reachable by the customers.

Size is also an important factor. Size of the premises should provide adequate space for production, storage and sales. A microenterprise that produces jams and squashes needs to ideally have separate spaces for washing/cutting fruits, cooking, bottling and storage. While selecting a place, the entrepreneur must think ahead in time and plan for future expansion.

The entrepreneur may decide to construct, hire, and rent or lease the premises. This depends upon the availability of the accommodation in the area one wishes to start an enterprise. The finances involved have to be also considered. Sometimes hiring a building or making minor alterations in the existing building may be more cost effective than building a new building.

Raw Materials

The materials required for production, packaging and testing are often listed out in what is called the **raw material inventory**. The daily, monthly and annual requirements of raw material are estimated on the basis of quantity/volume of production. Information is recorded in a tabular form.

Resourcing Plan Format

Brief Description	Quantity Needed	Needed When	When to Acquire	What is the source	How to Access	Producer Involved (if any)

Machinery and Equipment

The nature of production and what is to be produced determines the kind of machinery that will be used. The machinery needs to match the required

production target. This capacity needs to match the capacity of other available machinery too. Also any machine installed which has 20% extra capacity will ultimately add to the cost of the product and needs to be discouraged. If an increase in production is required it would be more cost effective to run the machine on an extra shift.

Human Resources

The volume of production is again the determining factor for the number of workers working. Each worker adds to the cost of the production and to the enterprise and reduces the profit. An easy way to estimate how many workers would be necessary is to divide the total hours of involvement for different work with the number of working hours. Also it is sometimes economical to provide additional training to the existing worker and pay for it, than to hire a new worker with that skill.

Utility Resources

Utility items like 'power' and 'fuel' are related to the size and hours of use of machinery. Similarly, means of transport as well as frequency of visits will depend on operative cycle, and proximity of market place. Utilities are accordingly estimated separately for each item.

Capital Resources

Once the Resource Inventory has been developed, the cost of all resources is computed. The information gathered during market survey is used to estimate the cost of machinery and equipment, raw materials, packaging and transport. While estimating the cost of machinery, expenses incurred in tax that may be 5 -10%, as well as the installation cost needs to be added.

Cost for premises and utilities such as power, water, fuel and transport are estimated on the basis of local information related to prevalent prices, rent and tariffs.

Raw materials for use in production, packaging and testing are listed separately with their costs. As stated earlier certain raw materials are available only in certain seasons. Similarly the price of some of them may vary considerably during and off-season. These factors are considered while planning procurement schedule and estimating the annual requirement.

The cost on human resources is indicated as wages and salary. These are computed monthly or annually.

The costs of all items under "Resource Inventory" are arranged under two headings – Fixed Capital and Working Capital. This is illustrated as follows:

C) Mobilizing Resources

Once the resource inventory is ready, it is useful to involve people in a brainstorming session to arrive at ways and means to mobilize these resources. This activity of sharing ideas would provide an insight into various sources, which may have not occurred to women initially. In order to facilitate this a list of national and state level agencies involved in promoting microenterprises among women may be collected and circulated. The opportunity to interact with officials of Government or non-Governmental agencies assists in the development of confidence and reduction of hesitation. Representatives of such organizations when requested to act as resource persons provide information related to:

- Help that women can get from the organization;
- Nature and type of assistance schemes;
- Eligibility criteria; and
- Procedural requirement and conditions to avail of such opportunities.

This information coupled with information collected during the market survey and field visit help in the preparation of a “Resourcing Plan” for capital, materials, machinery and human resources.

Capital Resourcing Plan may be prepared and pursued by answering the questions such as forms of capital to be raised, possible sources, amount and mode of repayment. This has been illustrated in the table given below (based on the assessment of total capital requirement of Rs. 1,920 quoted in the previous table).

Capital Resourcing Plan

Forms of Capital to be raised	Source	Amount	Rate of Interest	Proposed Mode of Payment
Own Contribution	Each Group Member	Rs. 2,500 (Rs. 500 per member)	Nil	
Group Investment	Group's Savings	Rs. 2,500	1% per month	In 12 equal installments
Loan	Bank	Rs. 6,000	12%	In 30 equal installments starting after 3 months.
Grant	S.C. Corporation	Rs. 9,000	Nil	

Similarly, “Resourcing Plan” for materials, machinery, and human resources can be prepared in the format illustrated earlier.

Work Plan for Your Training Session Case on “Kalahandi Masala”

Procedure (Case provided in Unit 11)

Step 1

Participants were made to realize that they need money for enterprise activities. They also need to know:

- How much money is needed, when and for what?
- Where will the money come from?
- How to mobilize the money?

Distribute the case study on Kalahandi Masala. After reading or listening to the case, participants are required to:

- Prepare a list of items for which money will be needed; and
- Estimate the amount needed for each item

Expected answers

1. For purchase of machinery and equipment such as:
 - Grinder/Pulverizer;
 - Weighing Balance and Weights;
 - Heater for sealing plastic bags;
 - Container for storing pieces; and
 - Other articles like mats, baskets.
2. For purchase of materials like:
 - Turmeric;
 - Chillies; and
 - Plastic Bags.
3. To meet transport costs
4. To pay wages to members
5. Electricity Bill

After the list is discussed in the group, you can assist the participants to see that these items represent two different categories:

Category A – items which require only one time expense; and

Category B – items for which expense is periodically required.

These two categories represent two types of capital – fixed capital and working capital. By adding the two, participants arrive at the total capital for an enterprise.

Step 2

You, as the trainer, can explain concepts of fixed capital, working capital, materials, packaging materials, paying wages, salaries, electricity, postage, stationery, and transport.

Participants are assisted to estimate the total capita (which is the sum of Fixed and Working Capital) by using the following table.

	Amount	Needed When
Fixed Capital		In the beginning of the enterprise
1. Grinder/Pulverizer	6,000	
2. Weighing balance and weights	500	
3. Heater for sealing plastic bags	500	
4. Container for storing spices	1,000	
5. Articles like mats/baskets	1,000	
Total Fixed Cost	9,000	
Working Capital		For every operating cycle
I. Raw turmeric cost		
1. Turmeric	2,500	
2. Chilli	9,000	
3. Plastic bags	375	
II. Production Cost		
1. Wages for 5 PWs @ 200/wk	4,000	
2. Electricity	250	
III. Administrative Cost		
IV. Selling Cost		
1. Cost of transport	300	
A. Total Working Capital (for 4 operative cycles in a month of 25 days; six production days & selling every week)	Rs. 18,420	
B. Working Capital Required (A/4)	Rs. 4,605	
Total Capital	Rs 13,605	

Step 3

Once the capital requirement has been estimated participants are encouraged to think of ways and means to raise capital. Trainer may circulate the prepared list of local funding agencies. The group is assisted to prepare the 'Capital Resourcing Plan' on the basis of information provided in the case.

Step 4

Participants are encouraged to work out total capital requirement and prepare 'Capital Resourcing Plan' for the enterprise. The trainer provides information on financial institutions. However, the emphasis is on raising own funds through individual or group contributions.