

STARTING AND FINANCING A SMALL BUSINESS IN JAMAICA:

A Guide

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NATIONAL DEVELOPMENT FOUNDATION
SELF-START FUND
SMALL BUSINESS ASSOCIATION OF JAMAICA
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JAMAICA NATIONAL INVESTMENT PROMOTIONS LIMITED
INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE





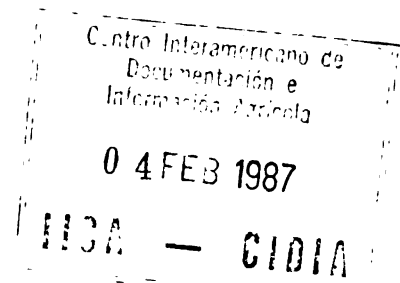
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STARTING AND FINANCING A SMALL BUSINESS IN JAMAICA

A GUIDE



Integrated Rural Development Project

IICA Office in Jamaica

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INTRODUCTION

This guide to starting and financing a small business was developed for those individuals or groups who want to start a small business or project and need help to find out if their business ideas are feasible. It also takes the micro-entrepreneur two steps further, by looking at sources of financing and those things which need to be done to get the proposed business "off the ground". This guide has also been prepared for the trainers (extensionists, field officers and promoters) who are helping to get these small businesses started.

The materials in this manual were originally developed in Jamaica by a number of agencies which joined together in a united effort to produce something that could be useful to all, and expensive to none. They formed a Small Business Training Advisory Committee to guide the preparation of the materials and the training of producers.

In addition to this manual, two others complete the series. These are:

Operating a Small Business in Jamaica, A Guide

Marketing Jamaican Small Business Products, A Guide

All three business manuals can be used in individual, partnership and cooperative enterprises. They are aimed at four major types of small enterprises: manufacturing, retailing, farming and service-type businesses.

Accompanying these business manuals is a guide for trainers, titled:

Teaching Tools for Small Business Trainers.

Many agencies have contributed by providing resource material from their programmes in different countries. These include:

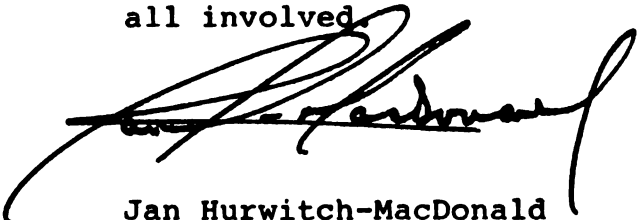
Dominican Development Foundation, Dominican Republic
Inter-American Development Bank/4-H Loan Programme, Jamaica
Jack's Hill Community Council, Jamaica
Jamaica National Investment Promotion Limited, Jamaica
National Development Foundation, Jamaica
National Union of Co-operative Societies, Jamaica
Self Start Fund, Jamaica
Small Business Administration, U.S.A.

Also among the reference material used were:

So Now You Have A Business, What Does That Mean? by
Dr. Peter John Gordon

An Introduction to Co-operatives by Trevor Bottomley
Business in Our Community, American Institute for
Cooperation.

USAID in Jamaica contributed by providing financial help. IICA was asked to coordinate the production; we are pleased with the result of this effort. We hope the materials will be useful to all involved.



Jan Hurwitch-MacDonald
Director Ad Interim
IICA/Jamaica

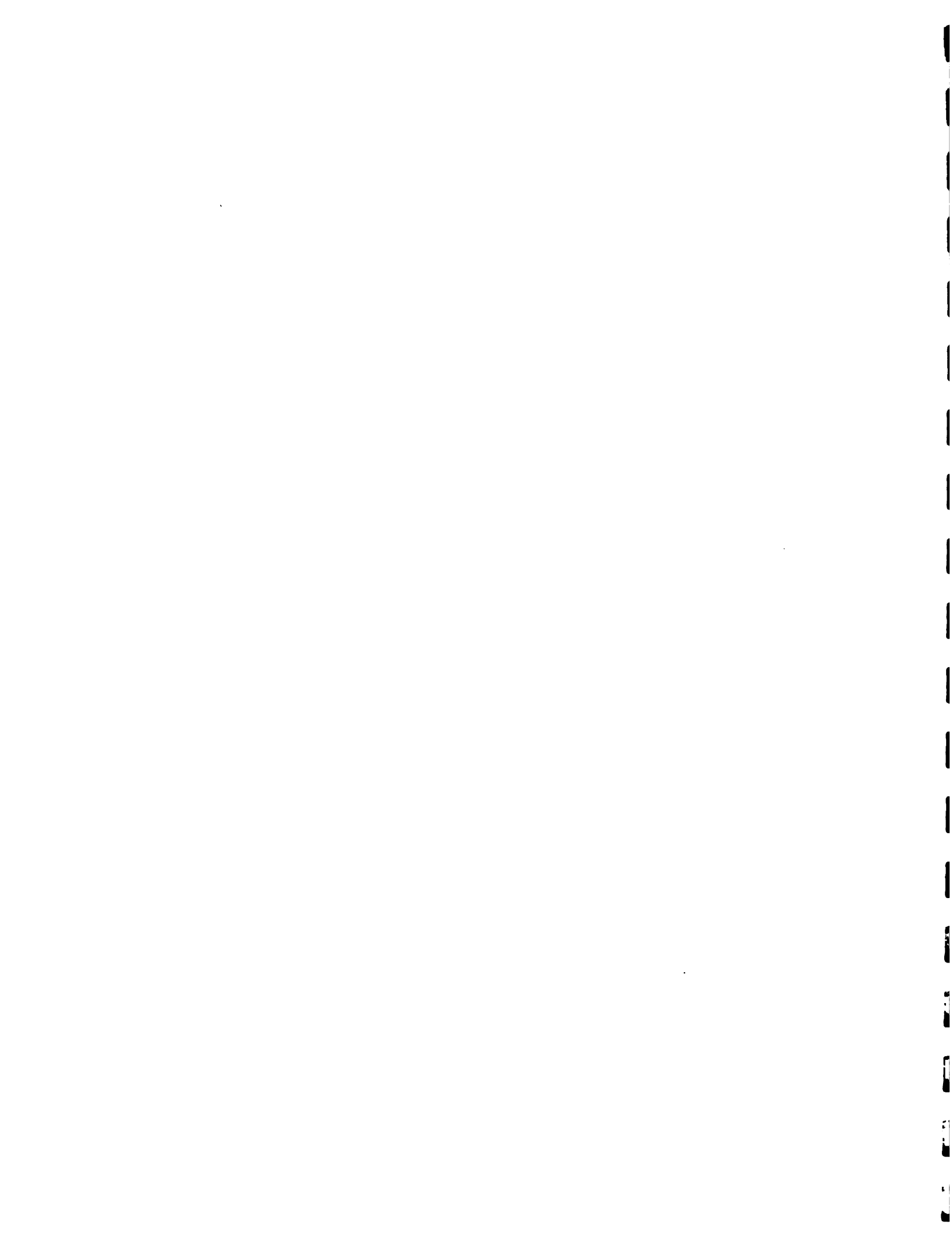
METHODOLOGY

The work on this manual, (the second in a series on business management for micro-entrepreneurs) began in January, 1985 and was completed in April, 1986. Continuing the methodology used in the development of Operating a Small Business in Jamaica, the materials were taught to trainers who were then observed teaching these same materials to selected business persons. Revisions were made based on the responses of both the trainers and the business persons.

During this 16 month period, Advisory Committee members also provided feedback to IICA on the training process in each of their agencies. In all, 156 trainers in Jamaica participated in this process, reaching over 4,000 producers. In addition, the materials were tested with 23 trainers in Guyana, whose interest has resulted in an extension of the programme in that country.

We believe that this methodology of participation and dialogue has made it possible to produce manuals particularly useful to Jamaican micro-entrepreneurs as well as to other business persons in Caribbean Basin countries, though there is a need for some adaptation, incorporating local examples and "sayings".

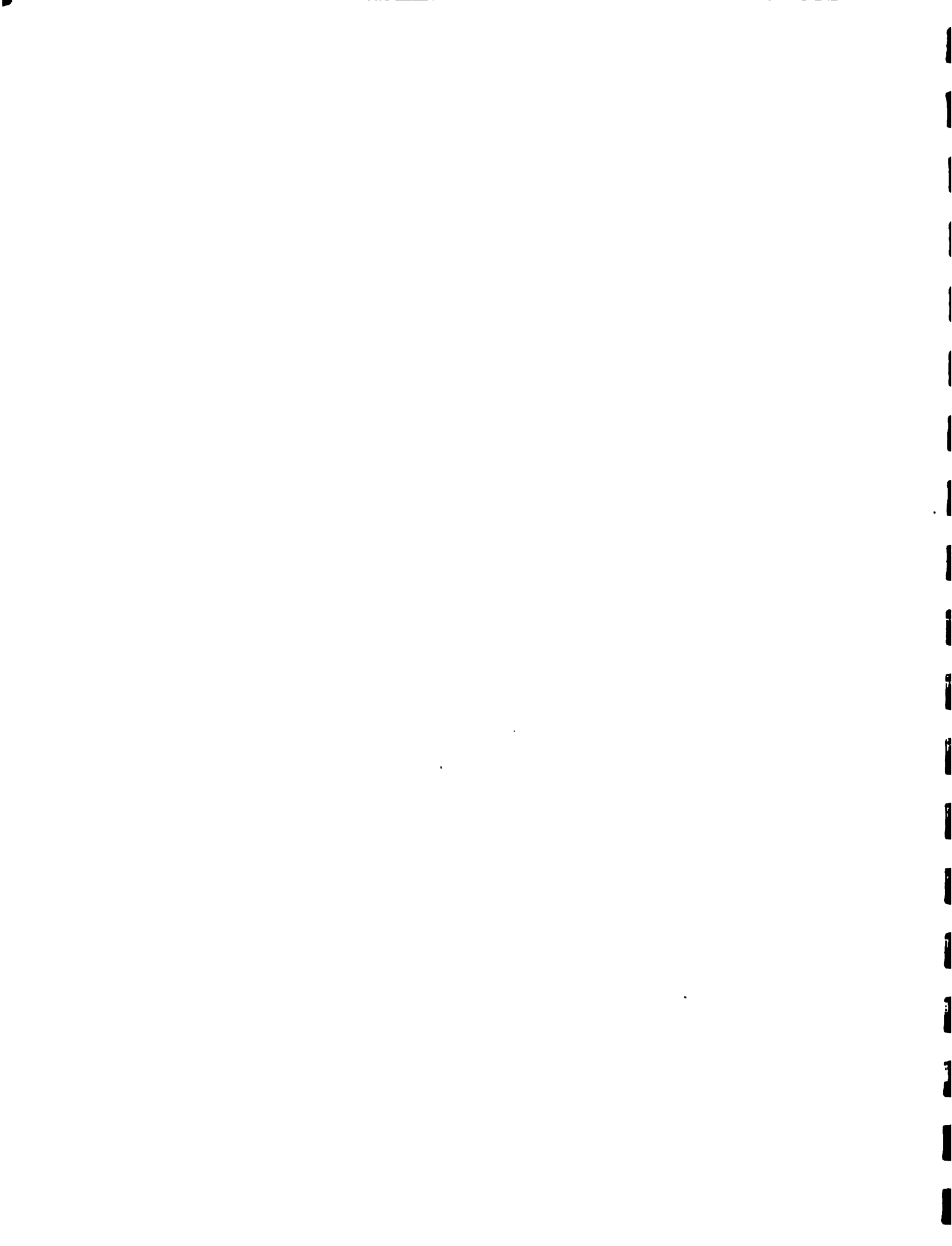
Many individuals - advisors, trainers and producers - made this manual possible. Without them, the exercise would have been meaningless. Because of them, many small business persons now have a manual tailored to their needs.



PART I : FEASIBILITY

IT ALL DEPENDS ON US





1. The idea, People and Resources

Many people want more out of life. This may be why some decide to go into business. They may have some specific reasons for going into business. Here are some of the reasons they give:

- * to be their own boss
- * to earn more money
- * to get personal satisfaction
- * to provide a service
- * several of the above

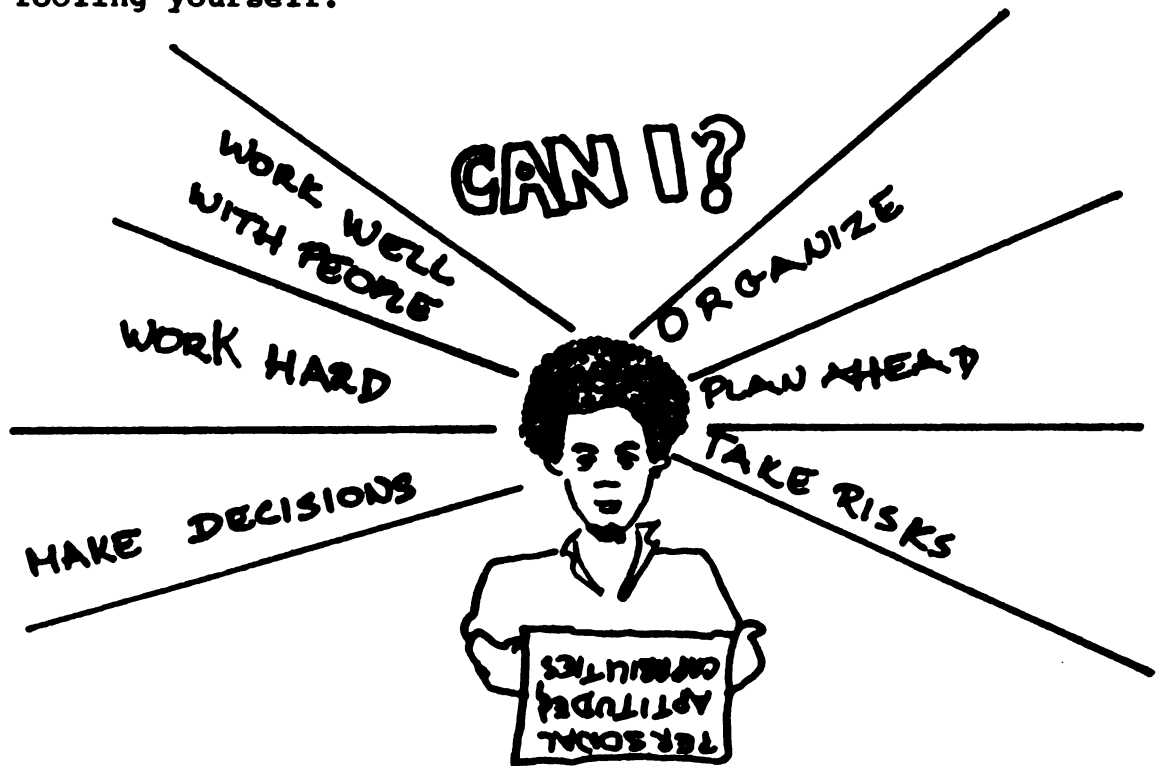
Why do you want to start a business?

Going into business, or starting a business, will require a lot from you. You must come up with the right idea to get the business started, or find the right business to buy. You must also identify the people who will work with you, supply your business and buy your product. And you must think about the resources needed for your business. These will be material resources, human resources, physical resources and financial resources.

Before considering any of these, however, you must find out if you have the personal qualities which are needed for running a business. Remember, not everyone has these qualities, and it is better to be sure that you do before you get started.

If you are planning to go into any type of business (farming, manufacturing, retailing, service or repair), ask yourself the questions which follow. If there are several of you planning to work together, each person should do the list of questions which follow.

Under each question, tick the answer that says what you feel or comes closest to it. Be honest, if not, you will only be fooling yourself.



1. Can you get things started on your own?
 - a. I do things on my own. Nobody has to tell me to get going.
 - b. I need someone to get me started, then I'm fine.
 - c. Easy man. I don't make any effort until I have to.

2. How do you feel about other people?
- a. ___ I like people. I can get along with just about anybody.
 - b. ___ I have plenty of friends - I don't need anyone else.
 - c. ___ Most people annoy me.
3. Can you lead others?
- a. ___ I can get most people to follow, when I start something.
 - b. ___ I can give the orders if someone tells me what we should do.
 - c. ___ I let someone else get things started; then I get involved if I feel like it.
4. Can you take responsibility?
- a. ___ I like to take charge of things and see them through.
 - b. ___ I'll take over if I have to, but I'd rather let someone else be in charge.
 - c. ___ There's always some smartie around wanting to show how clever he is, I say let him be in charge!
5. How good an organizer are you?
- a. ___ I like to have a plan before I start. I'm usually the one to think things out when the group wants to do something.
 - b. ___ I do alright unless things get too confused. Then I give up.
 - c. ___ You get all set and then something comes along and presents too many problems. So I just take things easy.

6. How good a worker are you?
- a. ___ I can keep going as long as I need to. I don't mind working hard for something I want.
 - b. ___ I'll work hard for a while, but when I've had enough, that's it.
 - c. ___ I can't see that hard work gets you anywhere.
7. Can you make decisions?
- a. ___ I can make up my mind quickly if I have to. It usually turns out fine, too.
 - b. ___ I can, if I have plenty of time. If I have to make up my mind fast, later I wonder if I made the right decision.
 - c. ___ I don't like to be the one who has to decide things.
8. Can people trust what you say?
- a. ___ Sure man. I don't say things I don't mean.
 - b. ___ I try to be honest most of the time but sometimes I just say what's easiest.
 - c. ___ Why bother if the other man doesn't know the difference?
9. Do you give up easily?
- a. ___ If I make up my mind to do something, I don't let anything stop me.
 - b. ___ I usually finish what I start - if it goes well.
 - c. ___ If it doesn't go well from the start, I give up trying. Why bother?

10. How good is your health?
- a. ___ I'm usually full of energy.
 - b. ___ I have enough energy for most things I want to do.
 - c. ___ I run out of energy sooner than most of my friends seem to.

Now count the ticks you made:

How many ticks are there beside the first answer (a) to each question? _____

How many ticks are there beside the second answer (b) to each question? _____

How many ticks are there beside the third answer (c) to each question? _____

If most of your ticks are beside the first answers, you probably have what it takes to run a business. If not, you're likely to have more trouble than you can handle by yourself. It would be better if you could find a partner who is strong on the points you're weak on. If many ticks are beside the third answer, not even a good partner will be able to help make the business a success.

Sometimes a person or group of persons knows exactly which type of business they want to start. Other times, those involved know that they want to go into business, but have not yet come up with the idea. In either case, a serious analysis (thinking through) must be done. Follow the 5-step method on the next pages. If you know which type of business you want to start, then begin with step 2.



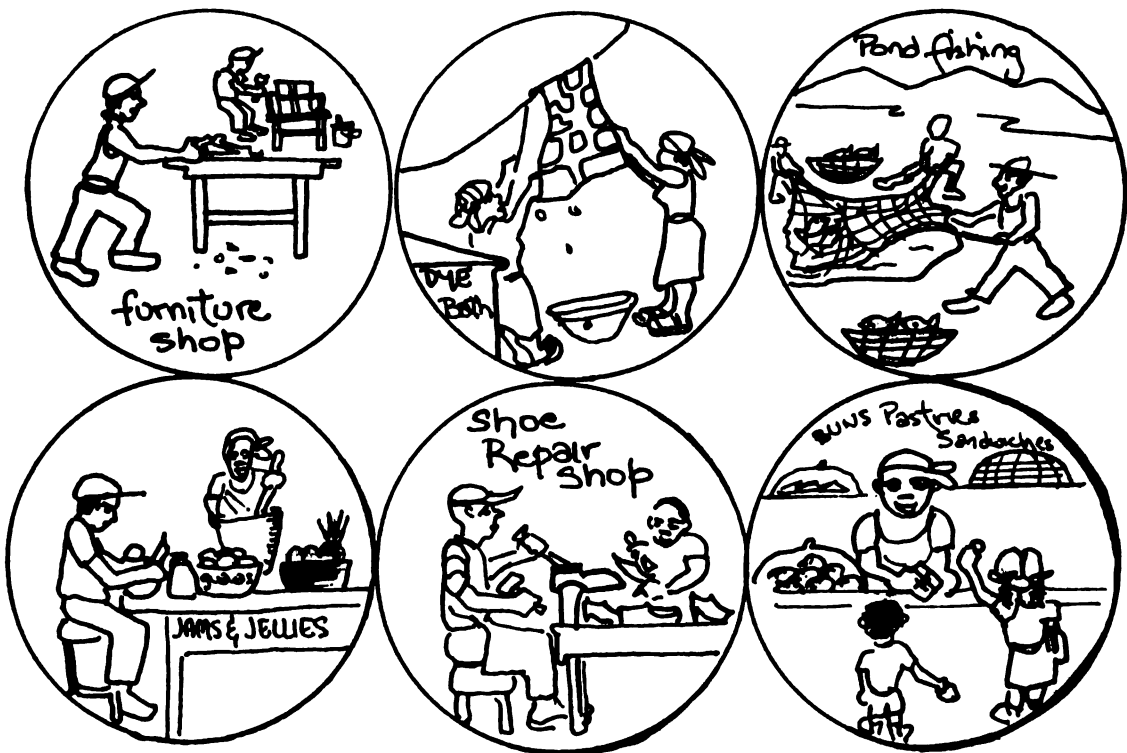
Always remember to do the feasibility study in the next section before making a final decision on the business you will start. These are the five steps to follow:

1. Listing of possible businesses.
2. Deciding upon the resources needed.
3. Studying market demand.
4. Arriving at a first choice.
5. Preparing a feasibility study.

Here is how to go about thinking through each step:

Step 1: Listing of Possible Businesses

Make a first listing of possible businesses which interest you. Ask yourself what you would like to do and what you think you would enjoy doing. You should also ask yourself whether you have experience doing this type of work. If you don't, can you learn (are you willing to learn and do you know someone to teach you?) You should not leave out a possibility simply because you don't have the experience. You should, however, leave out every possibility you are not interested in.



Be sure to make your list in the first column of the chart on the next page. If you need some help with possible ideas, see the list which begins after the chart.

Following is a listing of eight general kinds of businesses, and some suggestions under each:

I. SMALL MANUFACTURING

dressmaking	shoemaking
furniture making	tailoring
garment construction	welding
hand tool production	

II. CRAFT

alabaster craft	pottery-making
basketry	sewing
crochet	textile dyeing
doll-making	toy-making
embroidery	weaving
jewelry-making	wood carving
leather craft	

III. AGRICULTURE

Crops for domestic markets:

ackee, banana, broad beans, cabbage, calaloo, carrots, citrus, coco, corn, coconut, dasheen, hot peppers, mango, onions, pakchoi, pawpaw, pineapple, plantains, potatoes, pumpkin, peas (all kinds), rice, scotch bonnet peppers, soy beans, string beans, sugar cane, sweet pepper, sweet potatoes, tomatoes, flowers and ornamental plants.

Crops for export markets:

aloe vera, banana, cantaloupe, citrus, cocoa, coco, coconut, coffee, cucumber, dasheen, ginger, green beans, hot peppers, pawpaw, pineapple, pumpkin, scotch bonnet peppers, sugar cane, sweet pepper, watermelon, yam, flowers and ornamental plants.

IV. LIVESTOCK

cattle (dairy and beef)	goats
chickens (broilers & layers)	pigs
ducks	rabbits
fish (inland and ocean)	sheep

V. FOOD PROCESSING

canned and bottled foods	jellies and jams
chips (potato, banana breadfruit, coconut)	pickles, relishes
dried fruits	sea salt
dried meat	smoked meat and fish
dried vegetables	sweets

VI. REPAIRS

car repair	shoe repair
clothing repair	small appliance repair
furniture repair	toy repair

VII. SERVICES

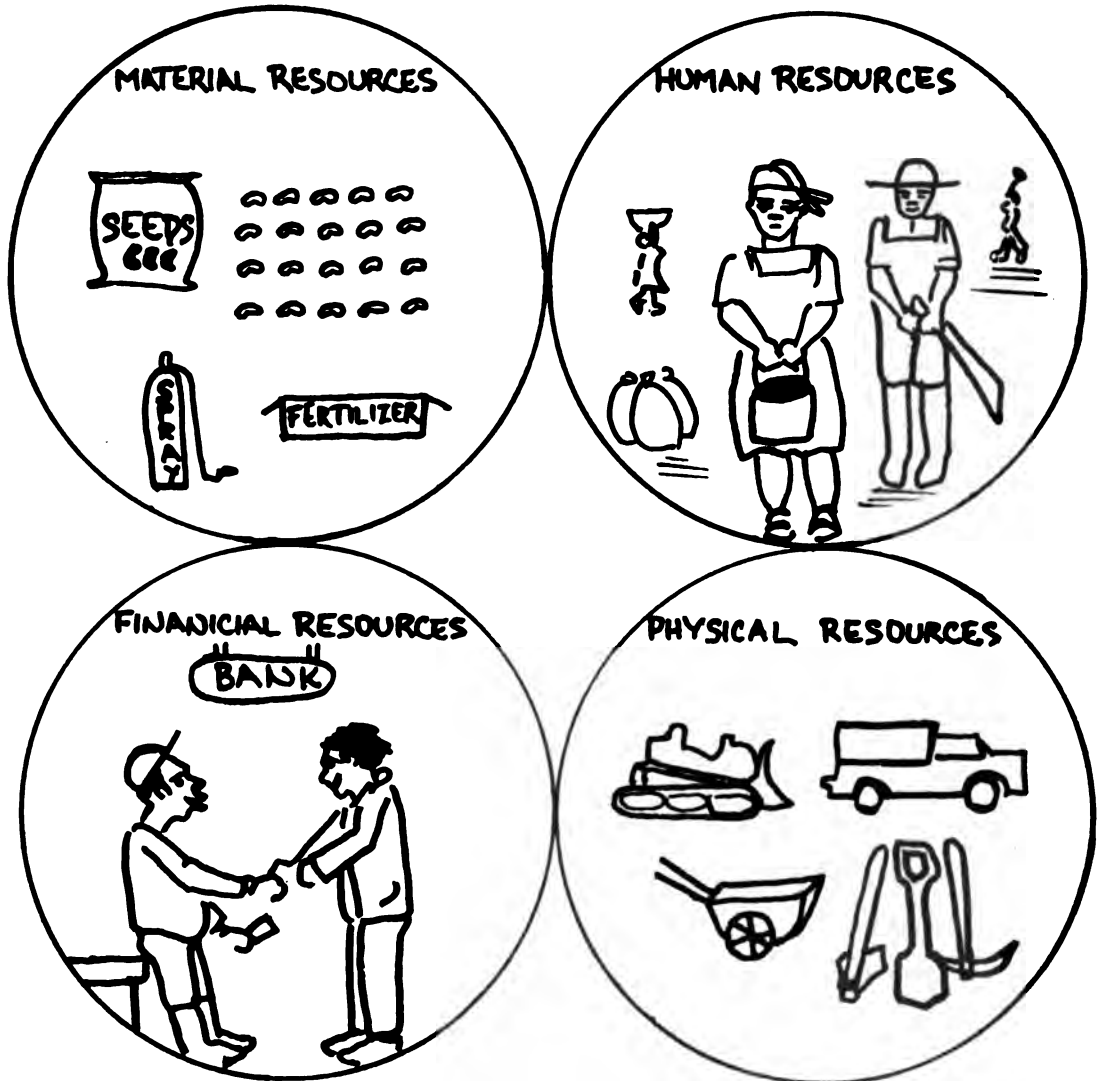
bakery	barbering	laundry
catering	hairdressing	transport

VIII RETAILING

craft shop	hardware store
farm store (seeds, fertilizers, etc.)	grocery shop
feed and grain store	higglering
	tuck shop

Step 2: Deciding upon the Resources Needed

There are 4 types of resources needed to start a business: material resources, human resources, physical resources and financial resources.



Look at the chart where you listed business ideas and think about the kinds of resources you will need for each of the possible businesses you have selected, then fill them in.

A. MATERIAL RESOURCES

If you are going into farming, you will need good quality seeds, pesticides, insecticides and fertilizers. If you will be in manufacturing, you will need good quality raw materials, readily available and at competitive prices. If you are going to be a retailer, you will need good quality, readily available goods to buy for resale. If you are thinking of offering a service, you will need the necessary supplies to carry out your job.

You must also have reliable and trustworthy suppliers. Whenever possible you should have an alternate supplier from whom you may purchase materials, in case problems arise. Think about the raw materials you will need for each business listed and record them in the proper column.

B. HUMAN RESOURCES

You and the people who will work with you in your business need to have the necessary skills which will make your particular business venture a success. These skills include:

- * an understanding of how to produce what you will sell
- * an understanding of marketing
- * an understanding of how to manage a business

Do you have the particular skills needed for each of the possible businesses?

_____ Yes _____ No

If not, is there someone you can learn from? _____

Indicate on the chart if the necessary human resources are available for each business listed.

C) FINANCIAL RESOURCES

Almost every business needs some capital to get started. This money could come from your own savings, from friends or relatives, or from some type of financial institution.

Do you know approximately how much it will cost you to start each of your selected businesses?

You should think about:

- 1) The total amount you will need.
- 2) How much savings you have which you could use.
- 3) How much you can get from friends.
- 4) How much you will need from a financial institution.
(Are you sure that you can get a loan from a financial institution?)

Record your choice(s) of funding on the chart.

D) PHYSICAL RESOURCES

Most businesses, including farms, need physical resources such as buildings, land, materials and equipment. If you do not have these physical resources at the start, you may have to buy or rent them. Think of the physical resources you will need for your possible businesses and list them on the chart.

Step 3: Studying Market Demand

Your list of possible businesses will be narrowed down when you think about customer demand for the product or service you will offer for sale. For each possible business, ask yourself the questions which follow:

- * What product or service will I sell?
- * How much of this product or service do I think I can sell?
- * At what price?
- * Is this price competitive?
- * Who would my customers be?
- * Where are they located?



After you have considered these questions, you should indicate on the chart what the market situation is likely to be for each of the business possibilities.

Once you have completed the chart, review the business possibilities and eliminate those which have problems, either with resources or market demand.

Now narrow your business choices down to three.

Choice 1 _____

Choice 2 _____

Choice 3 _____

Of course, if you already know which business you want to start, you need not list choices. But you must review your business idea by thinking through the questions in Steps 2 and 3.

Step 4: Arriving at a first choice

Think carefully about the different choices for a business you have listed. Now list the advantages and disadvantages of each choice. Use the following chart to present all of the information in a way that you can study it.

CHART TO STUDY BUSINESS CHOICES

<u>Businesses:</u>	Advantages	Disadvantages
1. _____ (Choice #1)	_____ _____ _____ _____ _____	_____ _____ _____ _____ _____
2. _____ (Choice #2)	_____ _____ _____ _____ _____	_____ _____ _____ _____ _____
3. _____ (Choice #3)	_____ _____ _____ _____ _____	_____ _____ _____ _____ _____

Once you have listed the information on the chart and studied the advantages and disadvantages, ask yourself if you are still satisfied with your first choice. If you are convinced of this first choice, then move on to Step 5. If you are unsure of your first choice, study and analyse the information on the chart. Discuss the advantages and disadvantages with those who will be involved in your business. You may arrive at a different first choice, or you may become even more convinced of your original first choice.

Here is an example of how one group used the chart for analysing several business possibilities.

Possible Businesses	Material Resources	Human Resources
1. Baking kullos	Baking ingredients all available	10 experienced; 3 willing to learn
2. Garments for teens	Clota and threads are local; tools imported	7 experienced; 6 willing to learn
3. Educational material	Paper imported but available	2 experienced 11 not interested
4. Chicken - Rearing (eggs)	Eggs, feed, medicines imported?	10 experienced 3 not interested
5. Ornamental horticulture	All local except pesticides	13 experienced but only 2 interested

This group of thirteen young people, came together because they were unemployed and needed to support themselves. They came up with a number of business ideas and completed the chart so that they could analyse these business possibilities.

When they analysed all of the information on the chart, they saw that they must eliminate some choices for particular reasons:

- a) they eliminated the educational materials because not enough people in the group were interested and because the lending institution was not clearly identified.

Physical Resources	Financial Resources	Market Demand
Oven & kitchen can be used	\$200 start-up expenses to come from savings	2 schools nearby
Good location for a minimal fee	\$1,000 start-up expenses from savings	shops have shown interest in samples
Good location for a minimal fee	\$5,000 needed; Need loan of \$4,000 to augment savings	schools uninterested
land free but must consult co-ops	\$1,500 needed; use \$1,000 savings; \$500 loan from NDF?	local area is short on eggs
land must be leased	\$2,500 needed; \$1,000 from savings; \$1,500 loan needed	good! Florists need supplies

b) they eliminated ornamental horticulture because only two members of the group were interested and they were not sure they would locate the right land.

They then had three choices left: baking bullas, making garments for teens, and chicken rearing. They studied the chart again in order to arrive at a first choice. They were careful to study the column under market demand. After discussing the matter they realized that, although the local area was short on eggs, another group with many more resources was planning to start a similar type of business. So chicken rearing was made their third choice. After further discussion, the group decided that making garments for teens should be their first choice because they felt that sales would go better.

This is how their chart analysing the advantages and disadvantages of their choices looked:

<u>Business</u>	<u>Advantages</u>	<u>Disadvantages</u>
<u>Garments</u> (Choice 1)	<u>Faster sales; low investment; good location;</u>	<u>Need for expensive, imported tools and machinery</u>
<u>Baking</u> (Choice 2)	<u>Schools nearby; low investment; kitchen available</u>	<u>Sales could be slow; not a high-volume business</u>
<u>Chickens</u> (Choice 3)	<u>Eggs in great demand in the area; land available at no cost</u>	<u>Other chicken-rearing ops. with more resources Medicines imported; expensive</u>

Step 5: Preparing a feasibility study

Once you have become convinced of your first choice, you must prepare a feasibility study. This is a study which is done to determine whether or not a project or business idea is profitable and manageable. Remember that the feasibility study must be done for all types of businesses: farming, manufacturing, retailing, or servicing.

In the previous step you compared several possible businesses and arrived at a first choice. In this step, you will test the soundness of the business you have selected. If your first choice does not prove feasible, you must do the feasibility study again for your second choice. Studying these business possibilities beforehand will help you to avoid starting those which will not prove successful. Doing the feasibility study beforehand will not guarantee success, but it will give you a better chance at starting a successful business.

2. Feasibility Study

The feasibility study which follows, will determine how certain important factors will affect the possible growth and success of the proposed business, and will help the person with the business idea to decide whether it is worth going ahead with it or not. The study and its analysis, as well as a project plan, will also provide a basis on which financing agencies can make decisions with regard to requests for funding for the business.

The method we will use for doing this simple feasibility study has four parts:

In Part I we will examine your abilities for running the business you are thinking about starting and make decisions about how the business will be set up and managed.

In Part II we will estimate the probable market for the product(s) or service(s) you propose to offer and determine probable prices and volume of sales.

In Part III we will determine the probable income you would receive from the business, look at the costs of setting up and operating the business and how these costs will be financed.

Finally, in Part IV we will compare the probable income you would receive from the proposed business with what you could earn from alternative uses of your time and skills and decide whether or not you should go ahead with the venture.

When we have finished these four steps, and if they have been done carefully, you should have a fairly good idea of the income possibilities - feasibility - of the small business you are considering. If the business appears feasible, we will summarize the questions you answered in Parts I, II and III, by completing a Project Plan.

PART I MANAGING THE BUSINESS

1. What kind of business will I/we set up?

2. Do I/we have the special skill(s) needed to run this business?

Yes _____ No _____

If the answer is 'No', you will need to learn the skill from someone who has mastered it. You may instead, wish to hire staff with the skill, but this may be too costly.

3. Do I/we have any experience in this kind of business?

Yes _____ No _____

(If you do, this will certainly be an asset. If you do not, don't be discouraged).

4. How many people will be involved in the business?

5. Who will manage the business?

6. Who will be in charge of production?

7. Who will be responsible for marketing?

8. Who will keep the records?

9. Will the business have a name?

Yes _____ No _____

If 'Yes', what will it be called?

10. Will the business have to be registered?

Yes _____ No _____

11. Are there any licences or special permits which are required to operate the business?

Yes _____ No _____

12. Will the business be subject to special taxes or duties (such as excise and consumption taxes)? List them.

13. Where will the business be located?

PART 2 MARKET STUDY

In order to obtain income from the products you make or the services you offer, you must sell or MARKET them. By answering the following questions, you aim at getting the information which can help you in developing the sales of your product or service. By gathering and analyzing this information, you will be able to tell whether or not there is a market for your product or service. This is called a Market Study. You will need to ask questions of others and look at other businesses in your own community and in surrounding communities. You should avoid making guesses, but answer the questions honestly, based on sound knowledge or facts you discovered while you were doing the study.

1. What product(s) or service(s) do I/we plan to make or sell?

2. Have potential buyers seen samples of the product(s)?

Yes _____ No _____

3. Is there a need for this product or service?

Yes _____ No _____

If 'Yes',

Will there be sufficient buyers for what I/we want to produce?

Yes _____ No _____

How many? _____

4. What will customers look for in my product or service?

5. Have I/we secured orders or firm commitments from potential customers? Yes _____ No _____

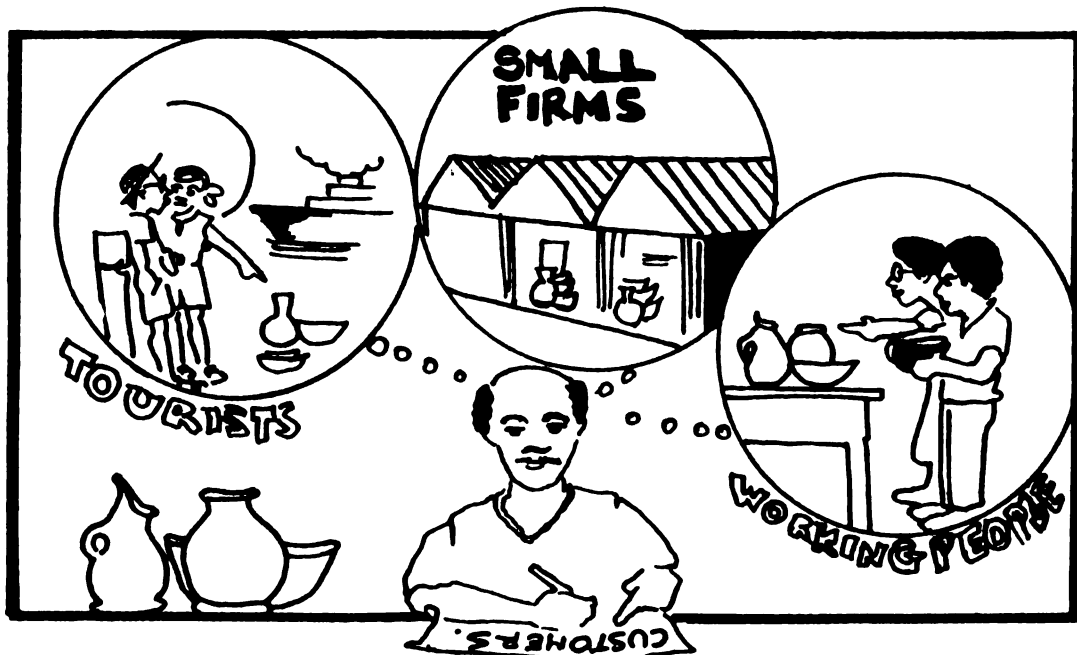
How many? _____

What is the total value of these orders or commitments?

\$ _____.

6. Who will my customers be? (Tick those boxes which apply)

_____	Tourists	_____	Higglers
_____	Housewives	_____	Farmers
_____	School children	_____	Small firms
_____	Older people	_____	Large firms
_____	Middle-aged people	_____	Males
_____	Young people	_____	Females



7. Where are my potential customers located?
(Tick the box or boxes which apply)

- In my community
- In surrounding areas
- In other towns and cities
- Overseas

8. How will my customers obtain my product(s) or service(s)?

- They will come to me to buy them
- I will go to them to sell them
- Other people will buy them and re-sell them



9. What will the pattern of sales be like?

Regular, all year round _____

Irregular, all year round _____

Irregular, seasonally _____

10. Do I know who my competitors will be?

Yes _____ No _____

If 'Yes' where are they located?

	none	some	most	all
in my immediate community	_____	_____	_____	_____
in surrounding areas	_____	_____	_____	_____
in other towns and cities	_____	_____	_____	_____

Are their product(s) or service(s),

	none	some	most	all
superior to what I plan to offer?	_____	_____	_____	_____
inferior to what I plan to offer?	_____	_____	_____	_____
about the same quality?	_____	_____	_____	_____
cheaper than what I plan to offer?	_____	_____	_____	_____
more expensive?	_____	_____	_____	_____
about the same price?	_____	_____	_____	_____

Are customers satisfied with the treatment they are getting from competitors?

None of them are satisfied _____
Some of them are satisfied _____
Most of them are satisfied _____
All of them are satisfied _____

Are my competitors,

(tick one box for each question)

	none	some	most	all
new in the business?	_____	_____	_____	_____
in the business for sometime?	_____	_____	_____	_____
very well established?	_____	_____	_____	_____

Are they generally,

(tick one)

	none	some	most	all
doing good business? (making profits)	_____	_____	_____	_____
not doing good business? (losing money)	_____	_____	_____	_____
just surviving?	_____	_____	_____	_____

11. What advantages will I have over my competitors?

12. What advantages will my competitors have over me?

13. What material resources will I need for the business?

14. Where will I obtain these raw materials or supplies?

In my community _____
In surrounding towns or villages _____
In the city _____
Overseas _____

15. Have I looked for alternative sources of raw materials or supplies?

Yes _____ No _____

If yes, how do they compare with the present sources, in terms of:

	much better	better	same	worst	much worst
cost?	_____	_____	_____	_____	_____
distance?	_____	_____	_____	_____	_____
quality?	_____	_____	_____	_____	_____
reliability?	_____	_____	_____	_____	_____

When selecting raw materials or supplies you should ensure that they are of the required quality and that they will be available when you need them. It is always wise to have alternative sources of supplies.

16. What prices can I obtain for my product or service?

\$_____ (per unit)

17. What volume of sales can I expect to average each month and how much does this represent in dollar terms?

Product Name	Number of Units	X	Price per Unit	=	Expected Sales
_____	_____		_____		_____
_____	_____		_____		_____
_____	_____		_____		_____
_____	_____		_____		_____
_____	_____		_____		_____
_____	_____		_____		_____
_____	_____		_____		_____
_____	_____		_____		_____
_____	_____		_____		_____
_____	_____		_____		_____
_____	_____		_____		_____
			Total Expected Sales	\$	_____

The answers you gave to the questions in Part 2 of the Feasibility Study should tell you whether or not a market for your product or service exists. You should have seen that in order to have a market, the product you will make or the service you will offer must be needed and be acceptable to the right buyers for the right price, and you must sell it at the right place at the right time.

You will be certain to obtain markets for your product, for instance, if the demand for it is high, if it is produced from good quality raw materials, and if it is of high

quality; if you can produce it at a fair (but profitable) price and if you have identified and are in touch with your customers.

If you provide a service, your business will grow as long as you can satisfy your customers with high quality service at a reasonable price together with a high degree of reliability, in a good location.

Your potential competitors can provide you with good ideas about the types of products or services you can offer in your business. By observing how they run their businesses, you can also determine what you should and should not do in your own business. You may want to compare competitors' businesses which are doing well and those which are doing poorly, and try to learn from their experiences.

PART 3 FINANCIAL FEASIBILITY

When you do a feasibility study for a business idea, you want to find out whether or not the business can provide you with an income which is as good as, or better than what you could earn from other uses of your time and skills.

In the first section of this exercise, you are provided with a form which will allow you to calculate your receipts and your costs. By subtracting the costs from the receipts, you will arrive at the income which the business has left to pay you a wage, to cover the costs of financing, and to reinvest in the business.

The second section looks at how the business will be financed and finally, in the third section, you will find out how much income YOU will be able to receive from the business.

A. CALCULATING COSTS AND RETURNS

NOTES ON THE FORM:

ESTIMATED SALES

This is the value of the number of units of your product or service you estimate that you can produce and sell in the chosen time period. It is very important that this estimate be based on the careful research of the market you had carried out in the Market Study, as this will decide how accurate your calculation will be.

COSTS

List the various costs which will be borne by the business in providing the product or service, selling the goods or growing the crops, for the time period chosen. You should use as accurate and as current costs as possible.

Some costs may not be directly related to the particular period chosen or the number of items produced or service given. In these cases, be sure to include only the portion which would correspond to the time period chosen. For example, if electricity bills will be paid once every two months and your calculation is for one week, you should only include the equivalent of one weeks payment for electricity in your calculation.

INCOME TO THE BUSINESS

To get this, subtract the Total Costs from the Estimated Sales. This 'Income', if it is greater than costs, is what will be available for covering loan payments (principal and interest), your 'wage' and profits, which can be reinvested.

On the following 4 pages are forms that may be a helpful guide for you to complete the estimated sales and costs for four different types of business; manufacturing, service, retail and farming.

CALCULATION OF COSTS & RETURNS - MANUFACTURING

PRODUCT _____
 PRODUCTION: _____ TIME PERIOD _____
 No. of Items (Day, Week, Month, Year)

ESTIMATED SALES _____ \$ _____ ¢ _____

COSTS

- a) Raw materials

				.	
- b) Packaging & labelling

				.	
- c) Labour

Hired _____	X				
Unpaid family _____	X				
- d) Transport (both ways, for buying raw materials and for delivery of finished items)

				.	
- e) Rent _____
- f) Phone _____
- g) Electricity _____
- h) Water _____
- i) Fuel/oil/propane gas _____
- j) Small tools & equipment _____
- k) Servicing _____
- l) Stationery, stamps, etc. _____
- m) Other _____

TOTAL COSTS (add a to m) _____ . _____

INCOME FOR TIME PERIOD _____ . _____

(Subtract Total Costs from Estimated Sales)

CALCULATION OF COSTS & RETURNS - SERVICE

TYPE OF SERVICE _____

NO OF SERVICES TO BE PERFORMED _____ TIME PERIOD _____
(Day, Week, Month, Year)

ESTIMATED SALES _____ \$ _____ ¢ _____

COSTS

a) Supplies _____ \$ _____ ¢ _____

b) Hired labour _____ \$ _____ ¢ _____

c) Transportation _____ \$ _____ ¢ _____

d) Rental _____ \$ _____ ¢ _____

e) Telephone _____ \$ _____ ¢ _____

f) Electricity _____ \$ _____ ¢ _____

g) Water _____ \$ _____ ¢ _____

h) Fuel/oil/propane gas _____ \$ _____ ¢ _____

i) Small tools & equipment _____ \$ _____ ¢ _____

j) Servicing of equipment _____ \$ _____ ¢ _____

k) Other _____ \$ _____ ¢ _____

TOTAL COSTS (add a to k) _____ \$ _____ ¢ _____

INCOME FOR TIME PERIOD _____ \$ _____ ¢ _____

(Subtract Total Costs from Estimated Sales)

CALCULATION OF COSTS & RETURNS - FARMING

TYPE OF ENTERPRISE _____

ESTIMATED YIELD _____ TIME PERIOD _____

(Day, Week, Month, Year)

	\$	¢
ESTIMATED SALES _____	_____	_____

COSTS

- a) Seeds _____
- b) Fertilizers _____
- c) Herbicides _____
- d) Pesticides _____
- e) Hired Labour _____
- f) Transportation _____
- g) Rent _____
- h) Telephone _____
- i) Electricity _____
- j) Water _____
- k) Fuel/oil/propane gas _____
- l) Small Tools _____
- m) Servicing _____
- n) Stationery, stamps, etc. _____
- o) Other _____

TOTAL COSTS (add a to o) _____

INCOME FOR TIME PERIOD _____

(Subtract Total Costs from Estimated Sales)

CALCULATION OF COSTS & RETURNS - RETAIL

TYPE OF RETAIL OPERATION _____

TIME PERIOD _____

(Day, Week, Month, Year)

\$ ¢

ESTIMATED SALES _____ . _____

COSTS

a) Goods bought for resale
(delivered to store) _____ . _____

b) Hired labour _____ . _____

c) Transportation _____ . _____

d) Rent _____ . _____

e) Telephone _____ . _____

f) Electricity _____ . _____

g) Water _____ . _____

h) Fuel/oil/propane gas _____ . _____

i) Servicing _____ . _____

j) Stationery, stamps etc. _____ . _____

k) Miscellaneous supplies _____ . _____

Other Costs:

l) _____ . _____

m) _____ . _____

TOTAL COSTS (add a to m) _____ . _____

INCOME FOR TIME PERIOD _____ . _____

(Subtract Total costs from sales)

B. ESTIMATING START-UP COSTS

In order to find out how much financing (your own investment, loans, grants) will be needed to get the business started, you should make a list of all the items which you will need to buy, and all the services which you will have to pay for in order to start operating the business.

These start-up costs are of three types:

- 1) Capital costs
- 2) Operating Costs
- 3) Other start-up costs

1) Capital Costs

These are costs for items such as equipment, machinery, vehicles, furniture and fixtures, building, land, etc. If you already own some of these items, they should still be listed and their costs included in your total estimate.

2) Operating Costs

These are costs of raw materials, supplies, wages for yourself and employees, utilities (water, electricity, telephone, fuel, etc.) rental, transportation and miscellaneous expenses.

These costs should be worked out for the period in which you will not have enough income from sales to cover them. For example, if you estimate that it will take, say three weeks to set up the business and sell enough items to be able to start paying your operating expenses, then your estimate of operating expenses should be worked out for a three-week period. On the other hand, if you think that you will start

4. Ownership

Indicate the type of legal structure the business will assume and who the principal owners are.

5. Management

Explain who will manage the business and what their experience or training has been. If there are others who will have positions of responsibility e.g. for production, marketing, record keeping, etc., name them and give their qualifications and/or experience.

6. Financing needs

A. Make a list of capital costs indicating any of those that are currently owned by you. These would include: machinery, furniture and equipment, land, buildings, etc.

B. Make a list of operating costs for the period of time the receipts from sales will not be enough to cover them. These would include: raw materials, packaging, labelling, transportation, labour, rent, utilities, etc.

C. Make a list of other costs such as those for registering the business, legal fees, training expenses, etc.

D. Indicate the amount which needs to be financed, the amount you will contribute and the amount in loans or grants which will be required.

ESTIMATE OF START-UP COSTS

1. CAPITAL COSTS

	\$	¢
Equipment	_____	_____
Machinery	_____	_____
Vehicles	_____	_____
Furniture & fixtures	_____	_____
Buildings	_____	_____
Land	_____	_____
Other	_____	_____
TOTAL CAPITAL COSTS	_____	_____

2. OPERATING COSTS

(FOR TIME PERIOD UNTIL RECEIPTS COVER COSTS _____)

Raw Materials/supplies	_____	_____
Wages - owner	_____	_____
Wages - employees	_____	_____
Utilities	_____	_____
Rental	_____	_____
Transportation	_____	_____
Miscellaneous expenses	_____	_____
TOTAL OPERATING COSTS	_____	_____

3. OTHER COSTS

Registration Fees	_____	_____
Legal Fees	_____	_____
Training Expenses	_____	_____
Other Costs	_____	_____
TOTAL	_____	_____

TOTAL START-UP COSTS

(add 1, 2, 3)

_____	_____
-------	-------

4. FINANCING REQUIRED

AMOUNT TO BE FINANCED	_____	_____
Owner's contribution	_____	_____
Loan/Grant Required	_____	_____

7. Marketing arrangements

A. Describe your market - to whom you will sell, what areas you will cover, how you will get your product or service to your customer and how you plan to keep your customers.

B. Describe the competition in the market and how you plan to make your product or service competitive.

8. Production Plan

A. List the raw materials, goods bought for resale or supplies you will need. Give their sources and availability.

<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
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B. List the equipment needed and where you will get it.

<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>

C. List the targets you have set for production each week or month if you are a manufacturer or farmer, or the target for sales if you have a retail or service business.

9. Labour

State the total number of people you expect to employ, what they will do and the skills they need.

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

10. Loan Repayment schedule

List the amount financed, the interest and how much will be paid each year.

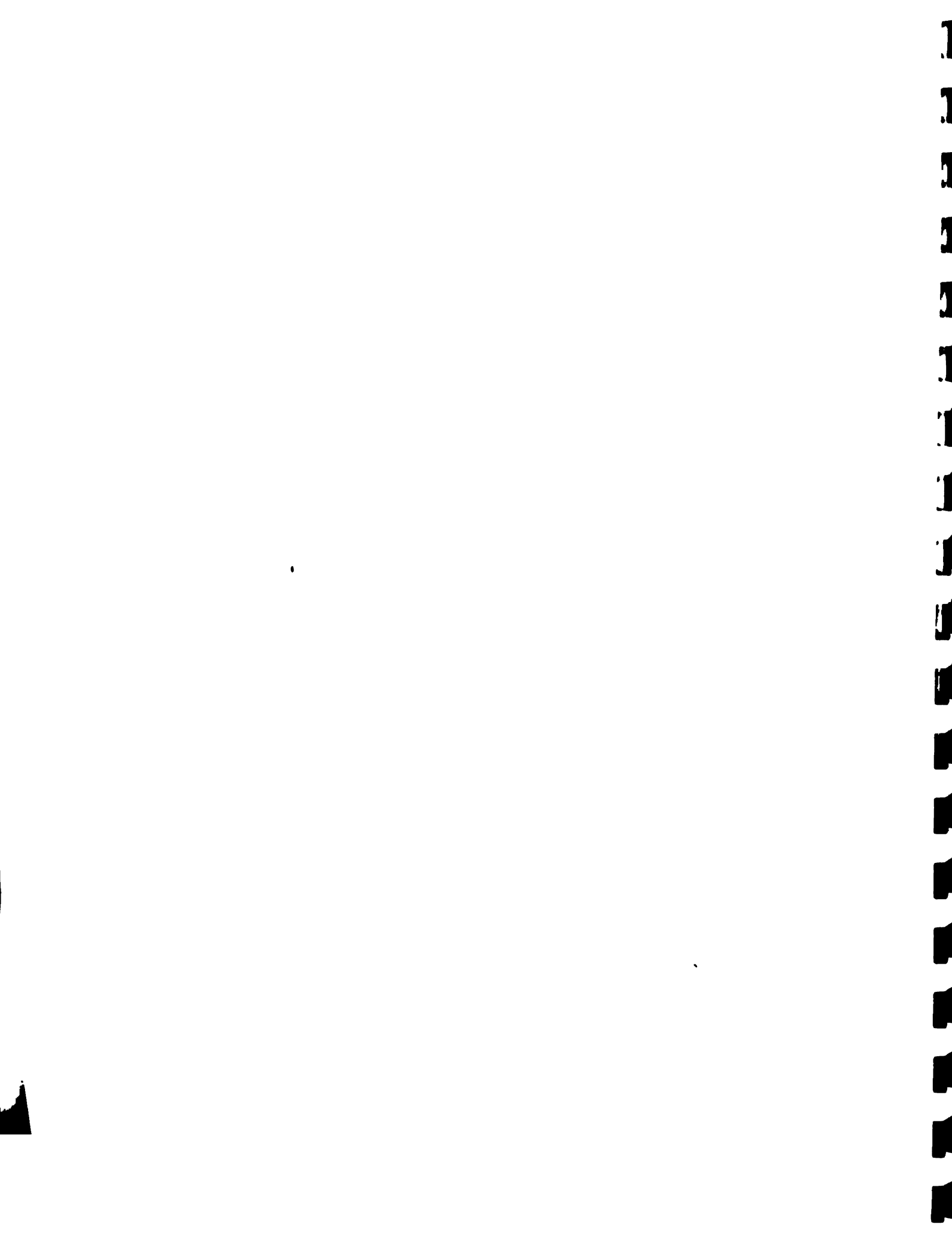
Loan for \$ _____ at _____ % Interest for a period of _____

	Year 1	Year 2	Year 3	Year 4
Loan balance	_____	_____	_____	_____
Principal repayment	_____	_____	_____	_____
Interest	_____	_____	_____	_____
Total repayment	_____	_____	_____	_____

11. Projected income statement

List your expected receipts and expenses for each year until loan is repaid. Remember to include your loan repayments and depreciation expenses under EXPENSES..

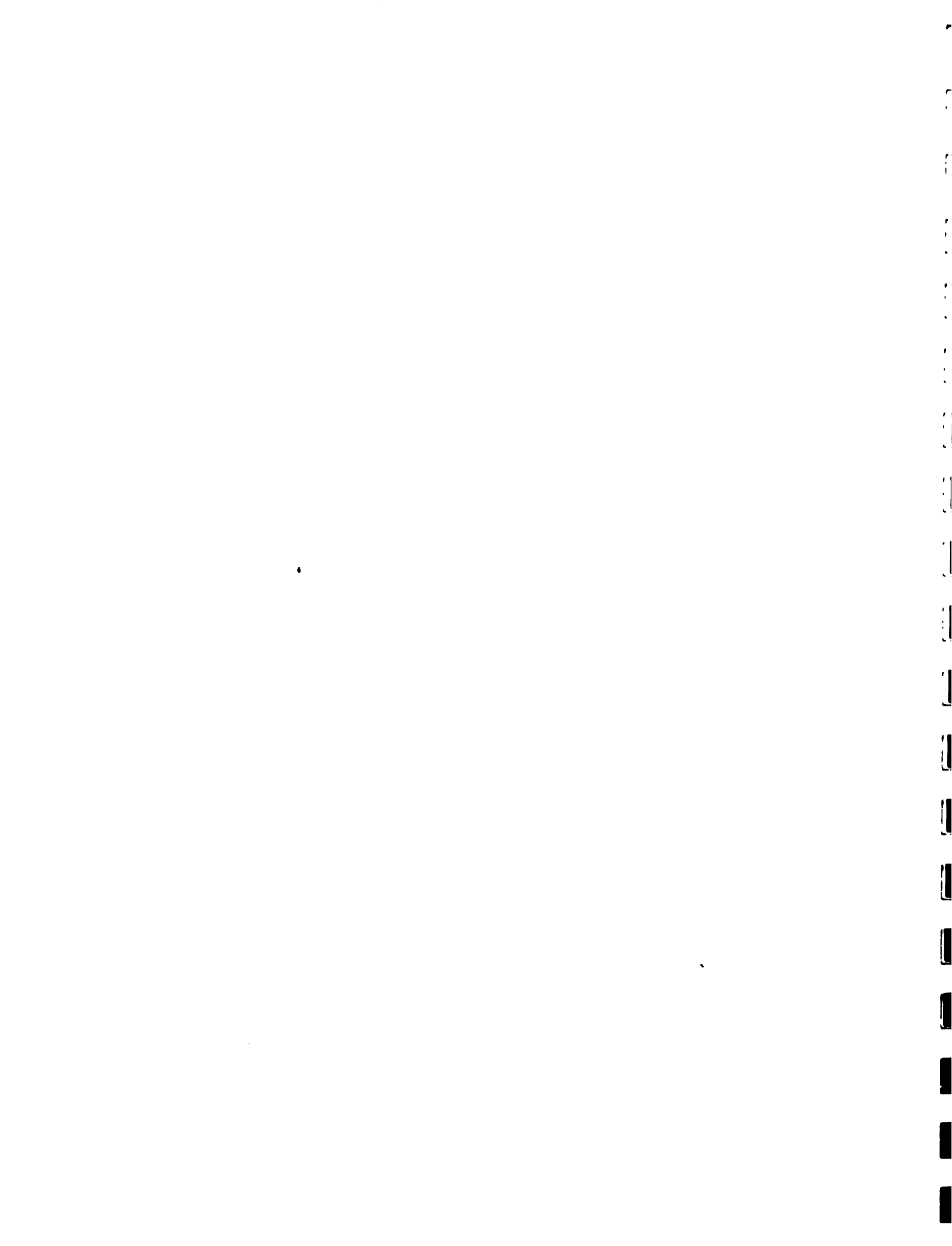
	Year 1	Year 2	Year 3	Year 4	Year 5
A. SALES	_____	_____	_____	_____	_____
B. <u>EXPENSES</u>	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
C. TOT. EXPENSES	_____	_____	_____	_____	_____
D. NET PROFIT	_____	_____	_____	_____	_____
(A minus C)	_____	_____	_____	_____	_____



PART II : FINANCING

A loan to get you started

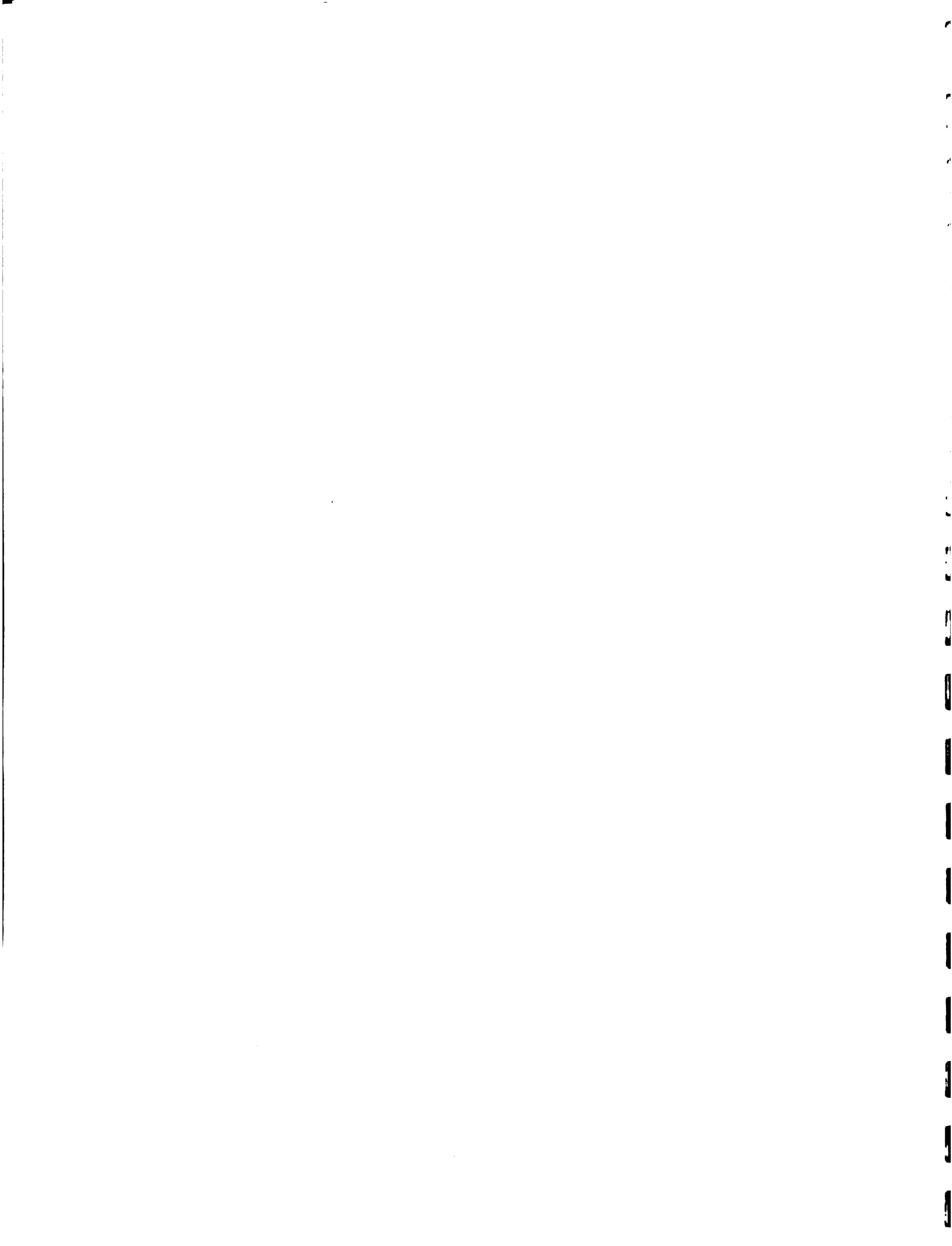




PART II : FINANCING

A loan to get you started





3. What is Financing and Why is it important?

Financing is the money you use to establish, operate or expand a business or undertake a project. The money can be used to:

- Buy land, buildings, or equipment
- Enlarge or modernise buildings
- Buy raw materials
- Pay operating costs until sufficient cash from sales is on hand to cover them.

Almost all businesses need financing to operate and good management of this money to operate profitably. You can use your own money (savings) to finance your business or you can get a loan (borrowed money).

The following are the sources of financing most commonly used for small businesses:

- Savings: money put aside
- Sales of personal goods and property
- Funds raised: money obtained from an event held
- Grants: donations received for doing a particular kind of project or activity
- Loans: money borrowed to be repaid (usually with interest*) over a specific period of time.

* Interest: a payment you must make for using someone else's money.

There are 2 main types of financing:

1. money which need not be repaid - savings or grants
2. money which must be repaid - loans

In the following pages, we will discuss these different types of financing.

A) SAVINGS

Cash savings is money put aside for use in the future. If you are planning to go into business, you should save a portion of your earnings. This way, your requirements for loans and grants will be reduced, as you can "lend" your own savings to your business.

Savings can be used for an individual, partnership or group business. Here are some ways you can save for yourself and for your business:

1. Join a 'partner'

This is very popular as you can usually save a small amount at a time and get your 'draw' when you need it most. However, you do not get any interest on your money - in fact, you may lose some - if you have to pay your 'banker' a portion of the amount you have saved.

2. Join a Credit Union.

This is a good way to save. You get less interest on your money than you would at a commercial bank, but you can also get a loan at interest rates which are lower than most institutions will lend at. Remember that you must be a member to qualify for a loan.



3. Open a Savings Account at a bank

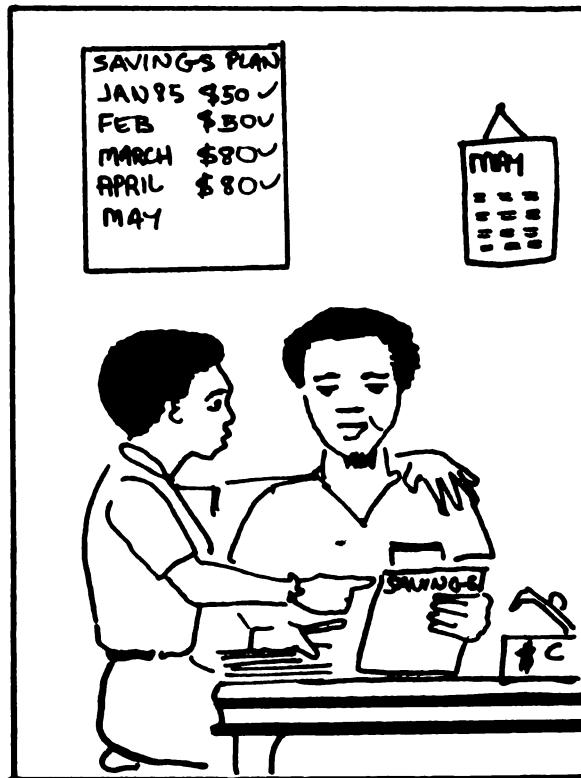
You can get a higher interest on your money here and maybe a loan, although the interest on the loan will be higher than at the credit union.

4. Plan how you spend your money - make a budget, setting aside some earnings for savings, and stick to it. You should also try to tighten your budget, so you can save more.

5. Increase your production and sales and save the extra income. Raising a pig or a goat, or buying and keeping something of value, is called non-cash savings. When you sell these, they become cash savings.

WHAT WORKS BEST FOR YOU?

1. _____
2. _____
3. _____



Note: Money should be stored in the bank, not at home, under the mattress, or buried in the ground. Why?

Here are some advantages of using your savings to finance your business:

- It makes you less dependent on loans and so reduces the burden of interest payments on your operating costs.
- It means that you reduce the extent to which the bank owns your business.
- You show potential lenders that you are committed to your new business in every way.

Here are some disadvantages of using your savings to finance your business:

- You may leave yourself with little funds for family and other emergencies.
- Your savings could earn you more money than it could if you invested it in your business.

B) SALE OF PERSONAL PROPERTY

Another method of financing your business from your own resources is through the sale of personal goods or property. Before selling any of your goods or property to raise money to finance your business, it is wise to discuss the matter with close relatives who could be affected in any way by the sale.

Here is one advantage of using money from the sale of personal property:

- ° This is money you do not have to pay back.

Can you think of others?

These are some disadvantages of using money from the sale of personal property:

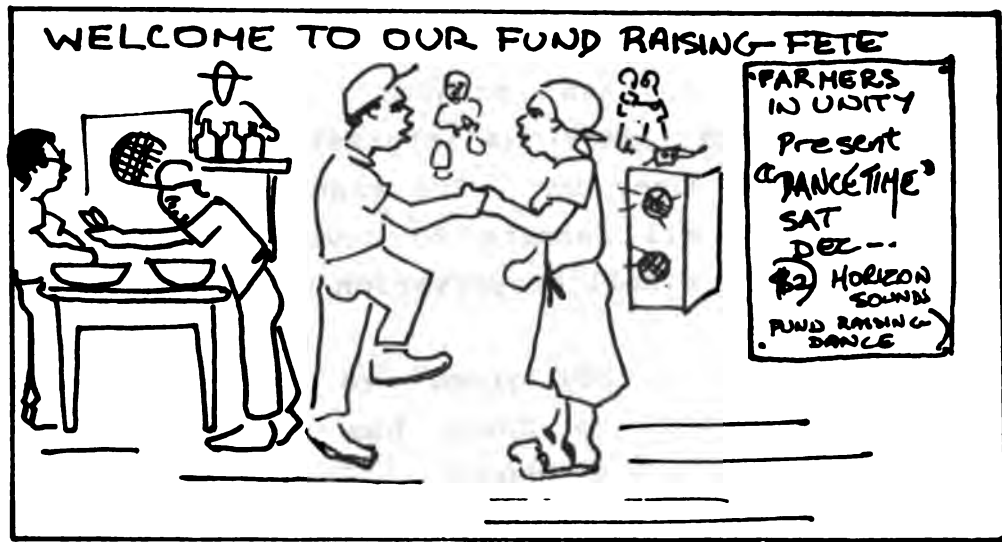
- ° It may be difficult for you to sell your property
- ° You have given up an asset which may be needed in the future.

C) FUNDS RAISED

These are monies collected from an event held for this purpose. Funds raised for use in a business can only be used for a community group business, not for an individually owned business or partnership.

Here are some ways of raising funds:

A dance	A bingo party	A barbeque
A raffle	An outing	A stage show



Now list some more ways you know of to raise funds:

One advantage of fund-raising is:

- the money raised belongs to the group business and need not be repaid.

These are some disadvantages of fund-raising:

- raising money is extremely hard work
- you don't always come out ahead; you may sometimes loose money when trying to raise money.

D) GRANTS

Grants to businesses are donations for doing a particular kind of business project which some person or organization (donor) is interested in helping and willing to provide money for. For example, government may grant funds to small farmers to cover part of the costs for doing certain soil conservation practices.

Grants are usually given to business groups planning projects that the donor has an interest in. Grants are also given in support of projects which local and outside agencies have an interest in promoting. For this reason, it is important when considering sources of grants, that you find out what organization (if any) is interested in providing grants to the type of business you wish to have.

The most common sources of grants to small businesses are:

- Your community
- National organizations
- International organizations

Let us look at some examples:

Your Community: grants may come from friends, relatives, or church organisations.

National Organizations: grants may come from big local businesses and foundations.

Do you know of National Foundations which give grants to community businesses?

International Organizations: grants may come from foreign governments or foundations.

Remember, grants are usually only for groups wishing to start a business project.

Here are some advantages of getting a grant:

- The group is responsible for making sure the money is well spent
- The group is not required to repay the funds which have been given
- There is no interest charge attached to the grant
- Grants are sometimes accompanied by help to get things done.

Here are some disadvantages of getting a grant:

- There is sometimes a temptation to change the direction in which the group wants to go, because it get money for something else
- If the group uses the money for other purposes, its reputation will be hurt and most likely the business will also be affected
- Grants may make a group rely too much on outsiders rather than on the group's own resources.

E) LOANS

A business loan is money made available by a person or a financial institution for a business to start-up, operate or expand, with repayment over a specific time period with interest charges.

In addition to loans from individuals, loan financing is available from the following types of institutions:

1. Government banks
2. Commercial banks
3. Cooperatives and credit unions
4. Special loan programmes



1. GOVERNMENT BANKS

Government Banks are the People's Cooperative Banks, popularly known as P.C. Banks. These banks lend primarily to farmers. There are some 115 People's Cooperative Banks in Jamaica, with several branches in most parishes. Each bank has its own independent managing committee and staff.

The P.C. Banks' interest rates on agricultural loans is considerably less than that charged by the commercial banks. The P.C. Banks lend up to \$80,000.00.

As the P.C. Banks are intended primarily to serve farmers, non-farmers who apply for a loan will have to pay higher rates of interest on money they borrow, than farmers do.

However, the interest rate non-farmers pay will still be lower than the commercial bank rate.

2. COMMERCIAL BANKS

Commercial banks are privately owned banks usually with branches throughout the island. They are in business to make money and therefore charge higher rates of interest than do the government P.C. Banks. The commercial banks make few loans to farmers for under \$80,000.00. However, they will make loans for under \$80,000.00 to business people who are not farmers.

There tends to be very little or no difference in the interest rate between one commercial bank and another. However, you should take the time to check to see which commercial bank will give you the most favourable rate of interest on your loan.

3. COOPERATIVES AND CREDIT UNIONS

All the parishes in the island are served by cooperatives and credit unions. In rural areas, the trend is towards the combination of an agricultural cooperative and a credit union. This is being encouraged by the National Union of Cooperative Societies. The interest rate on loans at cooperative credit union branches throughout the island is the same, presently a maximum of 12% per year. The loan ceiling or maximum loan available varies considerably between cooperative credit union branches. If you are interested in a loan from a cooperative credit union, visit those in your parish to check and see which branch offers the best terms for you.

4. SPECIAL LOAN PROGRAMMES

Special loan programmes are set up for business people who do not qualify for loans from commercial banks or other funding agencies. Some examples of special loan programmes are:

- The National Development Foundation of Jamaica (NDF/J)
- The Self Start Fund (SSF)
- The IDB/4-H Loan Programme
- The Community Revolving Loan Fund

These four special loan programmes are so important to small business people that we will discuss each one separately.

Advantages of borrowing are:

- It allows you to begin a business even if you do not have your own money; it also allows you to expand your business if you don't have enough money
- It keeps your business going until it generates enough money to pay for what you borrowed, and gives you a profit
- It allows a business to offer goods and services to the society so that the country's economy will grow.

Disadvantages of borrowing are:

- You may not need a loan (even if you think you do) and so you may get into debt unnecessarily
- You may have higher payments than the business can afford to make
- Loans increase the costs of a business and therefore increase the costs of goods and services to the customers.

4. Special Loan Programmes

1. THE NATIONAL DEVELOPMENT FOUNDATION OF JAMAICA

What is the National Development Foundation of Jamaica?

It is a development financing institution providing credit to small business people. This is supported by business guidance and technical assistance to those receiving loans. The NDF provides a social as well as an economic service to the community.

The NDF:

- * is not a government organization and is not funded by the government.
- * has no funds for grants.
- * makes loans to very small businesses in Jamaica.
- * gives technical assistance and training to those business people who receive loans.

What is technical assistance and what training does NDF give?

Technical assistance is help in managing your business successfully. NDF advises you on how to find customers for your products, how to price them so that you can make a good profit, how to keep your production going smoothly and how to keep accounts and other business records. This assistance begins before the loan is approved and it continues as long as you are repaying the loan. Applicants first receive training in the form of group sessions. This is followed by individual monitoring and assistance by the staff of the NDF.

What is the NDF Loan Policy?

1. The NDF funds projects that are:

- * ECONOMICALLY VIABLE: The project must be a profit oriented enterprise with a reasonable chance at success and payback.
- * DEVELOPMENTAL IN NATURE: The NDF lends to projects that will provide direct and indirect benefits to the economy and social fabric of Jamaica.
- * PERSONALLY ADMINISTERED: The NDF requires that a business be personally administered by the loan applicant. The applicant may have a second job but must be significantly dependent on income from the project.

2. The NDF provides loan financing to the following categories of business:

Manufacturing of garments, furniture and woodwork, footwear, building materials, toys, light metal craft; retailing; provision of services in general such as small contracting, garages; commerce; fisheries.

3. The NDF does not fund projects in these areas:

- * REFINANCING: The NDF does not make loans to cover outstanding bank loans, credit union loans, etc.
- * NEW CONSTRUCTION: The NDF does not make loans for initial construction but they will make a loan for an expansion or improvement.
- * TRANSPORTATION: The Foundation does not lend to the business of transportation, such as taxis or minibuses, nor to purchase motor vehicles.

- * BANKABILITY: The NDF does not lend to persons who qualify for commercial bank financing.
- * ASSET LEVEL: Assets of projects funded by the NDF should not exceed \$150,000.00 (excluding assessed value of land and buildings).
- * AGE LIMITS: The NDF cannot lend to persons under 18 or over 60 years of age.

Terms and Conditions covering NDF Loans.

1. Processing a loan application takes at least four (4) weeks.
2. The NDF Field Officer is the person who works with applicants to put a good case to the Credit Committee which decides whether they get a loan or not. The more applicants cooperate with the Field Officers, the better chance they have of getting their loans approved. If a loan application is for \$5,000.00 or less, the decision may be made by the management without going to the Credit Committee. Requests over \$5,000.00 must go to the Credit Committee which meets twice a month.
3. Any one person cannot borrow more than \$50,000.00 from the NDF.
4. Two or more partners may borrow up to \$30,000.00 each, but any one project may not borrow more than \$100,000.00.
5. Loans are made for the exact amount needed for the business. Everything needed to be bought, and the exact prices, must be listed in detail.

6. NDF pays for three (3) insurance policies on each borrower. These policies remain in force while the loan is being repaid. They cover:

(a) Insurance on the life of the borrower.

If a borrower dies before the loan is repaid, the insurance company will pay to the NDF the outstanding balance. If two or more people have signed for the loan and one of them dies, the insurance company will pay that fraction of the outstanding balance. (For example, if one out of three partners dies, the insurance company will pay one-third of the outstanding balance).

(b) Insurance against burglary.

The items bought with NDF loan funds are insured up to \$10,000.00, but the first \$500.00 is the responsibility of the borrower.

(c) Insurance against disasters such as flood, fire, etc.

The insurance company will repay the original cost price of items bought with NDF loan funds, with an amount deducted for depreciation based on the length of time the borrower has used the items.

7. The NDF also pays legal costs for processing and registering four (4) legal documents which borrowers sign to confirm their agreement with the NDF.

8. The NDF also pays the administrative and stationery costs for processing loans.

9. For the costs in points 6 - 8, the NDF makes a charge of 5% of the amount of the loan. This means that borrowers make a payment of \$50.00 on every \$1,000.00 borrowed.
10. This 5% charge is due and payable when the legal documents are signed, before the loan is disbursed. If borrowers are unable to pay all or part of this 5% charge, a portion or all of it may be written in and added to the loan.
11. Borrowers must discuss this 5% payment with their Field Officers and arrange to have it paid when their documents are signed, or arranged to have it included in the loan amount.

Because of the steep increase in the insurance costs every year, NDF clients will have to pay 3% of the outstanding balance at the beginning of the second year and every year thereafter, and 1% to cover the cost of insurance premiums. This amount may be revised as necessary.

Securing the NDF Loan

1. Borrowers may secure their NDF loans by having a co-signer or guarantor. This person signs legal documents agreeing to continue payments on the loan if borrowers can no longer pay.

NOTE: If the borrower has a business partner, he or she must co-sign. If married or living common-law, the spouse must co-sign. This is because items used for security may belong to both persons. If a spouse should take stocks or security and flee, the other one would be held solely responsible, so each one is protected since they both must sign. In case of a partnership or a company, spouses do not have to sign.

2. NDF gets a bill of sale on items such as machinery or equipment which are bought with the loan funds. This means they can be seized if the loan is not repaid.
3. Business or household land, buildings, machinery, appliances (like TV sets, fridges, etc.), furniture, and such things may also be used to secure loans.
4. NDF will lend to people who do not have security to cover the loan. If a project is viable, if the applicant seems to be a good manager, and if character checks indicate that the applicant is reliable and dependable, NDF will take the risk of making the loan.

Receiving NDF Loan Funds

1. When a loan is approved, the applicant is required to go with the co-signer (if any) to the NDF offices and sign four (4) legal documents.

These four legal documents are:

- (a) Loan Agreement
 - (b) Promissory Note
 - (c) Bill of Sale
 - (d) Declaration
2. Invoices or bills for items to be purchased from loan funds will also be needed.
 3. Cheques for payment are made out to suppliers not to borrowers.
 4. If the borrower must have cash to make purchases, this must be explained to the Loan Officer. NDF will not issue a cheque in the name of an applicant for more than \$500.00 at one time. Receipts for items bought with the \$500.00 must be tendered in order to get a further cheque.
 5. Allow two (2) days for cheques to be prepared, as they must be approved and signed by an NDF Board member, with office location outside of NDF premises.

Repaying NDF Loans

1. Short term loans (e.g. to buy raw materials or stock) must be repaid within two (2) years.
2. Longer term loans (e.g. to buy machinery or equipment) must be repaid within two (2) to seven (7) years.
3. Repayment plans are worked out for particular projects, so that payments can be made regularly while the business improves.

4. The current interest rate is 14% per year for each year of the loan.
5. Payments are made up of part principal and part interest.
6. Payments are due monthly.

EXCEPTION: Grocery projects are required to pay weekly; the monthly payment is divided into four (4) parts to be paid weekly.

7. If loans are given to buy raw materials to fill a particular order, NDF can arrange to have the loan repaid from the payment received for that order.
8. Most important of all, borrowers must visit, phone, write or inform the NDF as soon as any problems arise which will prevent payments being made. If the NDF does not hear from the borrower and payments are not received, there are heavy penalties which are imposed.
9. If payments are not made, some of the penalties include: \$5.00 fine for payment seven (7) days overdue, \$5.00 fine for each additional month overdue, \$5.00 charge if NDF staff have to go looking for borrowers. Bailiffs are authorized to re-possess all items used to secure loans that are 90 days in arrears. The cost of storage of these items is added to what is owed, if the borrower wishes to clear the debt and reclaim security items.
10. Interest paid will be the same throughout the life of the loan.

Here is an example:

Jean Donaldson purchased a sewing machine for her business with a loan from the NDF. The loan is for \$5,500.00 to be repaid over 5 years at 14% interest.

The repayment schedule looks like this:

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Principal	1100.00	1100.00	1100.00	1100.00	1100.00
Interest	<u>770.00</u>	<u>770.00</u>	<u>770.00</u>	<u>770.00</u>	<u>770.00</u>
Total	<u>1870.00</u>	<u>1870.00</u>	<u>1870.00</u>	<u>1870.00</u>	<u>1870.00</u>

Principal: \$5,500.00 = \$1,110.00

5 (years)

Interest: \$5,500.00 x 14% = \$770.00 per year

Application Forms

The NDF officer who interviews you when you visit the office will assist you in filling out the Loan Application Form. The next 2 pages contain examples of the two types of NDF Loan Application Forms: for an existing business and for a new business.

Before you go for a loan interview at the NDF, study the questions on the form and have the answers ready. This will make your interview with the NDF Officer much easier. You must also be prepared to provide the NDF with two passport size photographs of yourself and anyone else signing for the loan.

NATIONAL DEVELOPMENT FOUNDATION OF JAMAICA

LOAN APPLICATION FORM

EXISTING BUSINESS

CLIENT I.D. # _____

DATE _____ INTERVIEWING OFFICER _____

NAME OF CLIENT: _____

TYPE OF BUSINESS: _____ NAME OF BUSINESS: _____

A) HOME ADDRESS

B) BUSINESS ADDRESS

1. DATE OF BUSINESS START-UP _____

2. INITIAL FINANCE FOR BUSINESS a) AMOUNT _____

b) SOURCE _____

3. BUSINESS ASSETS: APPROXIMATE \$ VALUE _____

DESCRIPTION: _____

4. WHO MANAGES THE ENTERPRISE? _____

FULL-TIME _____ PART-TIME _____ NUMBER OF EMPLOYEES: _____

5. EXPERIENCE IN THIS FIELD OR WORK: _____

LOAN REQUEST

PURPOSE: FIXED ASSETS \$ _____ WORKING CAPITAL \$ _____

6. BRIEF DESCRIPTION OF HOW LOAN WILL ASSIST THE ENTERPRISE:

NEW PRODUCTS: _____

EXPANSION: _____

IMPROVEMENT: _____

7. BANKABILITY

HAVE YOU ATTEMPTED TO OBTAIN COMMERCIAL BANK FINANCING FOR THE
ENTERPRISE? YES _____ NO _____

8. DO YOU HAVE A LOAN FROM A FINANCIAL INSTITUTION?

YES _____ NO _____ BALANCE ON LOAN \$ _____

SECURITY

9. WOULD YOU BE ABLE TO OFFER ANY FORM OF SECURITY FOR THE LOAN?

YES _____ NO _____

10. WOULD YOU BE PREPARED TO ACCEPT NDF/J TECHNICAL ASSISTANCE AND
TRAINING? _____

11. WOULD YOU BE PREPARED FOR THE NDF/J TO EXAMINE YOUR BUSINESS
RECORDS? _____

COMMENTS: _____

FIELD OFFICER ASSIGNED: _____ DATE: _____

NATIONAL DEVELOPMENT FOUNDATION OF JAMAICA

LOAN APPLICATION FORM

NEW BUSINESS

CLIENT I.D. # _____

DATE _____ INTERVIEWING OFFICER _____

1. NAME OF CLIENT/S: _____ NAME OF BUSINESS: _____

2. HOME ADDRESS _____ PROPOSED BUSINESS LOCATION _____

3. TYPE OF BUSINESS: _____

4. EXPERIENCE OR SKILLS TO BE BROUGHT TO THE BUSINESS: _____

5. PRESENT OCCUPATION: _____

6. WHO WILL MANAGE THE ENTERPRISE? _____

FULL-TIME _____ PART-TIME _____ PROPOSED # OF EMPLOYEES _____

7. HAVE YOU ATTEMPTED TO OBTAIN COMMERCIAL BANK FINANCING FOR THE PROJECT?

YES _____ NO _____ REASON FOR LACK OF SUCCESS _____

8. DO YOU HAVE A LOAN FROM A FINANCIAL INSTITUTION? YES _____ NO _____

IF YES, BALANCE ON LOAN _____

9. HAVE YOU EVER OPERATED A BUSINESS? YES _____ NO _____

IF YES, BRIEF DESCRIPTION _____

10. WOULD YOU BE PREPARED TO ACCEPT NDF/J ADVICE, TECHNICAL ASSISTANCE AND TRAINING?

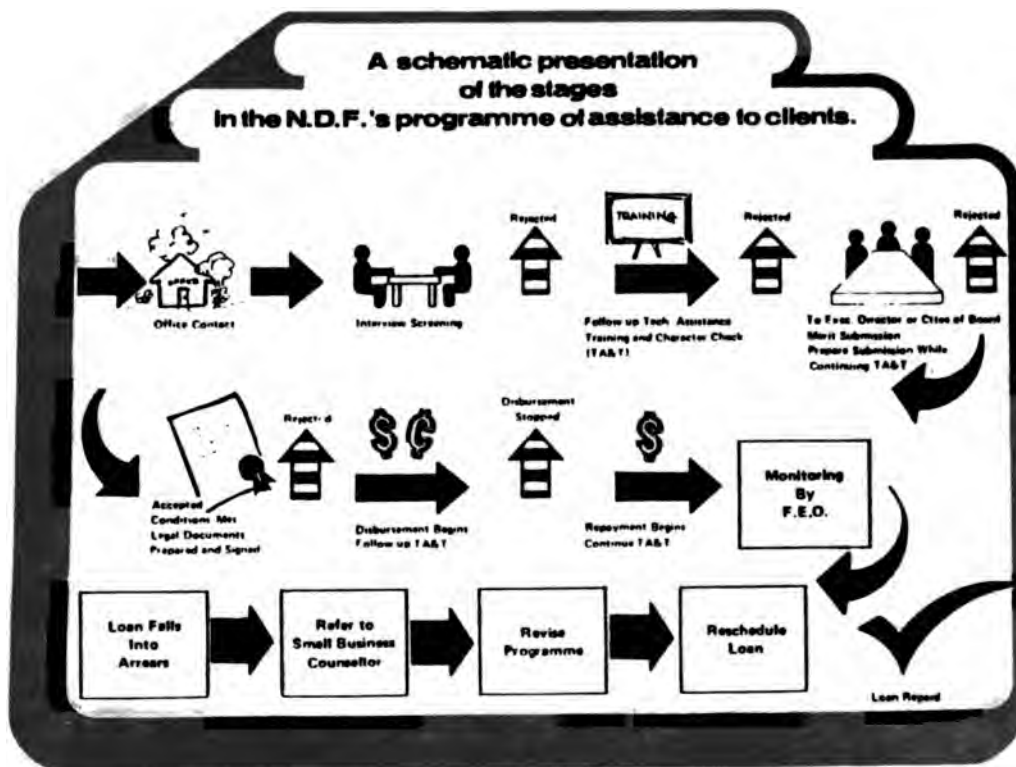
YES _____ NO _____

11. LOAN REQUEST: FIXED ASSETS \$ _____ WORKING CAPITAL \$ _____

12. DESCRIPTION OF THE PROPOSED PROJECT: _____

FIELD OFFICER ASSIGNED: _____ DATE _____

Below you can see a picture showing the stages that a client must go through when applying to the NDF Programme for assistance. The process begins when you make contact with the office and go through an interview screening. You should be prepared for this and have a complete loan proposal to present to the NDF. As you can see your loan application may be rejected at any point even after the legal documents are prepared and signed. This may happen when the NDF finds out something about you or your business that they should have known before, so be very open and honest with them at all times. Also please note on the diagram that the technical assistance and training begins before the application even goes to the committee, and it continues all the way through repayment.



2. THE SELF START FUND

What is the Self Start Fund?

The Self Start Fund (SSF) is a lending organization which was set up at the request of the Government of Jamaica to encourage self-help through self-employment. The Self Start Fund offers loans at lower interest rates than commercial banks, to graduates of approved government training institutions or programmes. The approved training institutions or programmes are known as "Client Sources".

Client Sources will be able to tell their trainees and graduates all they want to know about SSF. Client Sources will also assist their trainees and graduates in developing project proposals and preparing loan applications.

Loans are obtainable through application to Approved Lending Agencies (ALA's). The SSF does not make loans directly to applicants. ALA's are organizations designated by SSF to receive applications and make loans to approved applicants who are known as "Clients". ALA's are selected because of their banking activities, co-operative character, geographical distribution and easy access to information on clients. Pages 84 to 85 contain a list of approved lending agencies by parish as at June 30, 1986.

The Self Start Fund Loan Policy

1. Priority is given to young persons eighteen years of age and over, who meet the terms and conditions covering Self Start Fund loans.

2. Applications from groups will be considered to a maximum of five persons per group. The leaders of groups, at the very least, should satisfy all requirements.

3. All applicants must:

a) graduate from a recognized training institution or programme, for example H.E.A.R.T., Solidarity, Technical Schools, Youth Camps, Boy's Town, Girl's Town and the Social Development Commission (Youth Clubs, Youth Centres, Community Centres, Youth Camps, Industrial Training Centres), Things Jamaican, Ltd., 4-H Clubs, the Bureau of Women's Affairs and the Jamaican German Automative School.

b) have the written certification of the relevant institution or programme from which they have graduated.

c) have received training in financial record keeping and so be able to keep appropriate financial records for the proposed business.

d) provide three character references from reputable personal acquaintances (teacher, landlord, employer, for example) who have full knowledge of your character and competence. These references should certify the addresses of applicants as well as how long they have lived there. This applies to individuals as well as to groups.

or: Be an individual who has been made redundant in a government job.

APPROVED LENDING AGENCIES BY PARISH
AS AT 31 MAY 1985

1. KINGSTON & ST. ANDREW

Workers Savings & Loan Bank
116 Tower Street
Kingston

Workers Savings & Loan Bank
Manchester Square
153 East Street
Kingston

Workers Savings & Loan Bank
6 Constant Spring Road
Kingston 10

2. ST. CATHERINE

Lower St. Catherine People's
Co-operative Bank
31 Burke Road
Spanish Town

Workers Savings & Loan Bank
44 King Street
Linstead

3. CLARENDON

Workers Savings & Loan Bank
6B Manchester Avenue
May Pen

Spaldings People's Co-operative
Bank
Spaldings

4. MANCHESTER

Central Manchester People's
Co-operative Bank
14 Manchester Road
Mandeville

Christiana People's
Co-operative Bank
Christiana

Workers Savings & Loan Bank
13 Mandeville Plaza
Mandeville

5. ST. ELIZABETH

Workers Savings & Loan Bank
Corner High & School Streets
Black River

New Market People's
Co-operative Bank
Newmarket

Central St. Elizabeth
People's Co-operative Bank
Santa Cruz

6. WESTMORELAND
 Workers Savings & Loan Bank
 56 Beckford Street
 Savanna-la-mar

 Grange Hill People's
 Co-operative Bank
 Grange Hill
- 7 HANOVER
 Hanover People's
 Co-operative Bank
 Lucea
8. ST. JAMES
 Workers Savings & Loan Bank
 32 Market Street
 Montego Bay

 Cornwall County People's
 Co-operative Bank
 6 East Street
 Montego Bay
9. TRELAWNY
 Queen of Spains Valley
 People's Co-operative Bank
 Wakefield P.O.
10. ST. ANN
 Brown's Town People's
 Co-operative Bank
 Brown's Town

 Ocho Rios People's
 Co-operative Bank
 Main Street
 Ocho Rios
11. ST. MARY
 Highgate People's
 Co-operative Bank
 Highgate

 Western St. Mary People's
 Co-operative Bank
 Gayle
12. PORTLAND
 Port Antonio Agricultural
 Loan Bank
 West Palm Avenue
 Port Antonio
13. ST. THOMAS
 Morant Bay People's
 Co-operative Bank
 Queens Street
 Morant Bay

Terms and Conditions covering Self Start Fund Loans

1. All applicants are required to submit a project proposal document to the ALA.
2. Applicants should be able to satisfy the ALA that they possess a sincere interest in and firm intention to engage in the business for which loan resources are being sought.
3. The total value of all the personal assets of an applicant or group of applicants should not normally exceed \$25,000.00. (If you have any questions on assets, discuss them with your ALA).
4. Applicants are required to advise of any loans outstanding at time of application.
5. ALA's will assist applicants with the completion of application forms. They will also designate one or more persons within their respective organizations to be Self Start Fund Loan Officer(s) who have responsibility for assisting with the preparation of applications and for their processing.
6. The SSF will review all applications approved by the ALA's and may veto any loan which does not appear to meet SSF's Loan Policy and Terms and Conditions.
7. The loan limits are as follows:

	<u>Minimum</u>	<u>Maximum</u>
Individuals	\$1,000.00	\$20,000.00
Groups	\$1,000.00	\$30,000.00

8. Clients (persons whose loan applications have been approved) must register or have previously registered with the N.I.S, the N.H.T. and with the Income Tax Department.
9. Clients will be required to maintain such records and submit such reports as may be determined.

Securing an SSF Loan

Applicants must be able to provide some form of security when applying for an SSF Loan. Security may be any of the following:

- 1) Bill of Sale on purchase made with loan funds.
- 2) Bill of Sale on other assets you might own.
- 3) Deductions from sale of products.
- 4) By offering the ALA a personal guarantee to repay the loan.
- 5) By having a co-signer or guarantor, who is willing to sign an agreement to repay the loan if you are unable to do so.
- 6) Dwelling house, personal effects and furniture.
- 7) Life Insurance Policies with a cash surrender value.

Repaying your SSF Loan

Loans will not normally exceed three years, but may in special circumstances be extended for a further period of two years, at the discretion of the ALA and the SSF.

A grace period is offered on loans. The length of the grace period will be determined in each case by the lending ALA, based on the circumstances of each case.

Interest charges will apply on all loans as follows:

Graduates of Client Sources	12%
Individuals who have been made redundant in their government jobs	16%

All clients are expected to make payments of interest and principal on time.

Self Start Fund Loan Application Forms

The following pages contain examples of the SSF loan application form which must be filled in carefully. Please print.

You should read the instructions on Page 1. Assistance in completing the form is available from either the institution of which you are a graduate, or in which you are a trainee or from the Self Start Fund loan officer at the ALA nearest to where you live, work or study.

The following notes should be of help to you in filling out the application form:

PAGE 1

"Identification": This refers to the means used to establish the identity of the applicant, e.g. birth certificate, I.D. Card, driver's licence, passport, or photograph signed by teacher, clergyman, Justice of the Peace, etc.

"Marital status": This relates to whether the applicant is single, married, widowed, or in common law relationship and, if so, with whom.

PAGE 2

Registration with NIS/NHT/PAYE is not a pre-requisite for application, but a successful applicant, i.e. one who is approved for a loan, not already registered, will be expected to take the necessary action in due course.

PAGE 3

"Statement of Financial Affairs": Assets and liabilities listed should relate to the last two years, calendar or otherwise or the most recent year as the case may be. Dollar values should

be shown for both assets and liabilities, the difference between their totals being the net worth. Regarding "amount outstanding", payment may be shown as monthly or otherwise.

PAGE 4

"Description of Project": Availability of initial customer's order is helpful.

"Equipment": Give the total cost of all equipment required to start up the business.

"Material": Give the total cost for raw materials or planting materials required for the year.

"Utility": Give the total projected cost for such items as electricity, water, telephone and propane gas (if appropriate) for the year.

"Wages": Give the total projected cost of wages, including your own, for the year.

"Miscellaneous": Give the total estimated cost of any expenses not listed under the headings above. You should also include a sum for contingencies.

"Loan Repayment": Give the total cost of interest and principal repayments for the year. The Self Start Fund loan officer at the ALA will help you to calculate this if you need assistance.

"Security/Guarantee": Indicate whichever of the type(s) of security (mentioned in the section Securing Your SSF Loan) you wish to offer.

PAGE 5

Do not fill in the section: FOR ALA/SSF USE ONLY.

SELF START FUND

LOAN APPLICATION – CLIENT

INSTRUCTIONS: To apply for a loan from SELF START FUND this form must be completed and taken to an Approved Lending Agency, which can be a Credit Union, or People's Co-operative Bank, or a branch of the Workers Savings and Loan Bank. You should therefore read these instructions with the greatest of care before attempting to complete it.

1. You should begin by reading **WHAT YOU SHOULD KNOW ABOUT SELF START FUND** carefully. A copy may be obtained from the institution at which you are being trained or have been trained.
2. If after reading this publication you feel that you can qualify for an SSF loan, proceed to fill out this application form.
3. Answer as many questions as you can, to the best of your ability.
4. If you have difficulty with any question, you should consult personnel at your training institution who will give you the necessary assistance.
5. You may also request assistance from the Loans Officer of the Approved Lending Agency to which you intend to apply for a loan.
6. After the form is completed you should present it in person to the Approved Lending Agency, duly signed and accompanied by letters of recommendation from your three references, where you should ask for the SELF START FUND Loans Officer.
7. The SSF Loans Officer will explain to you the terms and conditions under which a loan may be granted and will advise you in due course as to whether you will receive a loan.
8. You should make sure that your references are persons to whom you are well known and who are able to make positive statements about you.
9. It is imperative that all information submitted by you is accurate and truthful, as any misrepresentation on your part will disqualify you for an SSF loan.

Through
Name of ALA

Name Date of Birth
Mr/Mrs/Miss

Identification

If you are known by any other name(s) please indicate

Marital status

Address Period of residence

Name and address
of Landlord

Previous address Period of
residence

Name and address
of Previous Landlord

Education and Training

Name and address of School(s) attended	Period of attendance	Level attained
1.
2.
3.

Name and address of Vocational/ Special Training Institution(s) attended	Period of attendance	Course(s) completed
1.
2.

Employment

Present employment

Name and address of Employer.	Name of Supervisor
.....	Mr/Mrs/Miss

Date employed	Name and address of Previous Employer
.....

Supply your Registration Number(s) in respect of

NIS	PAYE/Income Tax	NHT
.....

Statement of Financial Affairs

Assets	19	19	Liabilities	19	19
Total			Total		
			Net Worth		

If you have any loan(s) outstanding at the present time give the following:

Name of Lender	Amount Outstanding	Monthly Payment
1.
2.
3.

Description of Project

Purpose for which loan is required

Amount requested \$

Specify

Equipment \$

Material \$

Other \$

Have you identified a market for your goods/services? Yes No

If yes, give details, supplying initial customer's order

Projected Income and Expenditure for year 19

<u>Expenditure/Outflow</u>		<u>Income/Inflow</u>	
Equipment	\$	Sales	\$
Material	\$	Other	\$
Utility	\$		
Wages	\$		
Miscellaneous	\$		
Loan Repayment	\$	Net Income	\$

Security/Guarantee

Security being offered

Do you know of any person(s) who will be prepared to guarantee your loan if approved? If so give:

Name	Address	Telephone	Relationship
.....
.....

References (e.g. Teacher, Employer, Landlord)

Name	Address	Occupation	Period Known
1.
2.
3.

(Written statements from references must accompany this application)

I (We) certify that the information given above is true and correct.

..... Date

Signature(s)

FOR ALA-SSF USE ONLY

LOAN NO. _____

Amount \$ _____ Interest _____ per cent per annum

Drawdown Schedule _____

Repayment Schedule:

Principal payable in _____ equal monthly instalments

Interest payable on outstanding balance in _____ monthly instalments

Application approved	ALA	SSF	
	<input type="checkbox"/>	<input type="checkbox"/>	
	
	Signature	Signature	
Application not approved	<input type="checkbox"/>	<input type="checkbox"/>	
	
	Signature	Signature	
	
	Date	Date	

3. THE INTER-AMERICAN DEVELOPMENT BANK/4-H PROGRAMME

What is the Inter-American Development Bank/4-H Programme?

It is a programme developed for the purpose of improving the standard of living of rural Jamaicans by helping to meet the credit needs of low-income rural youths who are members of 4-H clubs. The 4-H club leaders may also be eligible if they meet certain requirements.

What technical assistance does I.D.B. provide?

4-H field staff will assist club members in planning production projects, preparing loan applications, management and skills and training, keeping records of their business; providing the inputs needed to start businesses, giving marketing guidance, providing motivation and recognition, and encouraging loan repayment.

What is the I.D.B. loan policy?

1. The I.D.B. may fund projects in the following categories. The categories are grouped by the maximum term of the loan.

(a) Projects with terms of up to one year (Short Term)

Annual Crops	Basic Grains	Sewing
Food preservation	Vegetables	Flowers
Leather crafts	Handicrafts	Poultry fattening
Baking	Horticulture	Ornamental plants
Yams	Furniture	Small industries

(b) Projects with terms up to two years (Short to Medium term)

Rabbit raising	Clothing industry
Egg-laying poultry	Fish farming
Hog fattening	Pineapple and banana growing
Small industries	Horticulture
Poultry fattening	

(c) Projects with terms up to three years (Medium term)

Hog raising	Irrigation equipment
Bee-keeping	Goat raising
Small farm machinery	Passion fruit cultivation
Small industries	

(d) Projects with terms up to five years (Long term)

Dairy livestock
Fruit orchards (planting)
Small industries

2. Applicants must be young 4-H club members, either male or female, between the ages of 10 and 25, as well as volunteer 4-H leaders of any age who cannot get credit elsewhere.
3. The 4-H members must have a minimum of 1 year of active membership in a 4-H club. A volunteer leader must have at least 2 years of 4-H leadership experience.
4. The 4-H member may not receive a loan if he or she has a poor loan repayment record or is currently in debt for another loan.

5. The application form No. JA-1 shall be used.
6. The application must be presented to the Credit Committee 2 months before the project start-up date.
7. A field inspection will be made by the 4-H Project Manager who will duly sign and stamp the application.
8. Experience and training will be required in the project area for which financing is being requested.
9. An investment plan will be prepared by the members, with advice from the Project Manager.

What are the terms and conditions covering I.D.B. loans?

1. The loan approval will be decided upon by a Credit Committee made up of 5 persons appointed by the Board. This committee may request changes in the investment plan.
2. After loan approval, the Credit Committee will forward the application and other documents to the financial intermediary (National Commercial Bank) for payment of funds.
3. All loan recipients are required to open a savings account with the nearest branch of the NCB.
4. Individual loans will range from a minimum of \$500.00 to a maximum of \$50,000.00 or \$2,500.00 per member.
5. The interest rate on the loan will be 12% per year, payable in advance.

6. Medium and long-term loans and all loans exceeding \$1,000.00 will be secured with a farm pledge on goods purchased, and/or agriculture crops or animals bought. Members under 18 years of age must be assisted legally by their parents, guardian, relatives, or neighbours.
7. Annual income of 4-H members or leaders cannot exceed \$2,700.00 in order for them to qualify for this programme.

What are your duties and responsibilities after receiving an I.D.B. loan?

1. To follow the investment plan as it was approved.
2. To report on a timely basis about the progress of your project to the Parish 4-H Project Manager.
3. To report any problems with your project immediately to the 4-H staff or extension agent.
4. To keep daily official records on the project as provided.
5. To repay the loan as agreed upon in the contract and to pay interest and principal payments on time.
6. To attend brief courses or training programmes required to benefit you and your project.

4. THE COMMUNITY REVOLVING LOAN FUND

The Jack's Hill Community Council in St. Andrew decided to set up a revolving loan fund for their community members.

These are the steps they took:

1. They first made sure that there were no easily available sources of credit before proceeding; in this way, they were sure that their need could be justified.
2. They discussed which community organization would be the best to run the revolving loan fund. They decided that the Community Council would be the best.
3. They identified possible agencies which could finance their idea of a revolving loan fund.
4. They decided how many persons should sit on the loan committee which would be in charge of approving and rejecting the loan applications. Then they consulted with a few of the members to find out if they were willing to sit on the committee.
5. They discussed the need for business training to go along with the loan fund, and asked themselves the following questions:

Would attendance at the classes be a requirement to get a loan?

Who would teach the classes?

Where would the classes take place?

Where would the training materials come from?

Should the classes be free or should a minimum fee be charged?

6. These are the questions they asked themselves about the administration of the loan fund:

Who would handle disbursements?

Who would handle collections?

Who would call the loan committee meetings?

Where would the different activities take place?

7. They discussed the types of forms and documents which would be needed for administrative purposes. They agreed on the following:

a) Questionnaire forms to establish if applicants meet the loan requirements

b) Listing of requirements and conditions for getting a loan from the fund

c) Application forms

d) Promissory notes

e) Bill of Sale

8. They also discussed the idea of having an official opening as a first step towards letting people know about the existence of the loan fund and other ways they could use to inform people of their existence.

Below are the criteria established by the Jack's Hill Community Council for receiving a loan. If a person does not meet these requirements, they will not be able to get a loan from this fund.

CRITERIA:

- (a) Applicants must be residents of Jack's Hill for at least 2 years.
- (b) Applicants must have the experience, skills and attitudes needed for running a business.
- (c) Applicants must be of good character and have no past record of failure in paying bills.
- (d) The business must provide a significant portion of the applicant's income.
- (e) An applicant's personal assets must not exceed \$50,000.00 and his or her annual income must not exceed \$10,000.00.
- (f) Spouses and/or business partners must be willing to co-sign loan documents.
- (g) Applicants must be willing to attend business classes and work with a field officer.

Below are the conditions established by the Jack's Hill Community Council for taking a loan from their fund. If a person is not willing to accept these conditions, they should not consider taking a loan.

CONDITIONS:

- (a) Loans will only be made for the exact amount required for the business, and the maximum loan for each project is \$2,000.00.
- (b) The interest rate on the loans is 12% per year. The payment amount is calculated by adding the interest to the loan, and then dividing by the number of payments to be made.
- (c) Loans will only be given for viable businesses. (Viable means that the business must provide enough profit to pay the owner a fair return for his or her efforts and make the loan payments).
- (d) Cheques for the loans are made out to suppliers wherever possible.
- (e) Applicants must be willing to provide 25% of the cost of starting or expanding the business, either in cash or in kind.
- (f) Security will be required for the loan. A guarantor may also be required or may be substituted for the security.
- (g) The loan repayment schedule will be worked out according to the projected cash flow of each business. The payments may be due monthly or weekly, depending upon the type of business. In some cases, a grace period will be given before payments begin.

Winston Davis was born in Jack's Hill and has lived there all of his life. Since he was 17 years old, he has been working with his father, a cabinet-maker. Winston has learned the skills well and very often he can be found working alone in the shop. Since his father is in very poor health, he can no longer operate the business. Winston wants to buy all of the stock, equipment and hand tools from his father and take over the business. Winston is unable to get a loan elsewhere because he has very little security, little savings, and he cannot afford to pay the high interest on a loan from the commercial banks.

He has just heard about the Jack's Hill Business Projects Fund, so he decided to apply. He has completed the Walk-In Client Questionnaire with the Field Officer and has been told that he must attend business classes that are scheduled to begin in two weeks' time. The class is one full day starting at 9:00 a.m. and ending at 5:00 p.m.

On the next 2 pages is the Walk-In Client Questionnaire filled out by Winston Davis. This is followed by a sample of the Jack's Hill Business Projects Fund loan application form.

After reviewing the questionnaire completed by Winston, do you feel he meets all of the criteria of the Jack's Hill Business Projects Fund?

BUSINESS PROJECTS FUND/JACK'S HILL

WALK-IN CLIENT QUESTIONNAIRE

DATE: July 19, 1986 INTERVIEWING OFFICER: G. Stephens

NAME OF PROPRIETOR: Winston Davis MARTIAL STATUS Married AGE 32 yrs

ADDRESS (HOME): 16 Mountainside Road NO. OF DEPENDENTS: 3

NAME OF BUSINESS: Winston's Fine Furniture

TYPE OF BUSINESS: Furniture - Making NO. OF EMPLOYEES: 1 (part-time)

DATE OF BUSINESS START UP: June, 1986

HOW WAS BUSINESS INITIALLY FINANCED? With Savings

IF WITH A LOAN, WHAT WAS THE SOURCE? N/A

DO YOU STILL OWE ON THIS OR ANY OTHER LOAN? N/A

HOW MUCH EXPERIENCE DO YOU HAVE IN THIS FIELD OR WORK? YRS. 14 MTHS. 3

HAVE YOU PREVIOUSLY OPERATED ANOTHER BUSINESS? YES _____ NO ✓

IF YES, WHAT KIND? N/A WHERE? N/A

WHAT ARE YOUR PLANS FOR THE BUSINESS? (IMPROVEMENT, EXPANSION, NEW PRODUCTS, ETC.) To improve the quality of the existing line of products & to add new ones

WHAT IS THE PURPOSE OF THE LOAN? To buy stocks & hand tools

AMOUNT OF LOAN NEEDED: \$2,000.00

DO YOU KEEP ANY BOOKS OR ACCOUNTS ON YOUR BUSINESS? Yes

HOW LONG HAVE YOU LIVED IN JACK'S HILL? 32 yrs.

WHEN IS IT CONVENIENT FOR OUR FIELD OFFICER(S) TO MEET WITH YOU INITIALLY?
_____ A.M. Any afternoon _____ P.M.

ARE THERE SPECIAL DIRECTIONS NEEDED TO LOCATE YOUR ADDRESS? Second house after Mr. Bennett's shop on Mountainside Road.

FIELD OFFICER ASSIGNED: D. Hallman DATE: July 19, 1986.

COMMENTS: Winston is the son of Mr. Heritiah Davis. Heritiah has recently sold the business to his son.

BUSINESS PROJECTS FUND/JACK'S HILL
PROJECT APPRAISAL AND LOAN APPROVAL FORM

BASIC INFORMATION

APPLICATION # _____ DATE _____

PROPRIETOR(S):

FULL NAME	ALIAS	AGE	ADDRESS
-----------	-------	-----	---------

1. _____
2. _____

NAME, AGE, OCCUPATION OF SPOUSE(S)

1. _____
2. _____

NAME, AGE, ADDRESS, OCCUPATION OF OTHER CO-SIGNERS/GUARANTORS (SPECIFY WHICH)

FAMILY RELATIONSHIP BETWEEN PARTNERS AND/OR CO-SIGNERS _____

NAME OF BUSINESS _____ TYPE OF BUSINESS _____

BUSINESS ADDRESS _____

HOW LONG IN THIS LOCATION? _____ DATE STARTED _____

LEGAL STATUS: BUSINESS _____ PREMISES _____

NO. OF EMPLOYEES: PRESENT _____ PROJECTED _____

SALES: PRESENT _____ PROJECTED _____

DIRECT BENEFICIARIES _____

ATTENDED TRAINING: NO. HOURS _____

LOAN INFORMATION

AMOUNT REQUESTED _____ AMOUNT RECOMMENDED _____

INTEREST RATE _____ MONTHLY PAYMENTS _____

TERMS _____ GRACE PERIOD _____

USE OF FUNDS: FIXED ASSETS \$ _____ WORKING CAPITAL \$ _____

SECURITY OFFERED

PRESENT

SERIAL #

RECOVERY VALUE

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

TO BE ACQUIRED

FIELD OFFICER'S RECOMMENDATIONS

DATE

PROJECTS CHAIRMAN'S RECOMMENDATIONS

DATE

APPROVAL/DEFERMENT

LOANS COMMITTEE

DATE

DATE

SPECIAL CONDITIONS/RECOMMENDATIONS

CLIENT'S NAME _____

PROJECTED EARNINGS or LOSS

PRODUCT: _____

UNIT: _____

SELLING PRICE: _____

LABOUR: _____

RAW MATERIALS: _____

OPERATIONAL COSTS: _____

GROSS PROFIT: _____

FINANCIAL COSTS: _____

PROJECTED EARNINGS or LOSS: _____

NOTES:

BUSINESS PROJECTS FUND/JACK'S HILL
STATEMENT OF AFFAIRS (PERSONAL)

NAME: _____

HOME ADDRESS: _____

BUSINESS ADDRESS: _____

INCOME PER ANNUM: _____ SOURCE: _____

BANKERS: _____

ADDRESS: _____

ASSETS

TYPE	DESCRIPTION	AMOUNT
CASH		
INSURANCE		
STOCK		
MOTOR VEHICLE		
MACHINERY		
LAND & BUILDING		
HOUSEHOLD FURNISHING		
MACHINE & EQUIPMENT		
OTHER (SPECIFY)		
TOTAL ASSETS		

LIABILITIES

TYPE	DESCRIPTION	AMOUNT
LOANS: (Banks etc.)		
(Personal)		
MORTGAGES:		
OUTSTANDING GUARANTEES:		
OTHER (SPECIFY)		
NET WORTH:		
REMARKS:		

A COMPARISON OF FOUR SPECIAL LOAN PROGRAMMES

	NDF	SSF
Loans to:	Small businesses; economically viable; developmental in nature; personally administered.	Small businesses.
Requirements:	Must not qualify for commercial bank loans; insurance policies; training before, during and after loan approval.	Must be graduate of approved government training institutions or programmes.
Security:	Bill of Sale; Co-signer/Guarantor; personal assets, but if none, must be a good manager, of good character with good references.	Bill of Sale; Life Insurance; Co-signer/Guarantor; personal assets.
Age Limit:	Must be between the ages of 18 and 60 years.	Must be at least 18 years old.
Interest Rate:	Less than commercial banks.	Less than commercial banks - Interest is applied on the reducing balance.

IDB/4-H	Community Revolving Fund
4-H club members of one year; volunteer leaders with two years leadership experience.	Small businesses; residents of the community.
Must attend training; can't have any current debt; good character; experience and training in area of project.	Must attend business classes; provide 25% of financing required; of good character; must have experience.
Farm pledge on goods; Co-signer/Guarantor.	Co-signer; Bill of Sale; personal assets.
Must be between the ages of 18 and 25.	No age limit.
Less than commercial banks.	Less than commercial banks.

5. Preparing Loan Proposals

The reason you prepare a loan proposal is to persuade a bank or other financial institution to lend you the funds you need to start or expand your business. You do this by providing them with information that clearly shows that the loan will be profitable for your business and that you will be able to repay it and the interest charged. You should make sure that the information is correct and that the document is neat.

A loan proposal should include the following sections:

a) Description of the Business

Information on the type of business activity;
Describe the product or service to be offered.

Indicate the location of the business;

Is it a new business or one you are taking over?

What is your source of raw materials?

Are there any potential foreign exchange earnings?

List information on the management of the business.
Who are the key people involved? Include their names, ages, qualifications and experience.

b) Financial Documents

A new business will have no "track record" (past performance) and therefore you must present, instead of financial documents, a feasibility study and a budget. In addition, past experience and character references for those who will be running the business should be included.

An existing business should provide copies of any financial documents which will show that the business has been making money. Documents should include cash flow statements, net worth and net income statements, bank statements, bank books, and cash books.

c) The Reason You Need the Loan

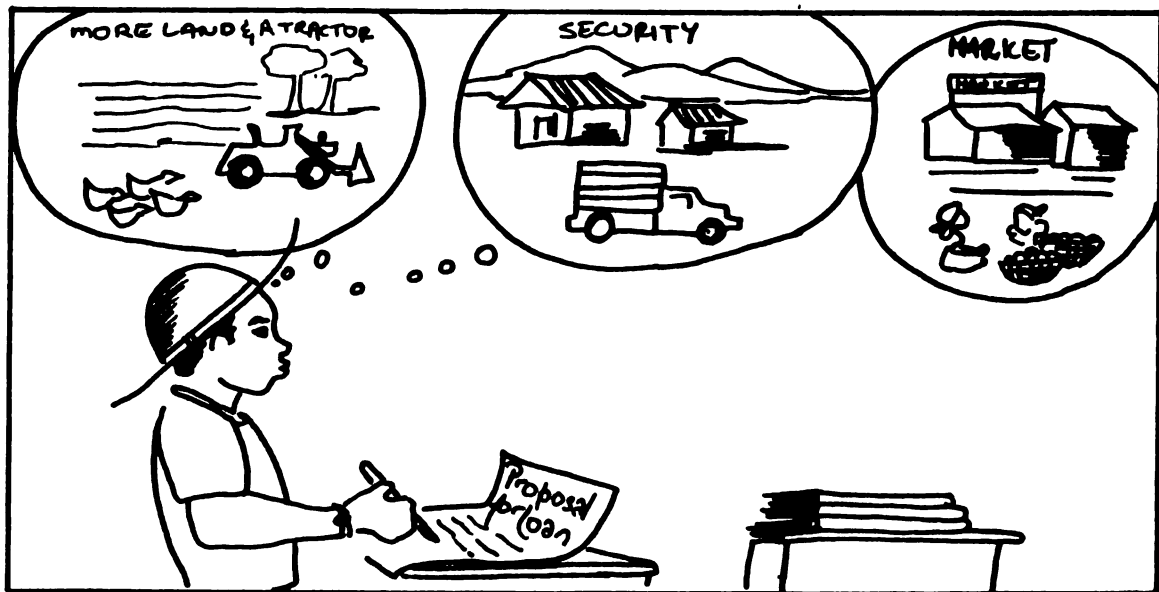
Make a clear and simple statement outlining the purpose for which the loan is required.

State the exact amount of the loan you require and provide information on how you will use it to make your business more profitable. Provide information on how you plan to repay the loan.

d) Security (Collateral)

Provide information on what security you can provide to the bank or financial institution if they give you the loan.

Provide information on how much of your own money or property you already have, or can put into the business. Remember that the bank or other financial institution will not lend you 100% of the financing you need for your business. You will always have to put up some of your own money to help to finance the business.



e) The Market in Which You Plan to Operate

Here are some questions for new businesses which should be answered when preparing your loan proposal:

- To whom will you sell your goods and services?
- What is the size of the market?
- Who is your competition and have you checked out their operations?

Here are some questions which should be answered in your loan proposal, if you have an existing business:

- How successful have you been in the past?
- Do you plan to expand your market?
- What are some of the advantages and disadvantages of this expansion?

GUIDE TO FILLING OUT A LOAN APPLICATION

When you go to a financial institution to submit your loan proposal, if the lender thinks your project idea is a good one, he or she will more than likely give you an application form to fill out.

The loan application form is designed to provide the lender with information about you, the possible borrower. If you have prepared steps (a) through (e) in the previous section, you should have most of the information needed to fill out the loan application. However, if you have any doubts, do not hesitate to ask for help, as wrong information can affect your chances of getting a loan.

Some of the information they may ask for on these forms is:

1. Identification

Home address and phone number.

Office address and phone number.

2. Net Worth Statement

How much money and property you own in the business.

How much money you already owe.

3. For a new business:

A Budget which should show how much the business expects to earn.

For an existing business:

A Net Income Statement which should show how much the business earned in the past period.

4. Loan request

How much money you wish to borrow.

Why you need the loan.

How you plan to use the funds.

How it will be profitable for you.

How your production will earn enough for you to meet loan payments.

5. Security

Any of the following may be used as security for the loan:

land, house, car, equipment, stocks, personal guarantee, proceeds of sales, life insurance policies (cash value), money in the bank.

6. Character reference

The names and addresses of people who can satisfy the lender about your good character and your ability to repay the loan.

Any statements about loans you have already repaid should be included here.

Other points to remember when applying for a loan:

1. In addition to the information the bank requests from you through their application forms, you should always carry with you, specific information about your business.

This information should show the cash flow of your business over the period for which you are requesting the loan.

2. A repayment plan will be worked out when the loan is made. This will schedule the repayment of the loan and the interest over a specific period of time.

The particular nature of your business activity should be considered when deciding upon the repayment schedule. For example, in agriculture it is very important to time your repayment to coincide with the time when you receive income from the crops you harvest, or the livestock you sell.



6. Preparing Grant Proposals

Remember that grants given to start or expand a business are provided by donors for doing a particular kind of project. The donor is the person or organization giving the money. The money is only given to groups, and even then, usually must be used in specific ways.

In order to be considered for a grant, you must prepare a proposal which gives details of your financial need and provides convincing reasons why a donor should give you a grant.

The first step in this process is being clear about your business project, what you want to achieve and what your needs are. Answer the following questions:

1. Why do you want to start or expand the business?

2. How many people will be involved? _____

How many men? _____ How many women? _____

Remember: At least three people, and preferably more, should be involved to qualify for most grants.

3. If you receive the grant, what are you going to do with it? Give a step by step account:

- Step 1 _____
- Step 2 _____
- Step 3 _____
- Step 4 _____
- Step 5 _____
- Step 6 _____

For example, His Majesty's Youth Club alabaster project is seeking a grant to include more young people from the community in their production process. Here is how they worked out their step by step account:

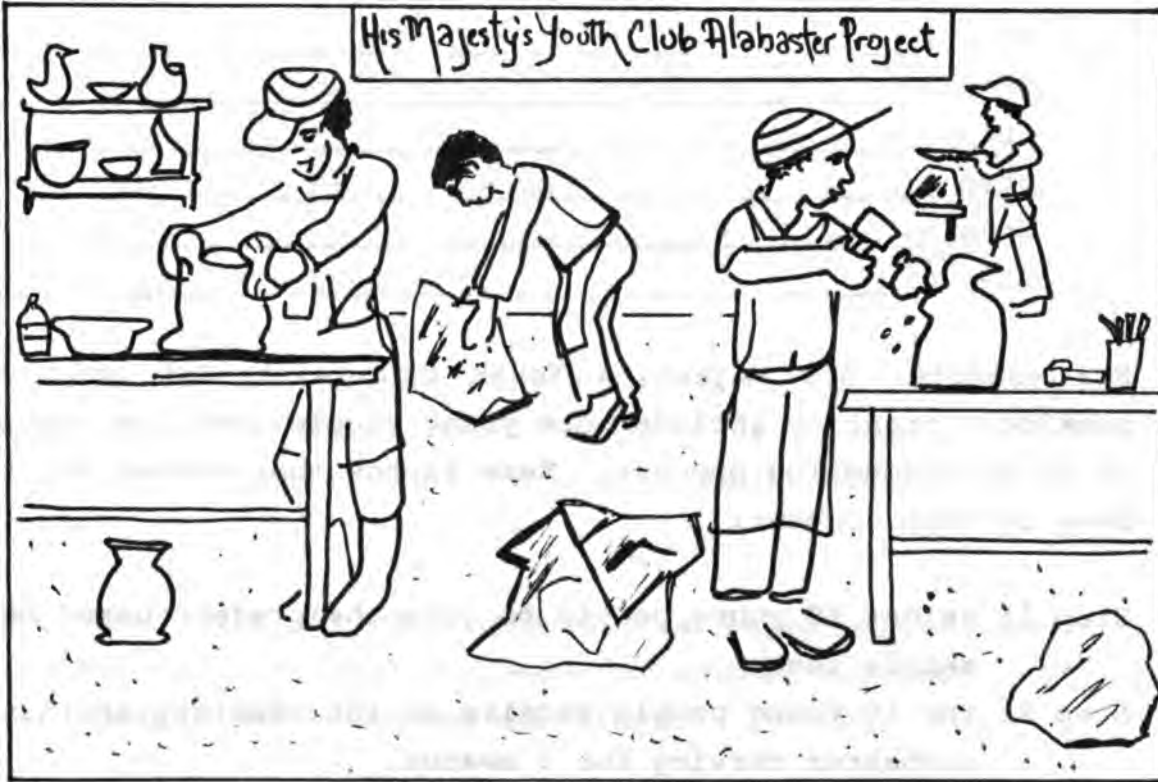
- Step 1: Select 10 young people to join the project based on a skills test.
- Step 2: The 10 young people receive an introductory training in alabaster carving for 3 months.
- Step 3: A basic business course is given lasting 1 month.
- Step 4: A basic marketing course is given lasting 1 month.
- Step 5: Each of the 10 new members works as an apprentice with one experienced member of the project for 6 months.
- Step 6: The 10 new members select their best products to show as samples to get orders from shops. Once each receives a first order, he is ready to begin working as a full member of the project.

After you have listed the steps in the project, answer the following questions:

4. How much money do you need from the granting agency?
Financial need: _____

5. What will you do with the grant money?

Priority: _____



For example:

His Majesty's Youth Club alabaster project needs US\$10,000.00 in order for 10 more young people to become alabaster producers.

Therefore, their financial need is:

US\$10,000.00

their priority is:

training for 10 young people

The next step is to identify funding agencies which offer grants in the same areas as your financial needs and priority.

Select the ones you think are right for you. Don't be afraid to send your project proposal to more than one funding agency. If they ask you about this, tell them the truth. Never lie to a funding agency as this can hurt your project in the long run. Once you have decided on appropriate funding agencies, you may wish to proceed in one of the following ways:

1. Write the funding agency a brief letter describing your project and requesting their Annual Report and guidelines for grant application. The Walker's Wood Woolspinners prepared the letter below.

Representative for Jamaica
Craft Development Foundation
1612 W. Madison Street
New York, N. Y
U.S.A.

Dear Sir or Madam:

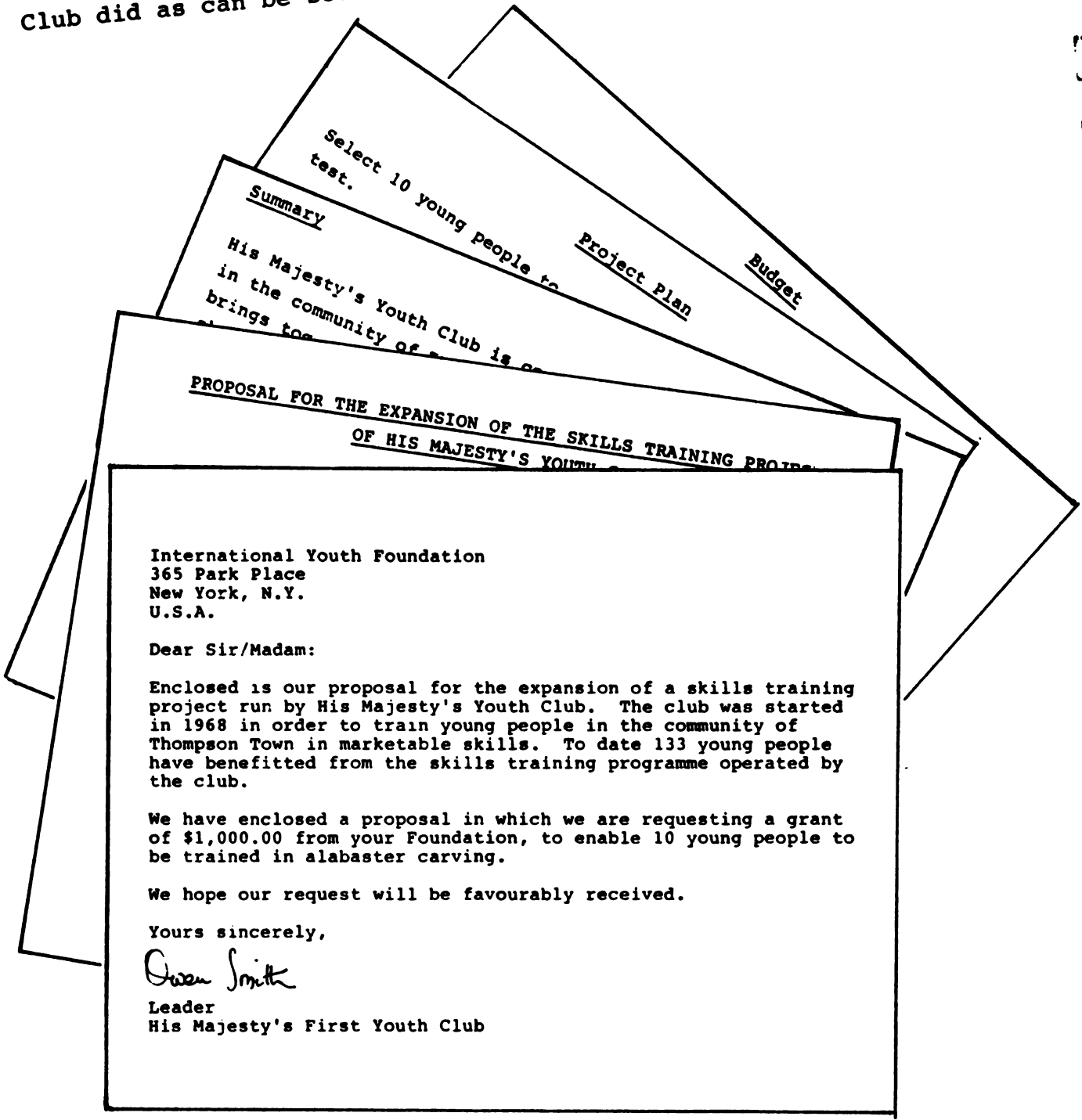
The Walker's Wood Woolspinners project involves 15 ladies who weave woollen products such as place mats, hand bags and belts.

We would appreciate receiving a copy of your recent Annual Report and guidelines for grant application in order to decide whether we would qualify for a grant from the Craft Development Foundation.

Sincerely yours,

Joyce Hinds
Leader, Walker's Wood Woolspinners.

2. If you are sure that your project falls within the funding agency's priorities, you may wish to send the proposal you have prepared with a cover letter introducing yourself and summarizing your request. That is what His Majesty's Youth Club did as can be seen in this example.



PREPARING THE GRANT PROPOSAL

Some agencies will send you a particular format to follow when preparing a proposal for them. However, if you receive no special guidelines, you can use those which follow:

Summary - briefly explain what your project is about, what you hope to accomplish and how much money you are seeking.

Introduction - give some specific background explaining your project, who is involved and why it is important to have the grant.

Problem - describe the problem or problems which you hope to solve with the project; be specific, giving numbers where possible, such as "many unskilled, unemployed youth in Queenstown must support families of 5 or more".

Objectives - describe where you wish to arrive with your project and be sure you are solving the problem you stated above, such as "to permit 10 Queenstown youth to support their families of 5 or more adequately".

Project activities - describe the activities you will carry out in order to reach your objective and add a timetable. For example, His Majesty's Youth Club prepared the following description of activities:

1. Select 10 young people to join the project based on a skills test. (January, 1987).
2. The 10 young people receive an introductory training in alabaster carving (February - April, 1987).

3. A basic business course is given (May, 1987).
4. A basic marketing course is given (June, 1987).
5. Each of the 10 new members works as an apprentice with one experienced member of the project (July - December, 1987).
6. The 10 new members select their best products to show as samples to get orders from shops. Once each receives a first order, he is ready to begin working as a full time member of the project. (January - March, 1988)"

You may have noticed that this section called project activities contains the same information as the "steps" you initially prepared when identifying your financial needs and priorities.

Personnel - describe the people who will work in the project and what they will be doing.

Budget - describe the financial needs of your project, separating these into categories, such as:

START-UP EXPENSES

1. Raw Materials
2. Machinery & Equipment
3. Legal Costs
4. Employee Training

OPERATING COSTS

5. Wages
6. Benefits
7. Rent
8. Utilities
9. Supplies
10. Raw materials
11. Packaging & Labelling

In the following example, we will see how the Mount Pleasant Goat Producers proceeded with their fund-raising activities:

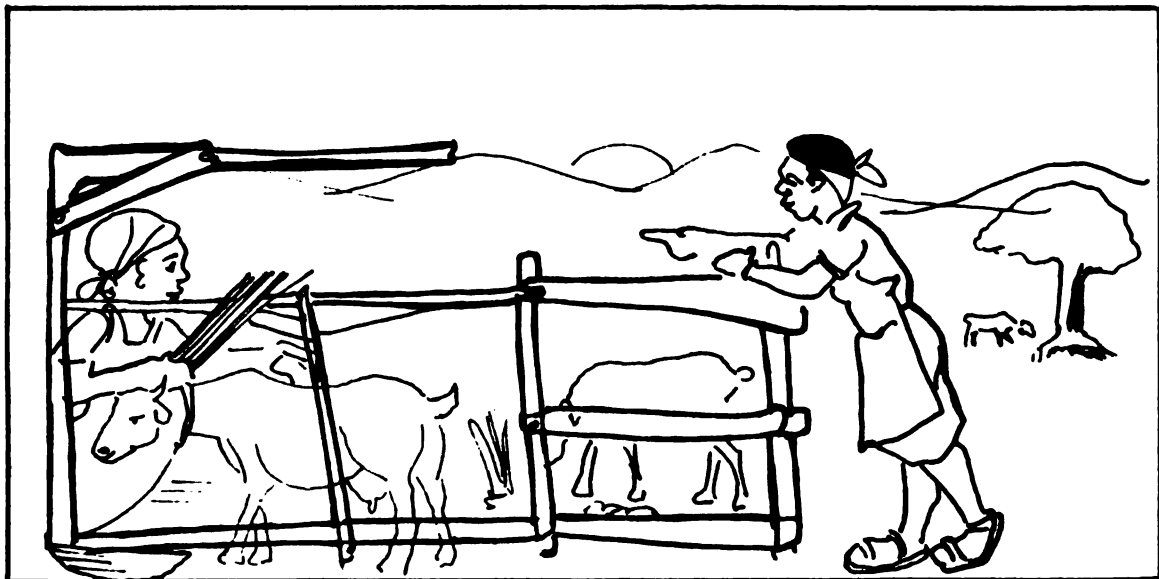
First, they answered the following questions:

* Why do you want to start or expand the business?

"Because the poverty in our area is extreme and including more women in the project will mean more food on their families' tables."

* How many people will be involved?

"There are presently 12 women involved and 22 waiting to enter the project. But the present project can only accommodate 12 additional women, so funding is needed to permit 10 more women to become involved."



* If you receive the grant, what are you going to do with it?

"Step 1: Hold a co-operative meeting to decide which women will receive the 10 ewes bought with the funds from the grant.

Step 2: The grant money will be spent to buy 10 ewes, 1 ram and some fencing for the project.

Step 3: Training in care and management of the goats will be held for the 10 new members and any other community members who wish to attend.

Step 4: Training in business management will also be conducted on a regular basis (once a week)."

* How much money do you need from the granting agency?

"We need US\$1,000.00."

* What will you do with the grant money?

"We will provide additional income through livestock production to 10 more women."

Financial need: US\$1,000.00

Priority: livestock production for income generation

Next, they checked the foundations and identified the one which was most suited to their financial need and priority. They selected the Opportunity Foundation. Then they decided to send a proposal outright, with a cover letter which stated their intent. The following pages contain an example of the grant proposal written by this goat-rearing co-operative, using the guidelines previously explained.

PROPOSAL TO EXPAND A GOAT-REARING CO-OPERATIVE

Summary:

The Mount Pleasant Goat Producers is a co-operative organized by the Ministry of Agriculture. The revolving goat scheme presently permits 12 women to rear goats for sale and home consumption. The co-operative is requesting \$1000.00 from the Opportunity Foundation to buy 1 ram, 10 ewes and fencing in order to expand the project so that 10 more women can be included.

Introduction:

The Mt. Pleasant Goat Producers is a goat-rearing co-operative established in 1980 in the parish of Portland by the Ministry of Agriculture. Goats are distributed through a revolving scheme where each new co-operative member receives a ewe and must return the first female offspring to the project which then gives this ewe to another new member. Twelve women are presently involved in the project and funds are needed so that ten more may join immediately.

Problem:

Twenty-two more women would like to become involved in the goat-rearing scheme. This, however, is not possible because the existing twelve ewes bear only one kid a year, the first ewe kid being donated to the project to be given to a new member. As 22 women are waiting to enter the project and incomes in this region are extremely low, a grant is needed to bring in as many women as possible during this year.

Objectives:

This project should achieve the following objectives:

1. To provide income to 10 more women through goat-rearing.
2. To strengthen the Mount Pleasant Goat Producers Co-operative.

Project activities:

The activities planned for this project are:

1. Hold a co-operative meeting to decide which women will receive the 10 ewes bought with the funds from the grant. (March, 1987).
2. The grant money will be used to buy 10 ewes, 1 ram and some fencing for the project. (April, 1987).
3. Training in care and management of the goats will be held for the 10 new members and any other community members who wish to attend (May - September, 1987).
4. Training in business management will also be conducted on a regular basis. (March - December, 1987).

Personnel:

The individuals who work on the project are the co-operative members as well as technical staff from the Ministry of Agriculture. Their functions are listed on the next page.

Co-operative manager:

Manages the assets and the activities of the co-operative.

Co-operative members:

Share the responsibility of production and marketing in the co-operative.

Ministry of Agriculture technical staff:

Provide training in production and business management for the co-operative.

Budget:

The following budget shows only the amount requested from the Opportunity Foundation, and does not include the labour and costs contributed by each co-operative member.

Materials:	fencing	US\$ 300.00
Livestock:	10 ewes at \$ 60.00	600.00
	1 ram at 100.00	<u>100.00</u>
	Total	US\$1,000.00

The following pages contain another example of a proposal. This proposal is a different example of the type of format which can be used. It was prepared by the Walker's Wood Wool-spinners.



COMMUNITY CRAFT PROPOSAL

I. Name of Project:

Walker's Wood Woolspinners and Weavers

II. Project Location:

Walker's Wood, St. Ann

III. Sponsors of Project:

Walker's Wood Woolspinners
and Weavers

Walker's Wood Community Council
Oxfam of America

RPCV Coral Hayman

PCV Nancy Escherich

Things Jamaican, Ltd.

Oneonta Church

IV. Purpose for which assistance is sought:

To provide weaving and spinning supplies and equipment which will renovate existing studio, aid in production rate and aid in the training and employment for 5 more weavers.

V. Items to be financed:

4 High Castle Jack Type Floor looms	US\$1,880.00
4 harness, 45" weaving width @ \$990 ea.	3,960.00
4-4 harness table looms @ \$365	1,460.00
2 Inkle looms @ \$28	56.00
Vertical Warping Mill @ \$90	90.00
Spool rack @ \$70	70.00
Umbrella Swift @ \$31	31.00
Electric Bobbin Winder @ \$95	95.00
Ball Winder @ \$15	15.00
8 Boat Shuttles - 11" @ \$12.50	100.00
2 Wooden Bobbins @ \$7.50	15.00
8 Belt Shuttles @ \$2.50	20.00
20 Stick Shuttles	30.00
10 Tapestry Printers @ \$8.50	<u>85.00</u>
From Schact Spindle Co.	7,907.00
Shipping 20%	<u>\$1,582.00</u>
	US\$9,489.00
2 Sara Tapestry Looms @ \$249	498.00
2 Belt Looms @ \$225	450.00
Bobbin Winder #11 @ \$45	45.00
1 dozen reed hooks @ \$7.90 doz.	<u>7.90</u>
From Glimakra Looms & Yarns Inc.	1,000.90
Shipping 20%	<u>200.00</u>
	US\$1,200.90
Electric Spinner	279.00
10 tubes - Pearly Pearls Cotton	
@ \$12.00/12 oz.	120.00
8 cones - Mist cotton @ \$10.50/12 oz.	84.00
10 tubes Aurora Earth Cotton @ \$11/1½ lb	110.00
30 lbs. Cotton yarn assortment	<u>110.00</u>
From Cotton Clouds	703.00
Shipping 20%	<u>140.00</u>
	US\$ 843.00
TOTAL AMOUNT REQUESTED	US\$11,532.90

VI. Contributions made by Individuals, Agencies, Community:

1 Industrial Sewing Machine	Oxfam of America
4 40" floor looms	
Assorted yarns	
4 Weaving benches	RPCV - Carol Hayman
Assorted yarns & supplies	
Training Class	
2 18" floor looms	Things Jamaican, Ltd.
1 Warping Mill	
2 20" Rigid Heddle looms	Oneonta Church
Studio Space	Walker's Wood Community Council

VII. Amount Requested: US\$11,532.90

VIII. Community Support: See VI.

IX. Benefits from Project:

To the Project - A more equipped weaving studio will aid in the production rate and in expanding on the line of woven and fiber goods. The Walker's Wood Weavers and Woolspinners currently have a line of woven and fiber products which include handbags, blankets, placemats, belts and stuffed toys. The products are sold through Things Jamaican, Limited at demonstrations in hotels in Ocho Rios and directly from the studio in Walker's Wood. With the new looms, the same products can be made and new products can be designed and crafted due to the versatility and specialty of the new belt and tapestry looms.

Monthly sales average \$2,275.00 for 8 women. \$1,440.00 is paid out in wages, \$890.00 is paid out for materials and \$245.00 goes to the project. The project uses the money in several ways: travel money for purchasing supplies and delivering products; financial assistance for weavers when ill (doctors and hospital fees); arrangements are made for small loans for weavers in financial need and financial support is given to other community projects and activities. With the new looms, the weavers should be able to double their production rate, to earn \$50.00 per week and the project should be able to employ 5 more weavers.

To the Community:

The Walker's Wood Woolspinners and Weavers project has been in existence for 8 years. The Community Council and community members strongly support the project. The project does and will continue to give employment to local women and support local projects and activities.

X. Future Implications:

The Weavers hope to continue expanding their business through employing more women and creating new woven and fiber items. As weaving is unique to Jamaica, the craft items made are a fresh addition to the craft markets and buyers are more readily found. Plans are starting to be made to move to a larger working space and to register as a craft business; to continue along the lines of community development and cohesiveness and create more job opportunities in Walker's Wood.

Now you have some ideas on how to approach grant proposal writing. Good luck with your endeavour!

7. Making the decision

How do you decide whether to use your savings, or to apply for a grant or a loan? Sometimes a single source of financing can provide all that your business requires, but usually you will need to get your financing from two or more sources. For example, many banks will only make a loan to you if you are also providing some of the financing yourself.

When deciding which source or sources of financing to use, there are some questions you need to ask yourself. Following are some questions for each type of financing you may be considering.

SAVINGS

1. Do I have savings? What am I saving for?
2. Should I use part or all of my savings for business purposes?
3. If I can get a loan, would I rather keep part or all of my savings for other purposes?
4. Is the interest on my savings account greater than the interest I will have to pay on my loan?
5. Have I considered the possibility that I may need my savings for emergencies or for family obligations such as weddings or funerals?
6. Have I considered that savings could be used as collateral to get a loan?

GRANTS

Grants are difficult to obtain and are available only to groups. Before applying for a grant you must do a lot of research on the different agencies and ask yourself the following questions:

1. What types of granting agencies could we go to with our project?
2. What are their priorities for funding and does our project qualify for those priorities?
3. Does the amount we are seeking fall within the funding range of the agencies?

LOANS

1. How much debt do I already have? Is it risky to take on more debt?
2. What rate of interest will the bank charge and where can I get the best terms? What will be the terms for repayment?
3. Will my business make enough profits to repay the loan and the interest charge? Will there be enough left to reinvest some back into the business?
4. How long will it take for my loan application to be processed?
5. When will I know whether or not my application is approved?
6. Have I considered all the available sources for getting a loan, including commercial banks and special loan programmes?

7. Do I understand all the requirements for a loan and am I able and willing to meet them?

MAKING THE DECISION

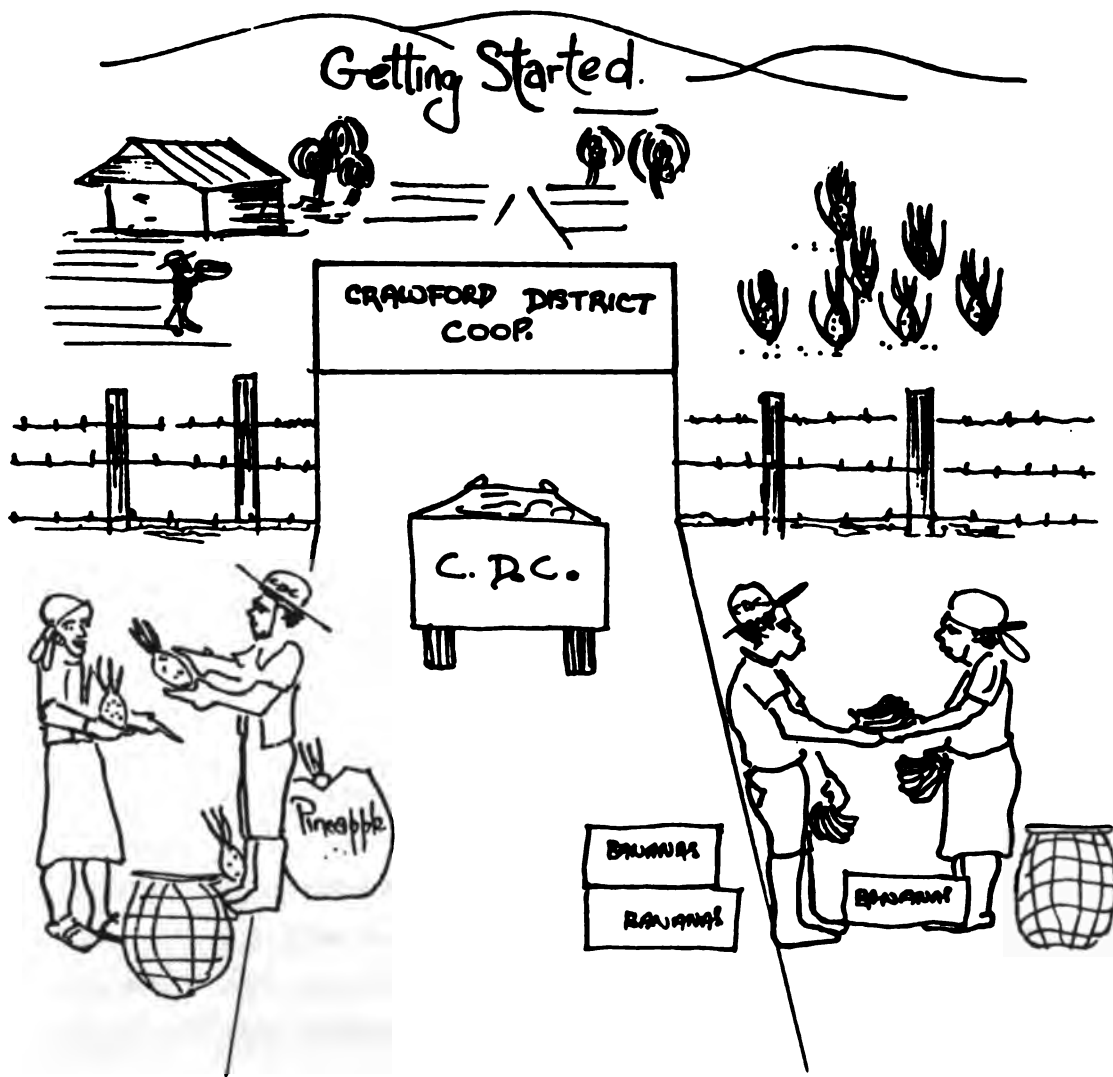
You should now be ready to make the final decision on the type or the combination of financing which is best for you. You should have looked very closely at the types of financing available and whether you qualify.

REMEMBER:

- * Choosing to use your savings or a loan is choosing to use money for which there will be some cost to you either individually or as a group.
- * Alternatively, choosing to use a grant will give you access to money other than your own which you will not have to repay.
- * You must always seek the financing which suits your needs best.
- * Is there anything else that you must take into consideration? List these.

What is your decision?

PART III : SETTING UP YOUR SMALL BUSINESS





8. Selecting the Legal Structure

Generally, there are four ways you can structure your business. These are:

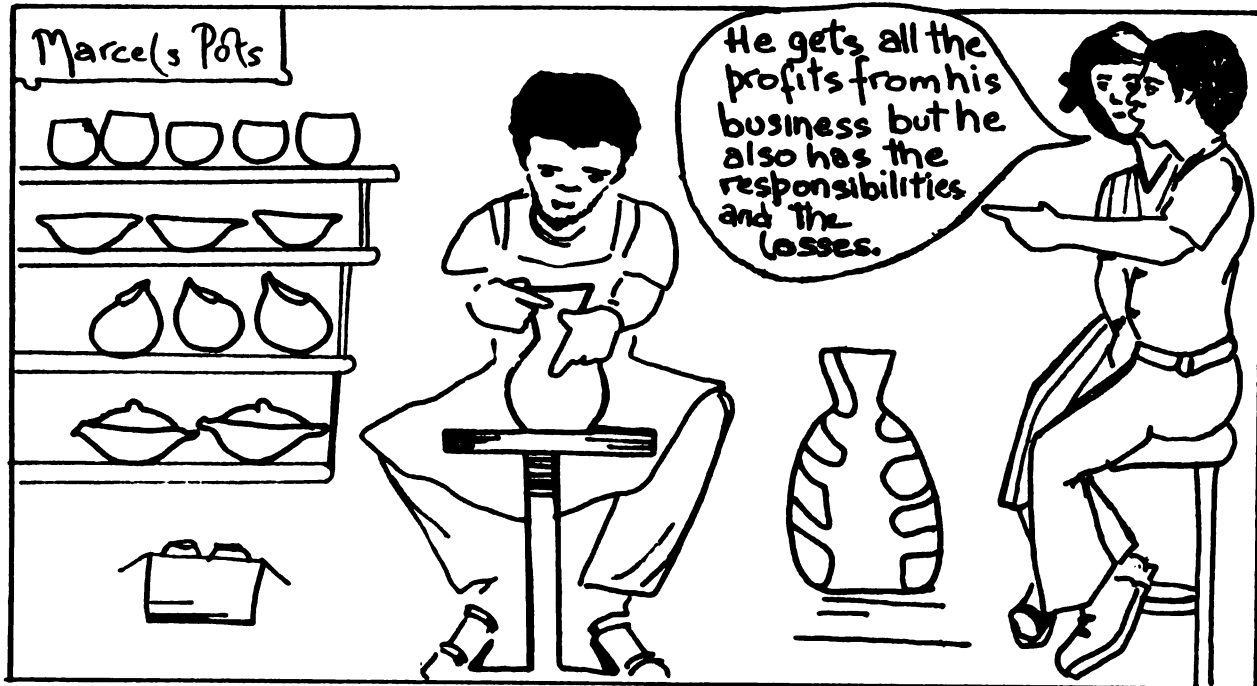
- a) as a Sole Trader
- b) as a Partnership
- c) as a Company
- d) as a Co-operative

THE SOLE TRADER (or individually-owned business)

This type of business structure is one which is owned by one person, although family members or hired workers may also be involved. It is also the most popular among small businesses.

Some characteristics of individually - owned businesses are:

- 1) The owner has personal responsibility for all aspects of managing the business. This means that he or she has to see to the proper running of the business - making all the important decisions which are necessary for the business to keep going.
- 2) The owner provides or borrows money to start the business and is solely responsible for any debts which the business contracts, including taxes. This is a big responsibility, for if the business does not succeed, the owner may have to sell all of his or her personal possessions in order to pay off the debts of the business.
- 3) The owner gets the net profits, that is, the money which is left over after all bills are paid.



- 4) Little legal help is needed to start this kind of business. The owner must, however, abide by government laws and regulations which deal with the operations of the particular kind of business owned by the sole trader.

For example, a sole trader who operates a restaurant must have a Food Handler's Permit, issued by the Ministry of Health. To qualify for this permit, the person must undergo certain medical tests to prove that he or she does not have diseases which are catching and is fit to handle food.

Similarly, many other traders such as barbers, barkeepers, or others who sell spirits, are required to get licences before they can set up their businesses.

Now what do you think are the advantages and disadvantages of setting up a business as a sole trader?

Advantages

Disadvantages

THE PARTNERSHIP

A partnership is an agreement or contract between two or more persons (up to twenty) to own a business together. The owners are called 'partners' and their contract is usually prepared by a lawyer. It states in detail how much capital and labour each partner must provide. It tells how profits or losses are to be divided.

Here are some other characteristics of a partnership.

- 1) In a partnership, all the partners are held personally responsible for all debts of the business and if one partner cannot fulfill his obligations, then the other partner or partners will have to bear the losses.

2) A partnership can have any name chosen by the partners, as long as it does not too closely resemble the name of any other business. The business should however be registered with the Registrar of Companies, which requires that certain information about the business be submitted, such as:

- 1) The name of the business
- 2) The type of business
- 3) Where the business is located
- 4) The name, nationality, address and other occupation (if any) of each partner
- 5) The date the business started.

3) Partners may share the management of the business or they may agree for one partner to serve as the manager or to employ someone to be the manager. Major decisions about how the business should be run are made by the partners, usually by majority votes.

4) Net profits are used in the way partners decide. They may be used to expand the business or be divided among the partners.

5) When a partner leaves, the partnership comes to an end. A new agreement can then be made by the remaining partners and any new partners entering the partnership.



What do you see as the advantages and disadvantages of setting up a business as a partnership?

Advantages

Disadvantages

THE COMPANY

A company may be registered as a limited liability company or as an unlimited liability company. The difference between these two types is in the degree of liability, that is, the degree of responsibility for the debts of the business which the owners assume.

Owners of a limited liability company (the shareholders) have a limited liability for the company's debts; that is, the owners cannot be held responsible for the debts of the business, beyond the amount which they had agreed to contribute towards the capital of the business.

Owners of an unlimited liability company however, can be held personally responsible for all debts contracted by the business. Because of this companies are normally set up as limited liability companies. The remainder of our discussion on companies will therefore deal with limited liability companies.

The characteristics of companies are:

- 1) Capital is usually obtained by selling shares or by borrowing. The company is responsible for its debts. If the business fails, each shareholder can lose only the amount paid for the shares, but the company can lose its property or assets.
- 2) Business decisions are made by a board of directors who are elected by the shareholders. If shareholders wish, they can change the directors who serve on the board at an election held at an annual meeting. Each

shareholder has as many votes in these elections as the number of shares he or she owns. Those who own the largest number of shares in the business, control the company.

- 3) Net profits are either divided among the shareholders according to the amount of shares owned, or used to expand the business. The board of directors decides how the profits will be used.
- 4) Companies, unlike partnerships, are separate legal bodies which are not affected when any of the owners leave the business, or die. When a shareholder dies, his or her shares go to heirs who may keep them or sell them. A company as a legal body can make transactions, sue and be sued in a court of law.
- 5) Before a new company can be registered, two important documents must be prepared and submitted to the Registrar of Companies along with the required fees. These documents are:

a) Memorandum of association

This document forms the constitution of the company and contains certain information about the business such as: the name of the company, its location, the type of business it will engage in, the amount of capital and the number of shares into which the capital will be divided.

The memorandum of association must be signed by at least two of the shareholders.

b) The Articles of Association

This document contains rules for the running of the company. It names the directors and outlines the rights of the owners and the powers and duties of the directors.

When the Registrar or Companies has approved these two documents, a 'certificate of incorporation' will be issued which entitles the company to begin operations.

If you are thinking of setting up a company, you are advised to consult with an attorney-at-law who will assist you with the preparation of these documents and advise you of the legal obligations of the company you plan to set up.

What are some advantages and disadvantages of setting up a business as a limited liability company

Advantages

Disadvantages

THE CO-OPERATIVE

A Co-operative is a business formed, owned and controlled by a group of people who use it and who have equal say in its operations. It is operated in accordance with six Co-operative principles. These are:

1. Open membership

Membership of a Co-operative is open to all who can benefit from it and members of the public above 16 years of age can join for a small fee. However, in certain types of Co-operatives, there is a restriction in the principle of open membership. For example, if a group of people form a Co-operative to produce goods together, only those people with skills who can help with production should be members.



2) Democratic control

A Co-operative is owned by the members; it must be run for the benefit of the members. All members are equal. The Co-operative is governed by a general meeting which all members have the right to attend and at which each member

has one vote and one vote only. The general meeting will normally elect a committee to supervise the work of the Co-operative. Each member has the right to be nominated for election to the committee and each has one vote in the election.

3) Limited Interest on Share Capital

Every Co-operative needs some equipment to run its business. For example, many co-ops need a building and some need a pick-up. The money used to buy such things is called CAPITAL. It may be possible to borrow some capital, but much of it must come from the members. So every member is required to contribute at least a minimum amount of money to the capital of the Co-operative. This money is called SHARE CAPITAL and it remains the property of the member who paid it, although it is used by the Co-operative.

The Co-operative pays members for the use of share capital. For example, each year, members receive a small portion of the total of their share capital. This amount is called INTEREST or DIVIDEND.

Even if the Co-operative makes a very big profit, the rate of interest must not rise about a level which is fixed by the members and judged to be fair and reasonable when compared with the rates paid, for example, on money deposited in a savings account at a bank. Because the rate of interest cannot rise above this level, it is said to be limited.

The main purpose of a Co-operative is to give the best possible service to its members; it is not to pay unlimited interest on share capital from the profits.

4) Distribution of profits

In a Co-operative business, any profits made belongs to the members and should be used or distributed in such a way as to prevent one member gaining at the expense of others. For this reason, the profits are not distributed entirely on the basis of share capital but in such a way as to be fair to all.

There are three main ways of distributing a Co-operative's profits.

- (a) by using or saving all or part of the profits to develop the business of the Co-operative;
- (b) by providing services for members, such as education.
- (c) by distributing profits to members in proportion to the trade each member has done with the Co-operative. This is sometimes called a BONUS. For example, if Winsome has bought twice as much as Barry from the Co-operative this year, her bonus should be twice as big as his.

5) Promotion of Education

Promoting education in Co-operatives is important for two main reasons:

- (a) Members must support their Co-operative and use their vote wisely to control it. They therefore need to understand the principles upon which the Co-operative is based and how it works. So education for members is necessary.

(b) The Co-operative is a business serving the economic interest of its members. To do this it has to be run efficiently. So education for committee members and staff is necessary.

What would you say are some of the advantages and disadvantages of setting up a Co-operative business?

Advantages

Disadvantages

Any group of people wishing to form a Co-operative must register with the Registrar of Co-operative Societies and pay the registration fee. As in the case of registration of a company, it is wise to seek legal advice when setting up a Co-operative.

Now think about these four ways of structuring your business. Which one will you choose?

9. Marketing and production decisions

After deciding on a product, completing the Feasibility Study, deciding on the appropriate source of financing, the type of legal structure the business will have and studying the physical aspects concerned with your business, you should be ready to plan for the marketing of your product and how you will organize your production.

MARKETING PLANS

Customers: Decide who your customers will be, and determine what they want with respect to your product. You should consider:

1. Wholesale customers

These are customers who will buy goods from you and then sell them to retailers. For example, the Craft Shop Limited is a wholesale customer because they buy baskets and embroidered items from craft producers and then sell those goods to small retail shops all over the island.

2. Retail customers

These are customers who will buy goods from you and then sell them directly to the consumer. For example, The One Stop Grocery Shop is a retail customer to General Cash 'N Carry where they purchase the goods they sell to consumers.

3. Local customers

These are customers located in areas near to you who purchase your goods. These customers may be wholesale or retail customers, or the actual consumer.

4. Tourists

These are customers visiting your area for a definite period of time. Sales to these customers may be very seasonal.

Product: Use the information from your Feasibility Study to define your product according to what is most wanted by the customers you plan to sell to. For example, if you are a basket-weaver, you must decide:

- * What types of baskets you will produce
- * What size baskets you will make
- * What colour baskets they will be
- * What materials(s) you will use to make the baskets

Pricing: Remember to price your product correctly; low enough to sell, but high enough to make a profit. You may also want to sell at different (lower) prices for volume sales. This way, you can sell to wholesalers and retailers interested in purchasing and reselling quantities of your product. For example, Beverly is a basket-weaver who has the following price structure for her picnic baskets:

Price to local people or tourists	\$55.00
Price to Things Jamaican (quantities of 5)	\$40.00

Things Jamaican will then sell the baskets at \$55.00 and all prices to tourists will be the same.

In the feasibility study exercise you learned how to decide what to produce. Now you need to look carefully at how you will produce it. This can often make the difference between making a profit and going broke.

HOW your product or service is produced - the production process, has certain features which are common, whether you will be making an item, offering a service or farming. You have to decide:

- (1) What inputs are required.
- (2) What steps or actions you will use to change the inputs to outputs.
- (3) What special skills, tools, equipment or machinery will be used.
- (4) Within what time period the work will be done.
- (5) What number of units will be produced.
- (6) What standards are to be set for maintaining quality.

The way you convert the inputs to outputs will affect the costs you have to bear in your business. It also affects quality. It can also make your work easier or harder.

Since converting inputs to outputs is a major concern of your business activities, success in business depends on your ability to do this as efficiently as possible, at the lowest cost possible while maintaining good quality standards. You can see then, organizing your production is a must.

Here are some suggestions for organizing your production:

A. Make a step-by-step list of how you will make and market your product from getting the raw materials or other inputs to selling the product to the buyer.

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____
13. _____
14. _____
15. _____

B. How much will you produce and in what period of time?

I will produce (quantity) _____
in (time period) _____

C. You must consider the needs of each step in your production process for the following:

- | | |
|---|---|
| * MATERIALS (raw materials, supplies, seed, etc.) | * TOOLS & EQUIPMENT |
| * LABOUR | * UTILITIES (gas, water, fuel, electricity) |
| * SPACE | * MONEY |

Here are some questions you should consider:

MATERIALS (raw materials, supplies, seed):

How much is needed for production? _____

How much is available? _____

Will additional be needed? _____

Where will it come from? _____

Can you get the kind you need? _____

Can you get the quality you need? _____

Will the supply be regular? _____

LABOUR:

What kinds of skills are needed? _____

Are people with these skills available? _____

How many people are needed for production? _____

Are they needed all at the same time? _____

Have you decided who will do what in the production process?

You should decide on the following areas of responsibilities:

1. Who will manage (plan, keep records, coordinate, control):

2. Who will purchase raw materials & supplies:

3. Who will produce: _____

4. Who will control quality: _____

(This should be yourself or someone who can make sure all items are up to the standard you set).

5. Who will market: _____

SPACE:

Is the required space available for production activities?

(don't forget about space for equipment)

Is the required space available for storage?

Is the required space available for packaging?

What changes, if any, can be made in order to make better use of the available space? _____

TOOLS & EQUIPMENT:

Do you have those needed for production? _____

Are these available locally? _____

Are spare parts available? _____

Do you need to learn or train other people to use the tools and equipment? _____

UTILITIES (gas, water, electricity):

Are the utilities needed readily available?

Will it be necessary to rewire for 220 volt current?

MONEY:

How much is needed for buying materials?

\$ _____ . _____

How much is needed to pay wages?

\$ _____ . _____

How much is needed for rental of space?

\$ _____ . _____

How much is needed for buying and servicing tools and equipment? \$ _____ . _____

How much is needed to pay for utilities? \$ _____ . _____

How much for transporting materials and finished goods? \$ _____ . _____

What is the total amount needed? \$ _____ . _____

How much is available? \$ _____ . _____

Will additional money be needed? _____

Where will it come from? _____

NOTES ON QUALITY CONTROL

You should plan to:

1. Keep a sample of the best quality and perfect size of each item and use it to compare with future items to maintain consistent good quality and size.
2. Of major importance is the quality of raw materials you start with. If these are poor, the end product will be poor.
3. Decide on other points during the production process where quality must be examined.

Let us look at an example of how a partnership organized for production:

William Ballentine knows about leathercraft and he has decided that he wants to start his own business. He thinks he can make a good living by making leather bags and belts and his brother Junior wants to work with him in the business. They decide to plan for starting their own business: The Ballentine Brothers' Leather Business. After studying the manual on "Starting and Financing a Small Business", they sit down to prepare a production plan.

They think about starting with a line of leather belts and list the following steps in their production process:

1. Purchase tanned leather, buckles and tools.
2. Cut the leather into the desired pieces.
3. Plan a design for each belt and put the design on the leather part.
4. Assemble the leather and buckle parts.
5. Punch holes into the leather so that the belt will fit several sizes.
6. Deliver belts to shops.
7. Collect payment.

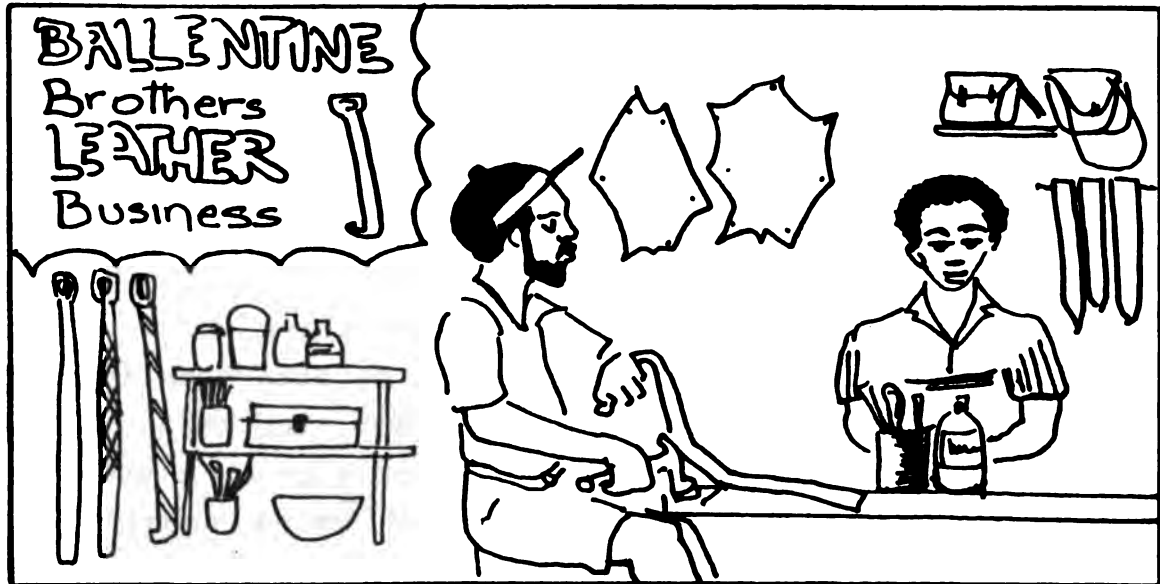
Then they ask themselves the questions about materials, labour, space, tools, equipment, utilities and money for each step of their production. On a chart they put an 'X' where problems may exist.

PRODUCTION CHART

FACTORS TO CONSIDER:

Production steps:

	MATERIALS	LABOUR	SPACE	TOOLS	EQUIPMENT	UTILITIES	MONEY
1. Purchase materials			X				
2. Cut leather							
3. Design							X
4. Assemble							
5. Punch holes							
6. Deliver		X					
7. Collect							



After reviewing each of their production steps and considering requirements for materials, labour, space, tools, equipment, utilities and money for each, they were satisfied that they had planned their business properly. They also realized that they would have three problems that were not anticipated:

1. They had no space to store the leather, once it was purchased.
2. The tools to put the design into the leather would cost twice as much as planned.
3. They had not planned for anyone to make deliveries.

Study the chart they made and discuss the problem areas. What solutions would you suggest to William and Junior Ballentine?

The exercises which follow will give more hints on how to organize production for farmers and retailers. If you are a farmer you should read Part II. If you buy goods for resale you should read Part III.

PART II

ORGANIZING YOUR PRODUCTION IN FARMING

If you are planning to farm, there are additional factors to consider when thinking about organizing production.

Before considering markets, farmers must think about what they can produce on their particular farm. To determine this, they have to consider the type of soil present, the amount of rainfall and whether the land is flat, sloping or on a steep hillside. For example, annual cultivated crops should not be considered on steep hillside farms, except where the land is terraced. A farmer would not consider rearing livestock in an area where water is in irregular supply when he can grow a crop like onions instead.

From among the crops which can be produced, or animals which can be reared, a farmer must choose those which will give good profits and which have available markets. In addition, there are other factors farmers must consider. Let's look at two important ones, risk, and seasonal work patterns.

1) Risk

Frequently, those farm crops which give the highest average returns over a number of years, are also the most risky. Over 3 or 4 years, they may only make a profit (sometimes quite large) in only one year, while in the other years they lose money. If the entire farm is planted to a crop like tomatoes, 2 or 3 years of low prices may ruin the business before a good year comes along. With such crops, it is usually wisest to produce them in small quantities, along with other crops which give more stable returns.

2) Seasonal Work Pattern

Many crops which give high returns require a great deal of work during certain very definite periods of the year, and little or no work during the rest of the year.

For example, one acre of a very intensive crop may need the full-time work of 10 persons in March and again in September, but little work for the rest of the year. Thus, if a farm has only two persons available to work it, they can only take care of 1/5 of an acre of this crop. If they have a 1½ acre farm, the rest of the farm would be idle. The two persons on the farm might also be idle most of the time except in March and September.

If extra labour cannot be hired when needed, it is usually better to produce a small acreage of such crops in combination with other crops which will provide work the other ten months of the year.

How Much to Produce

We have already touched on this question indirectly in the section under What to Produce. For any given farm, the more acreage you use for one crop, the less acreage you have available for other crops. Let's talk about how you can decide how much of each crop to produce:

Main Crop

1. Determine which of the crops your farm can produce, will give the best income per acre and per person, without too much risk.

2. Determine how much of this crop you can handle with other people (family or hired help) assisting.

Complementary Crop

3. Determine what periods of the year you will have idle land and time, not required for this crop.
4. Select one or more complementary crops whose work requirements fall mainly in these slack work periods of the main crop. They should be the most profitable of those you choose from, even though they are high risk.
5. Produce as much of them as your available land and time permit, but without competing for the time that must be given to your main crop.
6. Note: If you plan to produce most of the food your family consumes, the land and time required for this must be taken into account.

How to Produce

It is important that the way you produce results in good quality products. The price paid for inferior quality farm products is much lower, and often unprofitable. Within this overall framework of getting quality products, there are several aspects of how you produce which should be considered jointly.

1. Inputs (Seed or breed stock; fertilizer or feed; insecticides; fungicides, etc.)

The volume and quality you produce will often depend on the inputs you use. Better quality and higher production usually require more expenses for inputs.

Before choosing a system of production needing certain inputs, make sure they will be available when you need them. Also, the added cost of inputs is sometimes greater than the extra income you would earn by producing more. You should therefore carefully examine the costs and returns of alternative ways of producing and choose the most profitable way - not necessarily the most productive.

For example, let us say farmers can sell their ginger at \$1.20/lb. Using a lot of fertilizer and an extra weeding, it costs a farmer \$12,000.00 to produce 9,600 lbs. of ginger; but using less fertilizer and only one weeding, it costs him \$7,680.00 to produce 8,000 lbs.



The higher yield costs him $\frac{\$12,000.00}{9,600} = \$1.25/\text{lb}$

The lesser yield costs him $\frac{\$7,680.00}{8,000} = \$0.96/\text{lb}$

So, you can see that it is more profitable for him to produce at the lower yield.

2. Risk

Often, the way of producing which gives higher income involves higher risks. For example, planting a crop such as tomatoes earlier than usual may get it to market when prices are higher, but may involve greater risk of losing the crop if there aren't enough early rains. With livestock, planting feed for them is expensive but in a dry season it may be even more expensive to have to buy the feed or see the animals go hungry, lose weight or die.

3. Financing required

Many systems of production which give high returns are more expensive. Do not select one of these systems, unless you can be sure you will have the required money available. Also, remember that borrowed money usually has a cost (interest payments) and this needs to be considered in deciding how profitable the higher cost system of producing will be.

4. Use of Machinery

Different ways of producing (production systems) require different amounts of machinery use: some, a great deal; others, very little.

In deciding on your production system, and the amount of machinery use it needs, ask yourself these questions:

- a) Will the machinery make it possible for me to produce more?
- b) How much will use of machinery increase my cash costs? My investment?
- c) How does machinery cost compare with doing the same job by hand?
- d) Will I still be busy all year, or will the use of machinery cause me to have a lot of idle time?
- e) (Most important!) Will it increase my net income (profit) after all costs?

Using tractors or other machinery usually gets farm work done much faster. However, it also has an added cost, in the investment, plus depreciation, repairs and operating costs (gas, oil, etc). In addition, buying machinery commits you to its use for several years. Be sure it is justified before buying.

LIVESTOCK

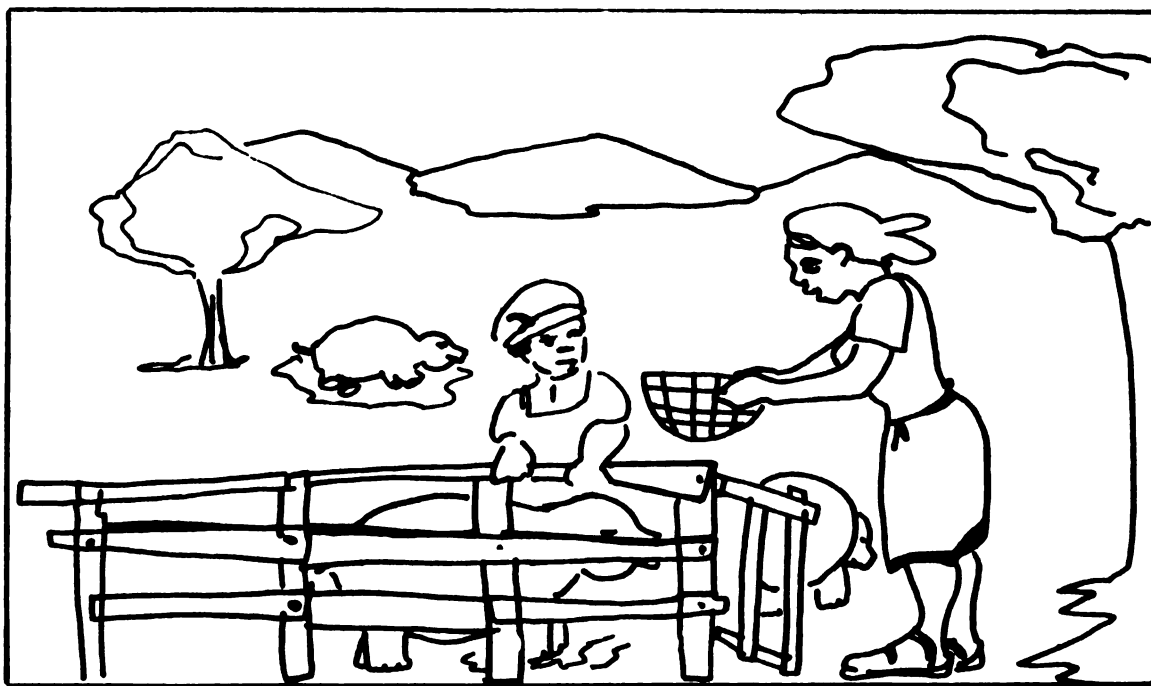
If you have livestock, there are three particular aspects that should be carefully considered in organizing your production: Animal Health, Feed, and Breeding.

1) Animal Health

For livestock in general, but in the tropics in particular, animal health is critical to running a successful business. You can have major losses in your business if your animals get sick. Be sure you know all the diseases and infections (internal parasites, for example which your type of

livestock can get. List them, together with the measures required for prevention and cure. (Generally, prevention is more profitable than cure).

In organizing your production, make sure you are prepared to take the necessary action at the most timely moments. This includes having medicines or treatments at the right time, and the money to pay for them.



2) Feed

Animals are "living factories". They convert raw materials (feed) into saleable products (meat, eggs, milk, etc.). If they do not receive enough of the right type of feed (raw materials), they will be unable to produce profitable quantities of livestock products, of good quality.

In organizing your production, make sure that you are prepared to provide the quantity and quality of feeds required by your livestock for high production throughout the year.

For example, if your livestock (sheep, goats, cows), eat pasture be sure you will have enough for the dry periods. If in doubt, think about getting more pasture, or growing, cutting and storing some hay as insurance against dry spells.

3) Breeding

- (a) If you are raising your own livestock, good breeding management is important to making profits.

A ewe that doesn't get pregnant on time is an "idle factory". Worse, she is costing money and labour while being idle. A ram that doesn't get the ewes pregnant is even worse, because his "idleness" may result in many ewes being "idle".



In organizing your production, make sure that you will be able to keep track of the fertility of your animals. Whenever you find an animal that is infertile, get rid of it at once; it is costing you money. (This assumes, of course, that you are keeping your animals well fed and free from diseases and parasites. Diseases, parasites and not enough feed may cause infertility. Improving health and feed may bring back fertility).

- b) It is generally more profitable to breed your female to "superior" males (purebreds or half breds from high-producing families). The off-spring will usually be larger, grow faster, make you more money. This may require extra work in your production: making sure the females are guarded against impregnation by a "scrub" male and having timely access to a superior male if you don't own one. It is more work, but it generally pays well. Provide for it in the organization of your production.

PART III

ORGANIZING YOUR PRODUCTION - BUYING AND SELLING (RETAILING)

If you plan to buy goods for resale, your main concern in organizing your business should be attracting and keeping as many customers as possible so that you sell as much of your goods as you can. These questions take on different meanings:

What to produce?

How to produce?

How much to produce?

The question of What to produce? becomes:
What kinds of goods to purchase for resale?

You should consider some of the possibilities listed below:

- * What types of products shall I sell?
- * How many different products should I offer for sale?
- * Should I sell a mix of both high and low quality items?
- * Should I sell related products, or quite different products?



The question of How to produce? becomes: How to sell your products?

Marketing is so important that an entire manual is devoted to it, however, here are a few points to consider:

- * The location of your store is very important. A convenient location helps to attract new customers and keep old ones.

- * Do as much as you can to promote the products you sell, eg. run sales, advertise.
- * Give your customers prompt service.
- * Be sure that your customers are treated by you and your employees in a pleasant and courteous manner!
- * Pay attention to the layout of your stocks, so there is easy selection by your customers.
- * Keep your products neatly arranged, clean and plainly priced.
- * Keep your place of business as tidy and as well lit as possible.

The question of How much to produce? becomes:
How many of each item should I have in stock?

You should try as much as possible to have on hand the goods your customers want in sufficient quantities to satisfy demand. In order to do this you should have a system of stock control, which will give you important information about the goods you sell:

- What products you have on hand.
- What products you need to order.
- What products are fast movers.
- What products are slow movers.

There are other things you should consider as well:

- (1) How long the product will remain saleable;
 - * will it spoil quickly, like fresh fruit, vegetables, dairy products or meat?
 - * will it lose its usefulness, after a certain time, like batteries?
 - * will it lose its appeal after a certain time (like some kinds of clothing) and fetch a low price or become difficult to sell?

- (2) How quickly the product can be obtained from your supplier. You must have enough of each item in stock to satisfy customers' demand between delivery dates.

10. Physical organization of your business

In selecting a business to buy or rent, there are various physical aspects which should be studied carefully. Answering the following questions should help you decide how suitable or limited the physical aspects of the business are:

I. External:

Some of these are not on the property itself, but can affect profitability.

- * Is the business on, or does it have access to an all-weather road, or is it sometimes cut off (by washouts in the rainy season, for example)?
-

If your type of business requires regular deliveries of supplies to you, and/or regular marketing of your products, ready access can be very important.

- * How far is the business:
from your market or delivery point? _____
from the source of your supplies? _____
from the services and service people your business may require? _____

Remember that distance costs money and time. Delays at a critical moment like harvest or period of peak demand can be very expensive.

Think about utilities:

- * Does the property have the necessary water supply (quantity, quality, reliability)? _____
- * Does it have a reliable electricity supply? _____
- * Does it have a telephone? _____
- * Are there any restrictions on the use of the land in this location (zoning)? _____

II. Internal:

Some questions should be asked about the business itself, particularly about land.

a) Land for farming

- * Is the soil texture, drainage and slope good for the crop(s) you wish to grow? _____
- * How are the fields located with respect to the buildings? Convenient, or at quite a distance?

Are they easy to reach? _____
- * Is there year-round access from all your fields to a road? _____
- * If there are one or more streams crossing the farm, can they be forded easily in the rainy season?

Is there a bridge? _____
- * If you need fences, does the farm have them?

Are they in good condition? _____
- * Is there sufficient rainfall for what you wish to grow? _____
Every year, most years, sometimes, seldom? _____

- * Are there heavy rains that may flood your fields? _____
What about strong wind storms? _____

b) Land for other businesses

- * Does it have enough space for parking or for loading and unloading goods and supplies? _____
- * If you wish to expand in the future, is there enough space? _____
Is there available adjacent land? _____

c) Buildings

- * Are the foundations solid? _____
- * Is the structure in good condition? _____
- * What about the walls? doors? windows? _____
- * Are the roofs water-tight and fairly new? _____
- * Is there sufficient space for your business activities? _____
- * Is there space for storage? _____
- * Are the areas in the buildings conveniently arranged for your work? _____

d) Equipment

- * Does the business have all the equipment you will need to operate? _____
What will you need to buy in addition? _____

- * What is the age and condition of the equipment?

- * If there are breakdowns, can you repair the equipment? _____
- * Are replacement parts readily available? _____

RETAIL BUSINESSES

When making plans for the physical organization of a retail business, the overall concern should be to make sales as high as possible within the limits of your budget. To accomplish this, attention should be given to the following:

1. Location - The selection of the site:

The location that is best for one type of business may not be the best for another. Consider the following examples:

- * Grocery stores - should be located where they can easily be reached from as many areas as possible.
- * Ice Cream Stores - should be located where many people walk, for example, in shopping plazas, near bus stops or at busy intersections.
- * Fruit Vendors - should be located near a wide spot in the road where a car can stop safely out of traffic, and near a curve or something that would slow traffic down, so that the occupants of cars can see the merchandise being offered for sale.
- * Newspaper boys or windshield washers need to be at a stoplight.

If you can't get an easily noticed location, it will be necessary to do some advertising to overcome this disadvantage.

For example, a new shop has just opened close to Main Street, so the owners installed a big banner across Main Street to direct customers to the location of the new shop.

What requirements will YOUR retail business have for its site location?

II. The physical structure

- * Sidewalk vendors who serve people in their cars need to protect themselves and their merchandise from the sun and rain. They also need a place to display their goods.

- * The other extreme would be the quiet elegance of a jewellery store where jewellery is displayed and the surroundings seem to add to the quality and the value of the goods.

- * Whatever the structure, you need to give consideration to:
 - a) Protection from the elements for people, goods and equipment.

 - b) Security for the people and the goods.

 - c) Cleanliness and attractiveness.

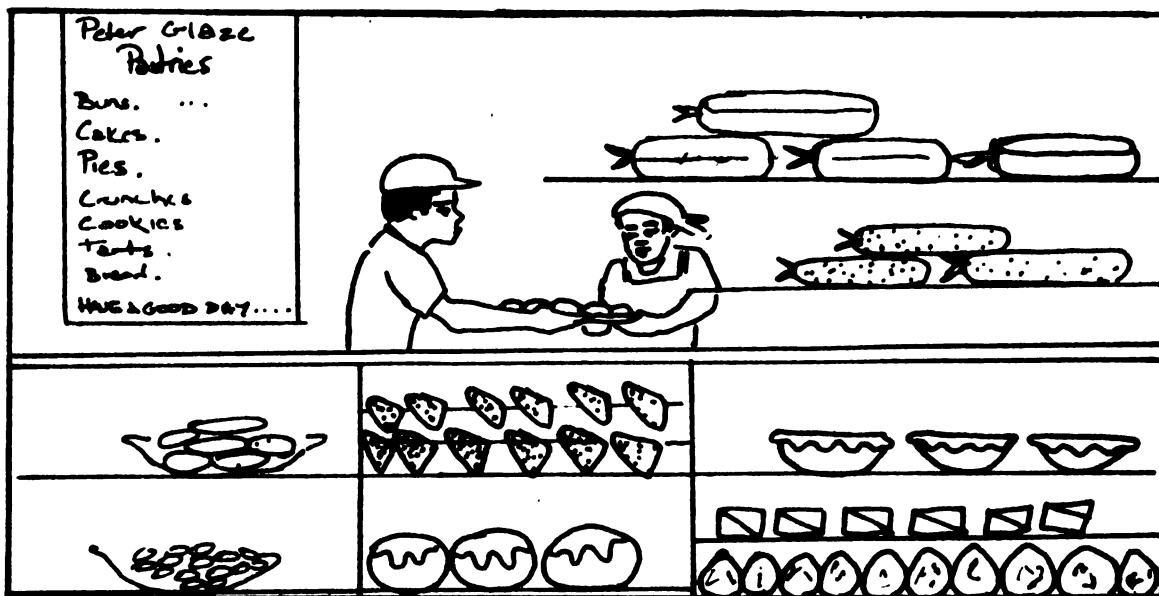
 - e) Space enough to store and display your goods.

What type of structure would be best for YOUR business?

III. Display of goods

The purpose of displaying goods is to sell as much as possible. To accomplish this, attention should be given to the following:

- * Making the goods attractive to the customer by appearance, odor and feel. For example,
 - Tools should feel sturdy
 - Clothing should look and feel comfortable
 - Food should look and smell appetizing



- * Showing that there are enough goods to satisfy customers' needs. An example would be the type of mass display of goods you see in a supermarket or grocery store. The message it sends to the consumer is that with this much stock there must be a heavy demand for it. If that many people want to buy it, it must be the best available.

- * Putting a fair price on your goods.

- * Making it easy for customers to take home the goods they have bought. For example:
 - hiring boys for packing and carrying the goods.

 - offering a delivery service for goods which are difficult to carry.

 - provide convenient packaging so that customers can carry their purchases themselves.

 - Packaging goods well, so they keep in good condition until they are ready to be used.

 - Labelling goods to show that they are of good quality and easy to care for.

11. Setting up records

Records are useful because they allow you to write down information which will be helpful in planning or making important decisions about your business. Many people feel that they can carry around a great deal of information in their heads, but as a business person, in order to operate your business efficiently and profitably, you need to record certain types of information. These will be necessary for making production, marketing and financial decisions about your business.

For the small business person, records can be kept in a simple and inexpensive manner and still provide the information which is needed to make decisions. In order to determine what records should be kept however, you will first have to decide what information will be needed and for what purposes it will be required.

Generally, the purposes for which records are used are:

- 1) Meeting your obligations
- 2) Controlling
- 3) Analysing the performance of your business
- 4) Planning

In this exercise, we will introduce you to the various records which will allow you to carry out the functions of meeting obligations, controlling, analyzing and planning. You should also refer to the manual "Operating a Small Business in Jamaica" for instructions on how they are prepared.

1. MEETING YOUR OBLIGATIONS

If you plan to take orders for goods from your customers, that is, to sell goods which will be available to customers at some future time, you need to use an Order Book.

An Order Book is used so that both the buyer and the seller will have a record of agreements they make. An order should contain as much information as possible so that there will be no disagreements between the buyer and the seller when delivery of the product is made. This will help the business have satisfied customers. Satisfied customers will come back and buy from the business again and will tell their friends about the business.

When you visit your customers to market your product, always take your Order Book with you.



Following is a sample of a page from an Order Book.

ORDER

No 02

July 29, 1986

FROM: John Douglas, 18 Princess Way, Kapa.

TO: Mac Donald's Enterprises Pleasant Valley

PLEASE SUPPLY THE FOLLOWING: by July 29, 1986

Quantity	Description
20	Great kids (average wt. 30 lbs)
	@ \$150.00 ea \$3,000.00
10	Suckling pigs (average wt 20 lbs)
	@ \$4.50/lb 900.00
	Total \$3,900.00
	Terms : 10 days credit
	\$3,900.00 due on
	August 7, 1986
	John Douglas

2. CONTROLLING

a) Controlling your cash

Almost any business needs to control the cash that comes into and goes out of the business. This control can come from the use of the basic receipt book. If business persons faithfully give receipts each time they receive money and get receipts (or makes proper notes) every time they spend money, they have the basic information needed to keep cash books. The cash book can vary from a simple record of receipts and expenses with closing and opening balances, to very complete summaries of receipts and expenses. These summaries make it much easier to get totals of what money was spent for or where it came from. The totals can be for daily, weekly, monthly or yearly receipts or expenses.

Let us look more closely at these two basic records, the Receipt Book and the Cash Book.

The Receipt Book

Following is a sample receipt, completed in handwriting in the places where you would write:

No. 126	August 7	19 86.
RECEIVED FROM John Douglas		
the sum of Three thousand, nine hundred		
Dollars		Cents
for 20 goat kids and 10 suckling pigs		
\$ 3,900:00	:	Per G.H. MacDonald
MACDONALD'S ENTERPRISES		

Below you can see another type of receipt. This one allows you to record a part-payment showing the amount due before and after the payment. You can also show whether the payment was made with cash, cheque or money order.

£ 420

DATE 24-7-86

RECEIVED FROM Barrington Davis \$ 210 . 00

Two hundred and ten DOLLARS

FOR payment on work tables and chairs

Thank You

AMOUNT OF ACCOUNT	\$ 300 . 00	<input checked="" type="checkbox"/> CASH
THIS PAYMENT	210 . 00	<input type="checkbox"/> CHEQUE
BALANCE DUE	90 . 00	<input type="checkbox"/> M.O.

BY V. Smith

The Cash Book

The Cash Book is a record of cash transactions made by a business. It should be written up at the end of each day, after all buying and selling is over, or as often as the business requires. A cash book has ruled pages with several columns.

For each day's record-keeping, both sides of the book must be used. Money collected (CASH IN or Receipts) is recorded on the left hand side and money spent (CASH OUT or Payments) on the right hand side.

Figure 1

DATE	QTY	DETAILS	UNIT RATE	\$	¢	\$	¢	BANK	NOTES
16-4-86		Opening balance				80.	00		
	100	lbs. Yams	80¢	80.	00				Receipt # 027
		Partner draw		300.	00	380.	00		
		Total cash available				460.	00		
						460.	00		
17-4-86		Opening balance				158.	55		
	1 1/2	cwt tomatoes	\$100-	150.	00	150.	00		Receipt # 028
		Total cash available				308.	55		
18-4-86		Opening balance				308.	55		
	100	lbs yams	80¢	80.	00				Receipt # 029
	1	goat kid		100.	00	180.	00		Receipt # 030
		Total cash available				488.	55		
						488.	55		
19-4-86		Opening balance				407.	15		
	100	lbs. yams	80¢	80.	00				Receipt # 031
	220	lbs Cabbage	30¢	67.	20				Receipt # 032
	50	lbs tomatoes		45.	00	192.	20		Receipt # 033
		Total cash available				699.	35		
						699.	35		

DATE	QTY.	DETAILS	UNIT RATE	\$	¢	\$	¢	BANK	NOTES
16-4-86		Part-payment-Spray		220.	00				} Receipt # 6148
	1	tin lettuce seeds		43.	60				
	1	tin Diazinon		17.	85				
		Transportation		20.	00				
		Total Cash Out				301.	45		
		Closing balance				158.	55		
						460.	00		
18-4-86		Bags; Fungicide		61.	40				} Receipt # 80765
		Transportation		20.	00				
		Total Cash Out				81.	40		
		Closing balance				407.	15		
						488.	56		
19-4-86		Wages-self, Palmer		225.	00				} Receipt # 00521
		Partner hand		25.	00				
		Lease - land		150.	00				
		Transportation		20.	00				
		Total Cash Out				420.	00		
		Closing balance				179.	35		
						609.	35		

The Expense Record

This is a simple way of summarizing all the expenses or payments in your business, according to the type of payment, so that at the end of a month or quarter or year, you can easily find out how much was spent on a particular item of expenditure, say rental or wages. The expense record can be used along with the cash book, or on its own. If you use a cash book to record daily sales and expenses, the expense record can be prepared at the end of the week, month, quarter or year. If you do not plan to use a cash book, the expense record can be used to record payments as they are made.

Figure 2 shows you a simple format which can be used to summarize your expenses.

Figure 2

DATE	DETAILS	TOTAL		SUPPLIES		WAGES (FOREN)	
		\$	¢	\$	¢	¢	¢
MAY 1	Thread zippers						
	bus fares	24	00	15	00		
4	wages	115	00			65	00
11	wages	115	00			65	00
14	Thread, hooks,						
	bus fares	29	00	20	00		
18	wages	115	00			65	00
24	Public Service Co.	40	00				
25	Wages	115	00			65	00
21	Mr Chambers	80	00				
	Total \$	633	00	35	00	260	00

You will notice that there are several 'money' columns, the first one being used for the 'Total'. You can have as many money columns as you need to fit in the expenses you are likely to have in your business.

Here is a list of some expenses you could have:

- | | |
|------------------------------|----------------------------------|
| 1. Raw materials or supplies | 7. Utilities |
| 2. Packaging and labelling | 8. Fuel |
| 3. Wages (for self) | 9. Rental |
| 4. Wages (for others) | 10. Insurance |
| 5. Transportation | 11. Machine, tools and equipment |
| 6. Rental | 12. Repairs and maintenance |

WAGES STAFF		TRANS- PORT		RENTAL		UTILITIES			
\$	¢	\$	¢						
		9	00						
50	00								
50	00								
		9	00						
50	00								
							40	00	
50	00								
				80	00				
200	00	18	00	80	00	40	00		

The Sales Record

The Sales Record lists the sales you make on a daily, weekly or monthly basis. If you sell different kinds of products, this record will be especially useful, as it will allow you to see how much is received from each type of item you sell and to compare this with the receipts from other types of items and with the total receipts for a particular period. You can also record the quantity and unit price of each type of item sold.

Figure 3 shows you a simple format you can use to summarize the receipts from the sale of your goods.

Figure 3

TIME PERIOD	TOTAL RECEIPT		CIGARETTES (per doz)				Soft Drinks ea.			
			QUAN.	UNIT PRICE	VALUE		QUAN.	UNIT PRICE	VALUE	
	\$	¢			\$	¢			\$	¢
JAN.	2,516.	40	480	4.00	1920	00	432	1.40	518.	40
FEB.	2,340	40	428	"	1696	00	480	"	576	00
MAR.	2,519	60	446	"	1,784	00	652	"	662	40
APR.	2,574	00	458	"	1832	00	480	"	576	00
MAY.	2811	30	453	"	1,812	00	384	"	460	80
JUN.	2744	50	414	"	1656	00	456	"	547	20
JUL.	2805	70	437	"	1748	00	408	"	489	60
AUG.	2976	40	460	"	1840	00	504	"	604	80
SEP.	2829	70	451	"	1804	00	388	"	465	60
OCT.	3254.	50	396	5.50	2178	00	428	"	513.	60
NOV.	3332.	90	390	"	2145	00	531	"	637.	20
DEC.	2897.	30	303.	"	1666	50	568	"	681	60
TOTAL	33,522	70	4,839		22,081.	50	5,611		6733	20

Recording the daily, weekly, monthly and yearly sales gives any business an invaluable source of information. Sales records can:

- * tell you what items sell most quickly in what areas, at what time of year and to what groups of people;
- * tell you when and where to promote your products most effectively;
- * help you to decide what, if any, changes need to be made in your products or services;
- * help you to decide what items and how many of them to keep in stock;
- * tell you whether your business is growing or not.

SWEETS ea.				ROCK BUNS ea.				Ripe Bananas.			
SWAN.	UNIT	VALUE		QUAN.	UNIT PRICE	VALUE		QUAN.	UNIT PRICE	VALUE	
		\$	&			\$	&			\$	&
780	10	78.	00								
684	..	68	40								
732	..	73	20								
660	..	66.	00								
675	..	67	50	689	.60	413	40	192	30	57	60
709	..	70	90	640		384	00	288	..	86	40
761	..	76	10	700		420.	00	240	..	72	00
698	..	69	80	663		397.	80	180	..	84	00
717	..	71	70	658		394	80	312	..	93	60
688	..	68	80	672	..	403	20	303	..	90.	90
653	..	65	30	661	..	396	60	296	..	88	80
686	..	68	60	659		395	40	274		85	20
8,442		844	30	5,342		3,205	20	2,195	..	658	50

If your business is going to make credit sales and/or credit purchases, you need to record these transactions so that you know who owes money to you and to whom you owe money.

Credit Sales

When a customer buys from you and does not pay cash, you should make out an order, with the following information clearly written on it;

- * the customer's name and address,
- * the names of the items purchased, the selling prices and the total value of the sale,
- * the date and the signature of the customer,
- * the terms of the transaction including the date or dates payments will be due,
- * the date the items should be delivered.

If the customer makes a part-payment, it should be noted on the order and a receipt should be issued to the customer for the amount. This amount should be entered into the cash book as a sale.

When the customer makes a final payment, the order should be marked 'paid in full' and, at the same time, a receipt should be issued for the amount of the final payment. This should then be entered in the cash book as a sale.

CREDIT PURCHASES

When you purchase goods or supplies for your business on credit, you should prepare a Purchase Order. The order should contain the following information:

- * the date of the purchase and the purchase order number,
- * a description of the items to be purchased,
- * the name of the supplier,
- * the unit price and the total price,

- * the terms of credit and other conditions,
- * the delivery date.

When payments are made, you should ask for a receipt. The amount of the receipt should then be recorded in the cash book, in the 'cash out' section. When final payment is made, the order should be marked 'paid in full'.

b) Controlling Your Stocks

If you plan to make a product for sale, your stocks will include raw materials, goods-in-process and finished goods. If you will be a retailer, your stocks will be the items you buy for resale. If you are going to be a farmer, your stocks will include seeds, feed and inputs such as fertilizers, insecticides, etc.

If your business plans to have stocks, you will have to invest money in them. When business has too much stocks, there is a chance that it is tying up money which could be put to better use. The business might also have problems with storage, and may also run the risk of losing the stocks because of theft, damage or out-datedness. However, if a business has too few stocks, production may be hampered or valuable sales may be lost.

If you plan to be a manufacturer, you want to be sure that you will always have enough raw material on hand, in the right quantities, to make your products. You will also need to know how many finished items you will have on hand at any time so you will be able to fill orders when they are secured. If you will be a retailer, you will want to have enough goods on hand for your customers to buy from you, but at the same time, you won't want to have too many of those items which may not sell quickly.

Whether you will be a manufacturer or a retailer you will need to be able to CONTROL your stocks:

- to decide which materials you must have on hand at all times
- to make sure that you will always have on hand enough of the items that you need to carry on your business, but not too much that excess cash is tied up in the stocks. (This is true whether they are raw materials, finished goods or items you have bought for resale)
- to know how much to order at a time and when to order them
- to ensure that stocks will not decrease in value as a result of poor storage or improper handling
- to prevent wastage
- to prevent theft

How will you go about controlling your stocks? You can do this by keeping STOCK CONTROL RECORDS.

On the next page is one example of a record used by a small retailer to control the stocks in her shop. At regular intervals, she inspects the items in the shop and makes a count, in order to decide which items must be bought and in what quantities.

You can make up your own stock control record so that you can keep track of what is happening in your business!

DATE OF STOCK-TAKING _____ 19__

ITEM	Opening Stock	Purchases	Sales	Closing Stock	Re-order level	Quantity to Order
Milo (large)						
Milo (small)						
Tea bags (pk of 25)						
Coffee, small						
Rice (2 bags)						
Sardines (tin)						
Sugar (dk 1lb)						
Sugar (dk 2lb)						
Sugar (gran. 2lb)						
Condensed milk (tin)						
Corned beef (tin)						
Soap powder (lg)						
Soap, powder (sm)						
Bleach (10oz)						
Soap, cake						
Soap, bath						
Oil, coconut (pt)						
Oil, soya bean (pt)						
Margarine, stick						
Margarine, tub						
Toilet paper, sgl.						
Noodle soup (pk)						
Whole chickens						
Saltfish						
Corned pork (lb)						

3. ANALYZING THE PERFORMANCE OF YOUR BUSINESS

To be a good manager of a business, you will need to know how your business is doing and if problems develop, you will need to know about them soon enough so that you can correct them before they become serious. This may mean that you will need monthly, quarterly and annual financial statements.

All businesses need these statements of business performance. Fortunately, even very small businesses can get enough information to prepare these statements from their receipt books and cash book. The cash book will provide all the information needed to prepare the financial statements if they (i) do not own fixed assets, (ii) buy goods or services for cash, (iii) sell their goods or services for cash (iv) have few stocks which change very little in value over time, or (v) have no stocks at all.

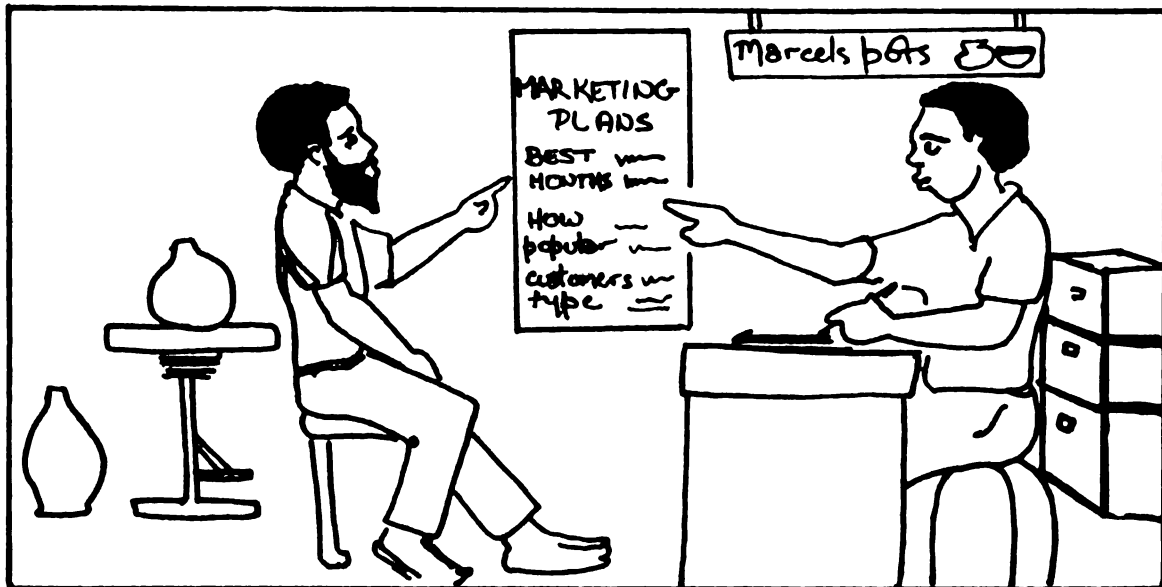
For businesses which have stocks, sell and buy for cash and credit and own fixed assets such as equipment, machinery, buildings or land, other records should be kept, in addition to the receipt book and cash book. These are records of cash and credit purchases, cash and credit sales and values of stocks and fixed assets.

4. PLANNING

Planning is essential if businesses are to grow. Information about what took place in the past is helpful in planning for the future. For example, knowing how many items were sold in a particular period will help when decisions have to be made as to the quantity of goods to purchase for resale, or the quantity of raw materials to buy for making your products.

Records are therefore very useful when a business person plans for the future. Business plans are generally of three types:

- a) Marketing plans
- b) Production plans
- c) Financial plans

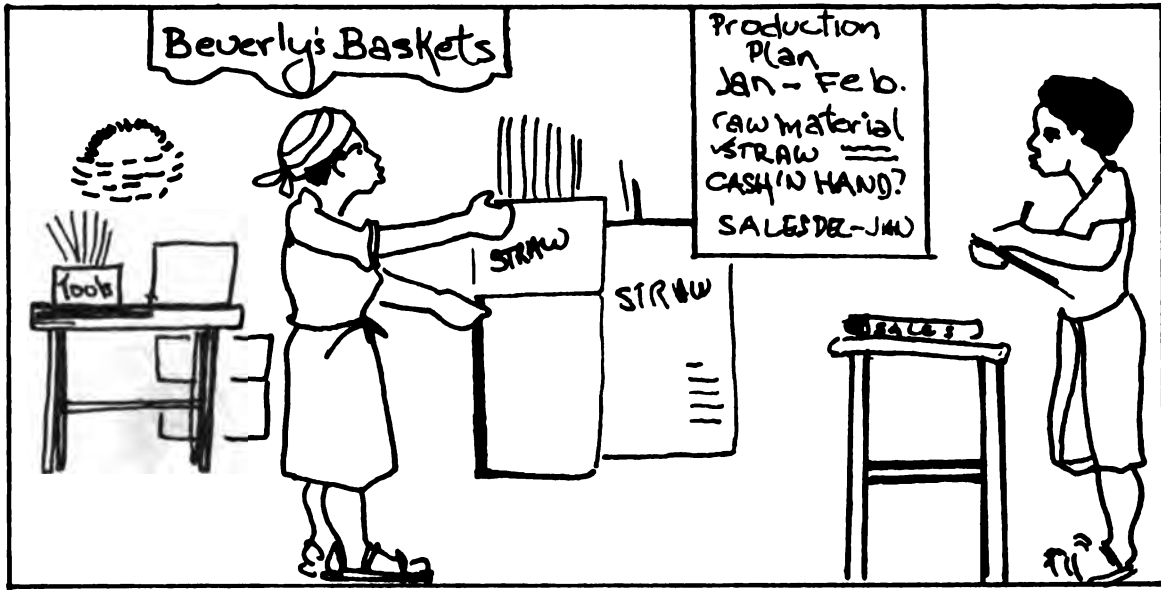


For making marketing plans, past records of sales can give valuable information about trends in the market, such as:

- 1) the periods during which your product sells best
- 2) how popular one product is, compared to others
- 3) the type of customers who buy your product.

Production planning also requires the use of records. Some of these include:

- 1) amounts of goods or raw materials in stock
- 2) records of sales
- 3) records of cash available for use.



Financial planning starts with the Budget. This is a summary of income and expenses and the profit or loss which will result from the operation of a business over a particular time period. In order to prepare a budget, past information about sales and expenses must be known. This information can be obtained from the Cash Book or Sales and Expense Records.

After you complete a budget, it is possible to predict, depending on the accuracy of your budget, how much cash you will have on hand at any point in time during a coming period. This is known as a cash flow plan and is important as it will allow you to make payments for your business when they are due.

As your business progresses, the need for more records may become apparent. They should always be designed to give you whatever information you need, in the easiest way, as accurately as possible.

12. Using The Bank

Using the bank means having a safe place to store your money. If your money is secure in the bank, there is no possibility of losing it through robbery or for any other reason.

There are various types of bank accounts, but the two used most often are:

1. Savings Accounts
2. Chequing Accounts

In order to open either of these accounts, you must go to the bank. The bank will want to know your name and address and will ask you to sign your name so they will have your signature in their records. They will also want some sort of identification such as a passport, driver's license or I.D. card, to make sure that you are the person you say you are. You may also need identification when you go to the bank to make withdrawals from your account. You must also go to the bank in order to make a deposit to either a savings or a chequing account.

SAVINGS ACCOUNTS

When a savings account is started, the bank issues a passbook. This passbook is a record of amounts deposited, amounts withdrawn, and any interest paid to the account. Money put into a savings account earns interest. Most banks pay interest twice yearly, but some pay monthly, quarterly, or annually.

.....19

COMMERCIAL BANK JAMAICA LIMITED

CREDIT

Savings
Account No.....

<p style="text-align: center;">CASHIER'S STAMP</p> <div style="text-align: center; border: 1px dashed black; border-radius: 50%; width: 150px; height: 150px; margin: 0 auto;"></div> <p>Customers are requested to cross cheques, postal and money orders before paying in.</p> <p>Customers are advised that the Bank reserves the right at its discretion to postpone payments of withdrawals against uncleared effects which may have been credited to the account</p> <p>Signature of Person paying to the Cashier</p>	<table style="width: 100%; border-collapse: collapse;"> <tr><td>NOTES \$20</td><td>..</td><td></td><td></td></tr> <tr><td>\$10</td><td>..</td><td></td><td></td></tr> <tr><td>\$ 5</td><td>..</td><td></td><td></td></tr> <tr><td>\$ 2</td><td>..</td><td></td><td></td></tr> <tr><td>\$ 1</td><td>..</td><td></td><td></td></tr> <tr><td>SILVER 50c</td><td>..</td><td></td><td></td></tr> <tr><td>OTHER</td><td>..</td><td></td><td></td></tr> <tr><td>COPPER</td><td>..</td><td></td><td></td></tr> <tr><td colspan="2" style="text-align: right;">TOTAL CASH</td><td></td><td></td></tr> <tr><td colspan="2">Postal and Money Orders CHEQUES (list on reverse if necessary)</td><td></td><td></td></tr> <tr><td colspan="2">Other Banks</td><td></td><td></td></tr> <tr><td colspan="2" style="text-align: right;">TOTAL CREDIT \$</td><td></td><td></td></tr> </table>	NOTES \$20	..			\$10	..			\$ 5	..			\$ 2	..			\$ 1	..			SILVER 50c	..			OTHER	..			COPPER	..			TOTAL CASH				Postal and Money Orders CHEQUES (list on reverse if necessary)				Other Banks				TOTAL CREDIT \$			
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Other Banks																																																	
TOTAL CREDIT \$																																																	

LODGMENT FORM

Date _____ 19 ____

Name (S) _____

Paid in by _____

Account No.

	\$	C
Notes: \$20 x _____		
\$10 x _____		
\$ 5 x _____		
\$ 2 x _____		
\$ 1 x _____		
Coins _____		
Postal Orders		
Money Orders		
Cheques		
SUB TOTAL		
Foreign Bills		
Foreign Coins		
TOTAL LODGMENT		
Balance After Lodgment		

Credit Account No. _____
PLEASE FILL IN ACCOUNT NO

Name _____

Address _____

Deposited by _____

_____ 19 ____

X 50c		
X \$ 1		
X \$ 2		
X \$ 5		
X \$10		
X \$20		
SILVER		
COPPER		
CHEQUES & BOND COUPONS (LIST ON BACK IF NECESSARY)		
TOTAL		
RECEIVED IN CASH $\frac{\text{THIS}}{\text{AMOUNT}}$ >		
DEDUCTED FROM WITHR DEPOSIT		
SIGNATURE _____		
NET TOTAL		
LESS COMMISSION		



A deposit slip must be filled out each time money is put into the account. The deposit slip, the passbook and the money to be deposited are given to the bank teller. The teller will check to be sure that the amount of money you have given is the same as the amount shown on the deposit slip. The teller will then enter that amount in your passbook and return the passbook to you.

As you can see on the previous page of examples, deposit slips from various banks may look different but they all require the same information to be completed. Below is a list of the information you will be required to provide on most deposit slips:

1. The date the deposit is made.
2. The name(s) of the person(s) on the account.
3. Whether you are depositing cash or cheques.
4. The Account Number as it is written in your passbook.

To withdraw money from a savings account, a withdrawal slip must be filled out and presented to the teller along with the passbook. The teller will verify from the bank records that your passbook is correct and that you have in your account, the amount of money you want to withdraw. The amount to be withdrawn will then be entered in the passbook by the teller, and the passbook along with the money withdrawn will be given to you. Most banks require that you pay a small fee for stamp duty each time you withdraw money from your account.

As you can see on the following page of examples, savings account withdrawal forms from various banks may also look different, but they all require the same information. Below is a list of items common to most withdrawal forms.

1. The date the withdrawal is made.
2. The amount of money you wish to withdraw in numbers and in words.
3. The account number as it is written in your passbook.
4. Your signature as it appears in the bank records. Remember the form is not complete until you have signed your name.

CHEQUING ACCOUNTS

A chequing account offers you the convenience of buying goods and services without using cash. A chequing account does not pay interest, rather, you pay for the convenience of using cheques.

A deposit slip must be filled out whenever a deposit is made to a chequing account. The information for a chequing account deposit slip is the same as that for the savings account deposit slip. A chequing account does not have a passbook, but you receive a copy of the deposit slip from the teller. You must then enter the amount of the deposit into your own cheque book records.

A cheque is an order to the bank to pay an amount from your account to the person or firm named on the cheque. It is a convenient way to pay for goods and services. The bank charges a ledger fee (service charge) on a chequing account as well as deducting stamp duty from the account based on the number of cheques you write.

Most cheques have two parts which must be completed:

1. The cheque
2. The cheque stub.

Name of person receiving cheque Date cheque is made out

<p>Date → <u>Dec 20, 1985</u></p> <p>Name of person receiving cheque → <u>John Williams</u></p> <p>Purpose of cheque → <u>for 3 goats</u></p> <p>Price of each item → <u>\$100.00 ea</u></p> <p>Total amount in numbers → <u>\$300.00</u></p>	<p>COMMERCIAL BANK</p> <p>COMMERCIAL BANK JAMAICA LTD</p> <p><u>December 20 1985</u></p> <p>Pay To The Order of <u>John Williams</u></p> <p><u>Three hundred only</u> ————— Dollars \$ 300 ⁰⁰/₁₀₀</p> <p>A.C. Spence</p> <p><u>A. C. Spence</u></p> <p>1 059392 00023-077 231716874 768</p>
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Sum of money in writing

Sum of money in numbers

Signature of person writing cheque

STUB which you keep for your records

The cheque is the actual order to the bank. The following steps must be taken to fill in the cheque.

1. Date _____ 19 ____
Fill in the date the cheque is made in the upper right of the cheque leaf.
2. Pay to the order of _____
Fill in the name of the person or firm to whom the cheque is being written.
3. _____ Dollars
Place, in writing, the sum of money you wish to pay the person named in Item 2.
4. \$ _____
Place, in numbers, the sum of money equal to the amount written out in Item 3.

5. Sign your name on the last line at the bottom right of the leaf as you have signed it for the bank records. Remember, the cheque is not complete until you have signed your name on this line.

The cheque stub is very important, as it allows you to keep a record of how much money is paid out to whom and for what purpose. It also helps you to have an idea of how much money you have left in your account. This part of the cheque is kept in your cheque book for reference. The following steps must be taken to complete the cheque stub:

1. Date _____ 19 ____
Fill in the date the cheque was written out.
2. Below the date, write in the name of the person or firm the cheque is written out to.
3. Immediately below the name of the person or firm, fill in the item or items the cheque was written out for. (For example, school fees, 3 goats, etc.)
4. Fill in the price of each item (optional).
5. On the last line, write in numbers the sum of money the cheque was written for.

Every month, the bank sends you a statement along with all the cheques which have been cashed during the period shown on the statement. The statement shows how much money comes in and goes out of the account and the amount remaining at the end of the period. This statement is the bank's record of your account.

STATEMENT

MRS. A.C. SPENCER

CUSTOMER ACCOUNT NO. 0001351 FIFTH STREET

Date	PARTICULARS	DEBIT	CREDIT	BALANCE
22/03/86	BALANCE BROUGHT FORWARD			187.57
25/03/86	059354	65.79		
25/03/86	LEDGER FEE	78.82		42.96
26/03/86	CASH/CHEQUES ETC.		450.00	
01/04/86	059352	50.00		422.96
01/04/86	STAMP DUTY	0.56		
01/04/86	059355	37.04		
01/04/86	059356	80.00		
01/04/86	PREAUTHORISED PAYMENT	51.10		274.26
03/04/86	502631	34.85		239.41
04/04/86	CASH/CHEQUES ETC.		545.00	
04/04/86	059357	110.00		
04/04/86	612244	50.00		
04/04/86	612250	80.00		544.41
09/04/86	059359	55.77		488.64
10/04/86	059358	166.57		322.07
12/04/86	PREAUTHORISED PAYMENT	54.95		267.12
15/04/86	CASH/CHEQUES ETC.		625.00	
15/04/86	059363	100.00		
15/04/86	059364	300.00		492.10
15/04/86	059362	100.00		
15/04/86	059365	49.00		349.10
18/04/86	059368	39.50		303.60
19/04/86	059367	130.00		173.60
22/04/86	CASH/CHEQUES ETC.		464.00	637.60

OVERDRAWN BALANCES ARE INDICATED BY THE LETTERS DR.

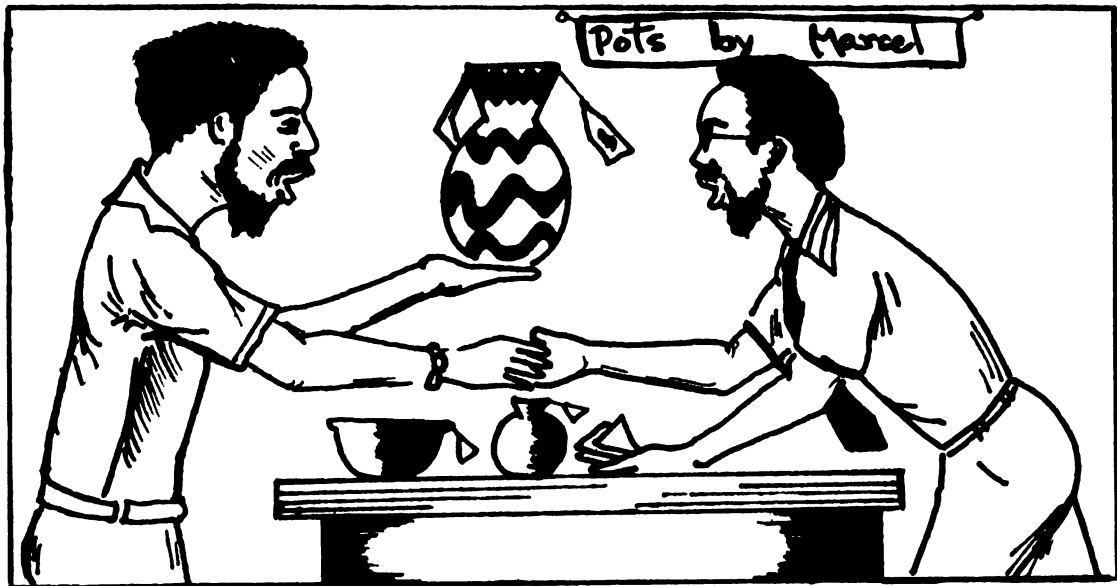
MRS. A.C. SPENCER
20 FIFTH STREET
KINGSTON 10

13. Customer relations

In starting a new business, it is important to remember that no business can survive without its customers. Customers will buy from you if they prefer your goods or services and will usually turn to another business if they are not satisfied. What makes a person decide to buy at one business instead of another? Let us see how this question was answered by some of the producers we spoke with:

Yvette Morgan, 'rock bun' baker, insists that the high quality of her product keeps bringing customers back for more.

Marcel Grant, potter, feels that his friendly attitude has much to do with satisfied customers. People enjoy buying from Marcel, who always spends some time explaining details about where he gets his raw materials and how he makes his pots.





Beverly Harris, basketweaver, is sure that keeping things clean is the answer. Her stall of baskets is spotless; her baskets are neat and arranged in an organized way. In addition, Beverly herself is always neat and tidy.

Rod Riley tells us, "In my grocery store, I try to make sure that customers are always well taken care of. I teach all the employees to be friendly and helpful to customers. I think this makes people come back to buy from me again and again."

Let us summarize what these small business people are saying:

First, there are many different ways to have good customer relations. The most successful business person is the one who practices all of these different ways together.

These are:

- a) Maintaining high quality products and giving good quality service.
- b) Being friendly and courteous.
- c) Providing information on the products.
- d) Keeping your products, your selling space and yourself neat and tidy.
- e) Helping customers, so that they leave your business satisfied.

Can you think of any other important ways to have good customer relations?

REMEMBER: To have good customer relations, you must be honest, reliable and responsible.

You must offer fair prices and good terms.

Your location should be convenient and attractive, both inside and outside. You should be available to sell to customers when it is convenient to them.

You should know enough about your product to provide customers with the information they request. You should also keep track of customer's likes and dislikes and sell the products or services they prefer.

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Bureau of Women's Affairs
4-H Clubs of Jamaica
Institute of Cultural Affairs
Jacks Hill Community Council
Ministry of Agriculture
Ministry of Construction (Housing)
National Development Foundation of Jamaica
Social Development Commission
Things Jamaican, Ltd.

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Kenneth Myrie	Doreen Whyte

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The members presently serving on this committee are:

Patricia Sinclair	- Bureau of Women's Affairs
Harold Folkes & Yvette Mason	- 4-H Clubs of Jamaica
Michael Gordon & Lennox Picart	- Jamaica National Investment Promotion Limited
Lorna Gooden & Bernice Lawrence	- Ministry of Agriculture
Roderick Riley	- Ministry of Construction
Joan Browne	- National Development Foundation
Errol Dunkley	- Small Businesses Association
Winston Martin & Leroy Aldred	- Self Start Fund
Fitz Cole	- Things Jamaican, Limited
Mike McLeod & Joyce Burton	- USAID (observers)

Individuals who have previously served on this committee are:

June Wilson & Eileen Orr	- Bureau of Women's Affairs
Novlet Jones, Daphne Pinnock	- Ministry of Agriculture
Edie Gidden	- Ministry of Agriculture
Chester Burgess	- Self Start Fund

Shannon Ricketts, Velma Sharpe - Small Businesses Association
Althea Mossop, Angela Hamilton - Small Businesses Association
Deanna McFarlane - Small Businesses Association
Sonia Gallimore & Rhena Williams - Things Jamaican, Limited
David Rybak - USAID (observer)

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GLOSSARY

- ABANDON. Discard, do away with.
- ADMINISTRATION (of loan funds). Management of the loan funds.
- ALTERNATIVE. Another way of doing things.
- ANALYSE. Study, examine.
- APPRAISAL. An estimate of value.
- ASSETS. Possessions of a business necessary for the functioning of the business, such as cash, buildings, land, equipment, supplies, stocks.
- BANKABILITY. Ability to qualify for a loan from a bank.
- BILL OF SALE. A certificate which commits property to be used as security.
- BORNE. Carried.
- BUSINESS. The occupation of buying, or making and selling a product or selling a service.
- CAPITAL. Funds, money put into a business.
- CHEQUE. A written order for money drawn on one's account at a bank.
- CLIENTS. Persons using one's services.
- COMPETITIVE. Being comparable with one's competitors.
- COLLATERAL. Security, property pledged as a guarantee for repayment of money.
- CO-SIGNER. Person signing jointly with others.
- CO-OPERATIVE. An organization of a group of people who come together to produce, buy and sell or a combination of these.
- CRITERIA. Standards that things are judged by.
- DEMAND. The desire of would-be buyers for an item or service.
- DEPRECIATION. An accounting procedure for calculating the loss in value of a fixed asset resulting from wear and tear of the item over time.
- ECONOMICALLY VIABLE ENTERPRISE. An enterprise which is capable of remaining a profitable venture.
- ENTERPRISE. A business firm, organization, agency, institution.

EXPANSION. An enlargement in the size or scope of the business.

EXPENDITURE. An amount of money used up.

FEASIBILITY STUDY. A study to find out if a business or project is workable, practicable, achievable.

FINANCIAL INSTITUTION. An organization concerned with providing money for projects or businesses.

FINE. A sum of money fixed as a penalty for an offense.

FUNDING AGENCY. See FINANCIAL INSTITUTION.

GRACE PERIOD. Time allowed between the granting of a loan and the commencement of the repayment.

GRANT. A sum of money donated for a project.

GUARANTOR. A person who undertakes to answer for payment of the debt of another person.

INCOME. Money form earnings.

INTEREST. Money earned on savings; money paid as a charge for using another's money.

INTERVIEW. A meeting of persons face to face to discuss matters.

LIABILITIES. Debts.

LOAN. Money lent to be returned with interest.

LOAN PROPOSAL. A document presented to a financial institution justifying the request for a loan.

LOAN REPAYMENT SCHEDULE. A timetable showing how a loan will be repaid over time.

MANAGEMENT. Administration of a business.

NET INCOME STATEMENT. A financial statement which shows the net profit or loss of a business over a specific period.

NET WORTH STATEMENT. A financial statement which shows the financial position of a business at a specific point in time.

OPERATING EXPENSES. The amount of money spent in order to carry on a business.

ORNAMENTAL HORTICULTURE. Cultivation of plants grown for their beauty.

PARTNER. A person associated with others in business sharing the risks and profits.

PENALTIES. Payments of sums of money for breaking a contract or agreement.

PERSONALLY ADMINISTERED BUSINESS. A business managed by the person owning it.

POTENTIAL BUYERS. Possible buyers.

PRINCIPAL. The original amount of money lent.

PRIORITY. Something which is of more importance than other things.

PROBABLE. Expected to happen.

PROFIT. A gain in money, the difference between returns and what is spent.

PROMISSORY NOTE. A signed document containing a written promise to pay a specific sum of money to a specific person or firm on a specific date.

QUESTIONNAIRE. A document containing a series of questions, used to get information.

REDUNDANT. No longer needed for any available job at a workplace.

RENOVATE. Repair, restore to good condition, make new again.

RETAILING. Buying goods to sell.

REVOLVING LOAN FUND. A fund used to give loans; when loans are repaid, the proceeds are used to give additional loans.

SCHEMATIC PRESENTATION. A presentation of facts using drawings to explain a process.

SECURITY. See **COLLATERAL.**

SHAREHOLDER. Owner of shares (the equal parts into which a company's capital is divided) entitling the holder to a portion of the profits.

STOCKS. Goods on hand.

SUMMARIZE. Sum up.

TARGETS. Results aimed at.

TECHNICAL ASSISTANCE. Help in managing a business or project successfully.

TRACK RECORD. The past achievements of a person or business.

VETO. Prohibit, forbid.



