

Local Answers for Employment Crisis: The Role of Microenterprise Development

Dr. Alejandro Mungaray

Dr. Martin Ramirez-Urquidy

Dr. Natanael Ramirez-Angulo

Dr. Michelle Taxis

Universidad Autonoma Baja California
Mexico

Abstract

The global crisis of the past few years generated adverse labor markets characterized by high unemployment, challenging regions and their governments. As labor markets collapse, unemployment rise and wages plunge, individuals are pushed to entrepreneurship of microenterprise ventures. Under this context, microenterprises development can be an effective response to unemployment and the desperation derived from the lack of opportunities. This paper aims at providing answers to increase formal employment and improve welfare prospects under the context of a crisis. Thus, the program “Microenterprise Assistance and Training for Microenterprise Development and Employment” is introduced, which was implemented in Mexico as public policy by a local government in collaboration with the public university, as compensatory mechanism for the unemployment created by the recent economic crisis. During the most profound stage of the crisis, 2009-2013, the program trained, formalized in the tax authority and financed about 10,000 micro entrepreneurs, creating thousands of jobs.

Keywords: Microenterprise, Microenterprise Assistance, Employment Crisis, Public Policy

1. Introduction

The global crisis of the past few years generated adverse labor markets characterized by high unemployment challenging regions and their governments. As labor markets collapse, unemployment rise and wages plunge, individuals are pushed to entrepreneurship of microenterprise ventures. Under this context, microenterprises (MEs) development can be an effective response to unemployment and the desperation derived from the lack of opportunities, particularly to those endowed with low human capital and assets. Microenterprise development has already been an issue of the development reports and programs of international agencies which regard these enterprises as a market-based strategy for poverty alleviation in low developed regions. A similar reasoning applies for employment crisis like the one striking the world economy in recent years: microenterprises can be regarded as a strategy for employment. The Inter-American Development Bank (1997) defines MEs as those survival productive units, often off the regulatory framework, whose owner carries out most of the activities of the business, whose employees are commonly family members, and do not make clear distinction between what is the family's and the enterprise's.

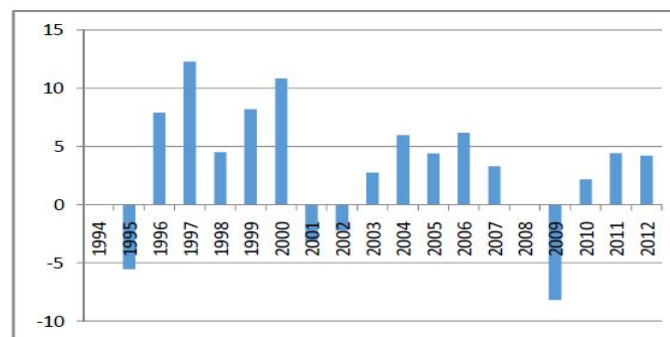
However, MEs sector is probably the most innovative of the sector of the lowest income and a way out of poverty (BID, 2005). The productive contribution of these MEs in terms of value added is limited, but the figures suggest that they are very important as a share of total enterprises, as employers, and as self-employment units in Latin America and developing countries, but also their contribution to the increase of non-agricultural labor force in some developing countries is significant. This paper aims at providing answers to increase formal employment and improve welfare prospects under the context of a crisis. Thus, the program “Microenterprise Assistance and Training for Microenterprise Development and Employment” is introduced, which was implemented in Mexico as a public policy with the collaboration of government and a public university. This public policy benefited from synergies of both institutions: an innovative model of assistance to deliver non-financial services to Microenterprises designed by university researchers, including technical assistance and training with the participation of senior students, and the provision of financial services to support Microenterprises from a government program.

During the most profound stage of the crisis between 2009 and 2013, the program trained, formalized in the tax authority and financed about 10 thousands individuals running microenterprises and creating jobs. It is contended in this paper that this approach may be useful to other regions in the developing world which struggle to provide jobs to their population.

2. Local Effects of Employment Crisis and the Role of Microenterprises

The state of Baja California (BC) is one of the most dynamic in Mexico due to its vicinity to California, U.S.A. The state has strong interactions with this country through Foreign Direct Investment, trade, and population movement from one side of the border to the other, for businesses, fun, and visiting family. Maquiladora industry in the region is very important with 1,097 maquiladoras in 2014, 17% of the country, and about 287 thousand jobs provided (12% of the national figure). With this figures, BC is exposed to international volatility like no other state in the country, particularly that from the U.S.A. The crisis which started in 2008 hit the region strongly. BC economy grew on average at 5% from 2003 to 2007. After zero growth in 2008, the economy collapsed about 8% according to official data, and started growing again but at a slower rate after 2009. This process meant a strong shock to the economy since the flows of investment in industry, particularly maquiladora, collapsed given the depression of the international markets, and employment plunged severely (Chart 1).

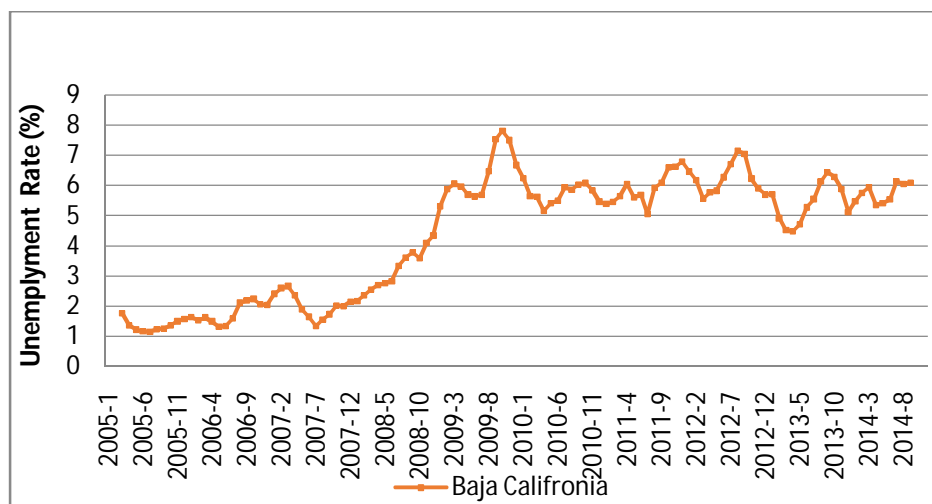
Chart 1: BC Annual rate of growth 1993-2012 (%)



Source: INEGI, Banco de Información Económica.

Maquiladora industry started firing workers to compensate the fall of demand, but at the same time, started restructuring toward better organization and production technologies to economize in labor. Thus, unemployment, which was kept low during decades, increased dramatically since 2008 from 2.8% to around 8% during the most severe crisis period. The migration flows to the region from other part of Mexico which were also experiencing the effects of the crisis were also high, putting more pressure to this rate and contributing to maintain the unemployment rate high during the following years (Chart 2).

Chart 2: BC Unemployment Rate 2005-2014



Source: INEGI, Encuesta Nacional de Ocupacion y Empleo.

The structure of employment by enterprise size was affected by the crisis as shown on chart 3. For example, before the crisis, employment had reached 1,075,503; but after this year fell to 1,048,034 in 2009 and 1,053,379 in 2010. The employment lost was about 22 thousand employees at total, although they recovered during the following years; but there are interesting characteristic hidden behind this data. The employment lost in large enterprises was about 27 thousands employees and it never recovered; the lost in median enterprises about 8 thousand and that of small businesses was over 26 thousands. The only enterprise size that increased contribution to employment was the sector of MEs, which increased employment from 451 thousand employees to 486 thousand, a gain of 35 thousand jobs during the worst part of the crisis between 2009 and 2010. These data explains why the share of jobs provided by MEs increased substantially from 42% in 2008 to 46% in 2010; whereas the other enterprise size reduced participation. This is why the sector of MEs played an important role in the BC economy during the crisis.

Chart 3: Employment by Enterprise Size in BC 2005-2012

Periodo	Microenterprises	%	Small	%	Median	%	Large	%	Total
2005/II	364,088	41%	191,397	22%	179,768	20%	148,122	17%	883,374
2006/II	382,263	40%	229,935	24%	189,071	20%	145,035	15%	946,304
2007/II	409,630	41%	214,841	22%	177,983	18%	192,192	19%	994,645
2008/II	451,695	42%	247,880	23%	172,348	16%	203,579	19%	1,075,503
2009/II	453,519	43%	226,672	22%	176,417	17%	191,426	18%	1,048,034
2010/II	486,829	46%	221,694	21%	168,187	16%	176,669	17%	1,053,379
2011/II	465,378	43%	236,905	22%	184,917	17%	197,338	18%	1,084,538
2012/II	510,564	45%	267,824	24%	177,966	16%	183,208	16%	1,139,562

Source: INEGI, National Survey of Occupation and Employment

3. Business Development Services: The PRATS-BC Government Model of Microenterprise Assistance

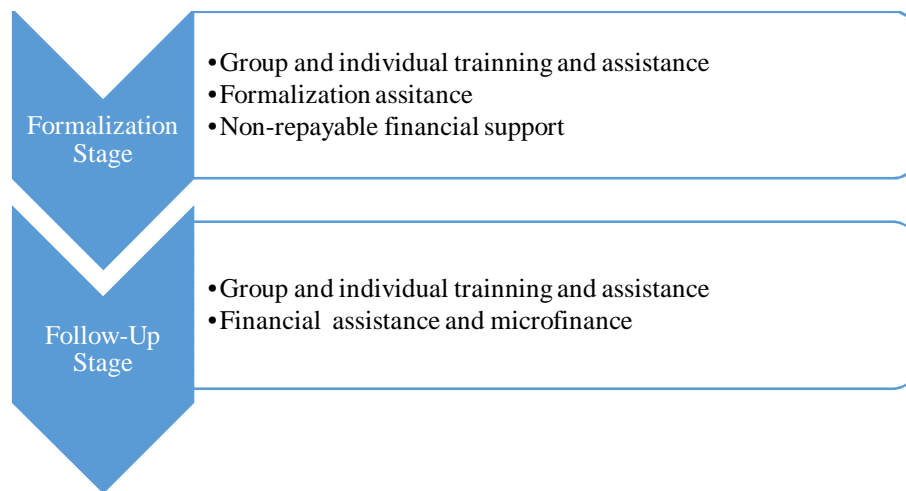
Business Development can be understood as a package of conditions providing the elements for the businesses to prosper in a market based economy, where several complementing institutions and organizations play a role. Perhaps the most acknowledged elements for small business are financial and non-financial services. The former is compounded by the well-known models of Microfinance, as well as other services like deposits, insurance, and payment services. The later includes a broad range of services attempting to provide the entrepreneurs some basic assets for livelihood, particularly human capital, by developing skills and knowledge (Carney, 1998). These services are often referred to as BDS: training, technology transfer, marketing assistance, business advice, mentoring and information, which are aimed at helping the entrepreneurs, improve the performance of their businesses (Goldmark, 1996). It has been established among scholars and development agencies that financial BDS at the level of MEs have walked toward sustainability by providing loans and charging interest rates to cover for the opportunity cost of the service, thus market provision has improved over time. Such a development has spread over the smallest enterprises too, helping the middle and upper poor with entrepreneur activities to sustain and expand their businesses (Johnson and Rogaly, 1997: 12).

The story is quite different with regard Non-financial BDS, whose markets have not developed, and still have to “demonstrate that they can create profitable markets for their services” (Harper, 2001). The Program for Research, Assistance and Teaching of Small Enterprises (PRATS) was created as a community service program in 1999 at the Autonomous University of Baja California (UABC), Tijuana, Mexico, with the participation of students, faculty and MEs, but was implemented systematically since 2001 with the support of funds from several sources. The main objectives of PRATS have been delivering BDS *in situ* at no cost to unprivileged enterprises, conduct research on small firm development, and build up a model of teaching, and learning for students in the field of Economics, Business, Management, and surrounding disciplines. The State Government of Baja California (GEBC), Mexico, through the Ministry of Economic Development (SEDECO) and the Autonomous University of Baja California (UABC) agreed to collaborate to implement PRATS as a public policy for microenterprise assistance since 2009, as a strategy to face the employment struggle of the world crisis and the employment crisis that followed. The result of this experience is the program “Microenterprise Assistance and Training for Microenterprises (PRATS-BC GOVERNMENT).

3.1 The PRATS-BC Government Model of Microenterprise Assistance

The PRATS-BC GOV model of assistance has two stages, as shown in chart 4: the stage of formalization and the follow-up stage. The formalization stage includes site assistance, group training business elements through courses and workshops, and the granting of a non-refundable financial support to strengthen micro-enterprises in their transition to formality. The follow-up stage includes a monitoring process to microenterprises that have been formalized, trained, assisted and supported with resources in the first stage, where entrepreneurs are selected so that after a few months of monitoring and support by the program, link to the low-cost financing, aiming to strengthen the business development of some of the most promising micro. The training, support and arranging of the students, is coordinated by teachers themselves that enable the small businessman to understand the new responsibilities of joining the formal market. Similarly, Business Assistance Center (CAE) of the State Government implements these actions through staff and students in social community service or internships.

Chart 4: PRATS-BC Gov



In general, the assistance method of PRATS-BC GOV runs in five basic stages as shown on chart 5:

- Student recruitment and training
- Selection of microenterprise
- Assistance and training to individual entrepreneurs and groups
- Analysis, evaluation, formalization, and granting of financial support (Formalization Stage)
- Accompaniment, ME assistance and support and monitoring (Follow-up Stage)

Student Recruitment and Training

The model incorporates students in the fields of management and accounting, business, economics, marketing, international business and other related fields, who have an interest in helping small businesses. The project offers a training program for participating students. The training program is intended to cover some of the basic elements that students apply in enterprise in order to standardize the framework of concepts among students. The topics concern the development of Micro and Small Enterprises. The experience during the existence of the program plays an important role in providing real cases, and concepts on business, finance, economics, markets and business regulations, among other related topics. The training phase plan also establishes what students perform in business.

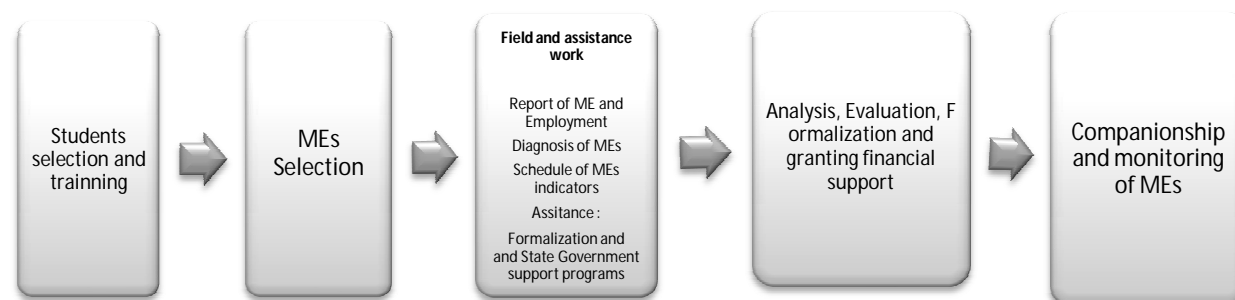
Selection of Microenterprises

The students seek the MEs in various ways: either by visiting slums door to door, going to community centers, schools and other infrastructure in neighborhoods. The disadvantaged MEs operate within their homes in what is known as family workshops. Other MEs are more visible as they are separated from home in independent workshops. Other contact mechanisms are the state government CAEs and university facilities. The eligible MEs have no official or institutional support by some other program, lack of formal registration before tax authority, lack of accounting or formal administrative system, and owners should have primary education, secondary, or high school at maximum. These criteria make easier to reach the most modest micro entrepreneurs and ensure the relevance of the work done by students, and realize the social profitability of the project.

Assistance and Training to Micro Individual and Groups

The work of supporting MEs requires several visits and interviews with the entrepreneur, some of which are carried out either as a group training in workshops. MEs are assisted during a period of three months in which students interact with employers. The exchanges between entrepreneurs and students stimulate students learning in two ways: from the students to the entrepreneurs and vice versa. Education provides an economic assistance, transfer of knowledge and skills to the entrepreneurs, which allow them to acquire some additional assets to improve their living from the operation of the MEs. The assistance phase is described in detail in chart 5, starting from the selection of the MEs to their formalization in the Regime of Small Taxpayers (REPECO), which transform the MEs to a formal tax payer with all the duties and benefits of such a condition.

Chart 5: PRATS-BC Gov- Model of Assistance



The assistance phase requires the use of a set of instruments and tools to characterize the enterprise profile, systematize the data collection and report generation, construct statements and indicators to evaluate the productive units, and gather valuable information from the field work the students are doing. These tools are the Agreement, Diagnosis, Field Reports, Schedule of Indicators, and the Software for Microenterprise Assistance (SAM), listed and described on chart 6. As the assistance goes on, the consultants register and collect data, and train the entrepreneurs perform these tasks as to introduce in the organization the use of information for the decision making, the control of operations, and the performance assessment of the enterprise. Unfortunately, most of the micro entrepreneurs at this level rarely know about the real figures of their businesses, as consequence they do not keep track of their costs, revenues and profits, as long as the activity provides for a living. Thus, a first impact in the entrepreneur is realizing on the enterprise real figures. Data collection from these MEs is feasible though the use of the instrument Schedule of Indicators by the students, which is described next on Chart 6. This tool allows registering the daily operations of the enterprise, and managing data in reports and statements as desired.

Group training in the formalization stage consists of four courses and workshops in different areas: on the program, regulatory and fiscal aspects and business development services, such as: Introduction to the Microenterprise Program, How to formalize my small business?, How, when and where to pay my taxes?, If I control of my revenues and costs, I will secure my income; I am Entrepreneur, and Marketing for my micro business. These courses are taught in university facilities and the State Government CAEs. In these courses, small entrepreneurs learn the requirements, steps, and benefits of participating in the program; the municipal and federal regulations and paperwork on land use permits, feasibility, operation and advertisement, security, environmental regulation, Registration in the Tax authority, Tax offices, the small taxpayers regime, duties, and accounting, economic and financial concepts such as: Income Sales, Revenues, Type of Costs, Saving Culture, Investment, product and process innovation, advertising, competition analysis, customer service, among others.

Chart 6: PRATS-BCGov's Instruments

Instrument	Description
Report of MEs and Employment	It includes preliminary information on the entrepreneur and ME identification and location data, socioeconomic data, employment data, and aims to compile basic information of MEs and as a way of gathering data on the sector of MEs.
Diagnosis	It is a survey applied by the students at the beginning of the assistance phase. It includes preliminary information about the enterprise: identification data, socioeconomic information about the owner and his/her family, data on the enterprise operations (revenues, costs, capital availability, workers, human capital, and technical and institutional information). It is used for preliminary analysis on the enterprise.
Schedule of Indicators	It is a record of the enterprise's operations and indicators on a daily or weekly basis, such as sales, output, costs, usage of inputs, wages, among other variables, which is used to construct the enterprise and program data base for analysis and research. It is used by the students and the faculty, and it is included in the entrepreneurs' training. It captures the data in a by-enterprise basis.
Software for Microenterprise Assistance (SAM)	It is special Copy Righted software to manage data electronically from the schedule of indicators, and perform analysis in a fast and accurate way. The software presents the data in an organized manner and helps to obtain financial statements, and economic and financial evaluation indicators.

Analysis, evaluation, formalization, and granting financial support

At the end of the assistance period in the enterprise, students analyze the data they collected in order to assess the enterprise formally for a written report. This stage is developed by the support of the Copy righted Software for Microenterprise Assistance (SAM) described on Chart 6. The software generates economic and financial reports such as Cost Analysis, Income Statement, Net Cash Flows, Proforma Income Statement, and Analysis of Financial Ratios and Break-Even Point. The software not only allows registering and storing socioeconomic information of the micro entrepreneurs engaged in the program, such as personal data, education, experience, among others, but also storing relevant data on the MEs such as capital, assets, financial structure, strategies, revenues, costs and expenses; and generates financial and economic reports such as cost Analysis, Statements of Income, Net Cash Flows, Proforma Income Statements, Financial Ratios Analysis, Breakeven Analysis and the results of the Economic and Financial Evaluation.

Chart 7 illustrates some interfaces of the software. The software performs the economic and finance assessment of an investment to promote the enterprises growth and profits, under government microfinance. The indicators provided by SAM are Net Present Value, the Period of Investment Recoup, and the Profit to Cost Ratio, which determine whether the enterprise is able to repay the loans and be better off. The result is written on a report signed by the University which certifies that the enterprise was enrolled in the support program, and specifies an amount of microfinance the enterprise is able to handle without risk of getting worse off. The economic and financial study is practiced not only to analyze the MEs and know their productive status, but also to provide them of financial support in the first stage of assistance. Financial support is granted according to the economic and financial indicators not to exceeding \$10,000.00 pesos (About \$650 dollars), and after formal registration in the Tax Authority.

Accompaniment, ME assistance, and support and the Follow-Up

Once the MEs have taken on the challenge of being in a context of formality, and received financial support, a process that lasts three months from initial contact, the program continues to the stage of accompaniment to enhance the ME position in the context of formality and the new obligations that the MEs have before the Tax Authority. In this stage, the assistance process continues on MEs organization and the entrepreneurs tax compliance; and the data collection through SAM continues.

Besides, the MEs training is intensified by two more workshops on Finance and Marketing and Security issues in the Business. These workshops are intended for the entrepreneur to learn about how to apply for a finance, finance requirements, Implications of the enterprise leverage, Funding Amount, Interest Rate, Period of Grace, the Concept of Risk, Opportunity Cost, Short and long term inventory investment or machinery and equipment, Sales, Income, Cost of Sales, Salary, Sales Strategies, Product Differentiation, Cross sales, Advertising, Competition Analysis, Customer Service, Hygiene in production, among other concepts. In general, the entrepreneurs learn through these the importance of microfinance, planning, financing, analyzing competition, and other concepts. At this stage, the program linkage to State Government is very important because it provides funding for these MEs upon MEs training and formalization. The government created the Loan Fund for these MEs supported by the program with loans ranging from \$10,000 to \$25,000 pesos (about \$800-\$2000 dollars), at 6% interest rate and a loan payment period of 18 months. This finance opportunity is given to those MEs which have been formalized and paying taxes for two taxing periods and have payment capacity according to the assessment made by SAM. This stage is reached after 7 or six months of engagement in the program.

The Social Micro entrepreneur Network (REMBAS)

The application of PRATS-BC Government Microenterprise Assistance Program, the State Government in connection with the Autonomous University of Baja California, has trained more than 10,000 micro entrepreneurs throughout the State; 7,483 of those have been formalized to the Tax Authority. With this volume of supported microenterprises, the challenge was to monitor them and provide a long run effort to continued support to strengthen their development, but in addition, a mechanism for the MEs to support themselves and to be represented as larger businesses are. This led the coordination of different entrepreneurs to create the Social Micro entrepreneur Network (REMBAS), a formal organization established in 2010 to represent the thousands of low value added microenterprises and to generate benefits to their members leading to their development. Since its establishment, REMBAS has linked to government, higher education institutions and other organizations to benefit its members. The objective of REMBAS has been to promote the development of the low value added entrepreneurs by providing representation to other government and non-government organization, promote the interests of entrepreneurs and look for ways to facilitate access to training, technical assistance, entrepreneurship training and linkages with funding. As an effort to follow the organization interests, REMBAS signed an agreement with the State Government to encourage the development of its members which have been formalized by the PRATS-BC GOV assistance program. This program included funds and a training program covering several useful topics such as:

1. The successful entrepreneur
2. The 4 Ds of Success: Desire, Decision, Determination, Discipline
3. Closing Sales
4. The 4 steps of management
5. Logo design, slogan and market analysis.
6. Customer Service
7. Computing and education
8. Leadership
9. State Government Financing Programs
10. Crisis according to Albert Einstein

Chart 7: Software for ME Assistance (SAM)

UNIVERSIDAD AUTÓNOMA DE BAJA CALIFORNIA
Sistema de Asistencia Microempresarial

ANÁLISIS Y EVALUACIÓN ECONÓMICA Y FINANCIERA DE LA MICROEMPRESA

Folio: 02004012339 Nombre del Microempresario: AVALOS DIAZ MARTHA KARINA Programa: APOYOS

1. Mostrar: Depreciación de Activos Fijos
2. Calcular: Proforma y Flujo Neto de Efectivo
3. Mostrar: Proforma y Flujo Neto de Efectivo
4. Mostrar: Análisis de Producción y Costo
5. Mostrar: Estado de Resultados Históricas
6. Mostrar: Análisis de Razones Financieras y Punto de Equilibrio

ANÁLISIS DE RAZONES FINANCIERAS Y PUNTO DE EQUILIBRIO
Programa: ANÁLISIS (SIMULACIÓN)

Razones Financieras	Semana 1 23/09-29/09	Semana 2 30/09-06/10	Semana 3 07/10-13/10	Semana 4 14/10-20/10	Semana 5 03/03-09/03	Semana 6 10/03-16/03	Semana 7 17/03-23/03
Rentabilidad							
Margen de Utilidad Bruta	0.54	0.50	0.50	0.64	0.55	0.56	0.55
Margen de Utilidad de Operación	0.54	0.50	0.50	0.64	0.55	0.56	0.55
Margen de Utilidad Neta	0.42	0.36	0.40	0.53	0.48	0.50	0.49
Crecimiento							
Crecimiento Ventas	100.00	84.52	123.08	107.69	176.15	223.08	238.46
Crecimiento Utilidad Neta	100.00	72.43	118.38	136.76	202.93	269.09	281.96
Eficiencia							
Índice de Rotación de Activos Totales	0.01	0.01	0.01	0.02	0.02	0.03	0.03
Razón de Rendimiento de los Activos Totales	0.01	0.01	0.01	0.01	0.02	0.03	0.03
Razón de Liquidez	2.17	2.00	2.00	2.80	2.22	2.27	2.20
Punto Equilibrio	108.57	116.92	116.92	90.94	106.25	104.65	107.23

By achieving this training program, the training program provided by PRATS BC GOV was complemented. In 2011, these workshops were given 129 times in different location of the state, covering 2,711 microentrepreneurs and linking to finance to 224 MEs with funds of the State Government. In 2012, training was provided to 1,996 micro-enterprises with 53 training workshops, linking 296 MEs to Government Finance.

3.2 Results of the Implementation of Prats-Bc Government Model

Formalization Stage

The PRATS-BC GOV project results have been published internationally. Using information collected by the program, the researches engaged in the program have shown different impacts on MEs development. Some have to do with the acquisition of human capital through learning and training, services and other human capital resources, such as counseling and technical assistance, which have improved the skills of micro entrepreneurs in running their businesses.

This has also led to other less tangible benefits such as the perception of social marginalization of these challenged MEs and entrepreneurs which have reduced because they feel they are part of a public policy.

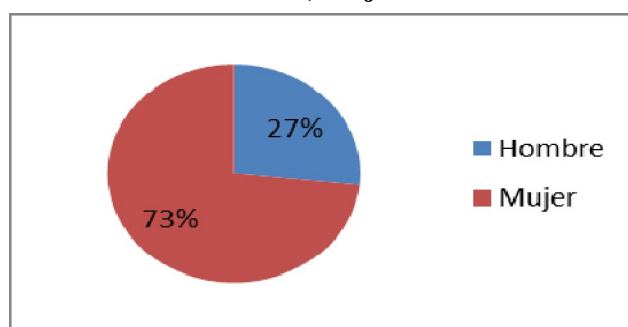
Other results in different dimensions indicate that businesses supported by the program have benefited from different perspectives. Estimation of the program impact suggest that entrepreneurs have exhibited learning as measured by the learning curve: 49% of MEs benefited in technical terms, that is, shown lower average costs during the period of assistance (Taxis et al., 2011); 35% exhibited learning in term of profits, which means that they increased profits during the period of assistance; and also, 39% exhibited learning in terms of revenues (Mungaray, et al., 2008). The last two dimensions suggest that these MEs increased their revenues and profits during the support period respectively. However, other results have been achieved. During 2009-2013, the program provided support to more than ten thousand microenterprises in urban and rural areas across the state. This amount of MEs were assisted, trained and supported with financial resources averaging \$4,000 pesos per ME (Chart 8). They were, in fact, incorporated into the formal world, by promoting registration before the tax authority under the small taxpayer regime. In sum, these enterprise received training and were formalized and received non-repayable financial support for more than 28 million pesos (2.2 million dollars approximately). The program also incorporated 651 students who worked as consultant and helped the entrepreneurs to reach formality in addition to training. It is important to note that the program has benefited women entrepreneurs, since 73% of the supported entrepreneurs had this gender, while 27% were men (Chart 9). This indicates that the program has been an employment and development vehicle for many women who have combined their roles as home wives with performing income-generating activities such as their microenterprises (Mungaray and Ramirez-Urquidy, 2011).

Chart 8: Supported Microenterprise and Supported Mes and Students in the Formalization Stage

	Concept	2009	2010	2011	2012	2013	2009-2013
Formalization	Financed MEs	1,488	1,949	2,122	1,924	2,554	10,037
	Amount of Credit	\$ 6,836,600.00	\$ 8,030,000.00	\$ 7,301,400.00	\$ 6,155,000.00	\$ 8,170,410.00	\$ 36,493,410.00
	Participating Students	225	250	121	55	51	702
	Amount of Scholarship Provided	\$ 900,000.00	\$ 830,600.00	\$ 578,000.00	\$ 275,000.00	\$ 255,000.00	\$ 2,838,600.00

Chart 9: Supported Microenterprise by Gender

Hombre=Men, Mujer=Women



Follow-up Stage

In the follow-up including assistance, support and additional training for micro-enterprises that have been formalized, trained, assisted and supported with resources in the first stage. The stage is directed to micro entrepreneurs who have shown the greatest development potential and interest. At this stage the MEs are linked to low-cost financing to strengthen business development. This program was implemented from 2011, and to date it has promoted 526 MEs to receive microfinance for a total amount of funding of \$ 9.2 million pesos and student participation of 63 (Chart 10).

Chart 10: Financed Microenterprise and Participating Students in the Follow-Up Stage

	CONCEPT	2011	2012	2011-2012
FOLLOW-UP	Financed Mes	298	228	526
	Amount of Credit	\$ 5,236,650.00	\$ 3,984,233.94	\$ 9,220,883.94
	Participating Students	53	10	63
	Amount of Scholarship Provided	220,500	\$ 50,600.00	\$ 271,100.00

The follow-up stage is a space for microenterprise development, after a process of training to work in the formal world and be recognized as a business by the tax authority. This result by itself is very important because it requires much training for entrepreneurs. This process, as in any business, is very important as a foundation for the future development of MEs.

From the follow up stage, the entrepreneurs strengthen skills and attitudes toward entrepreneurship in addition to finance. With this, the program attempts to promote the microenterprise development by expanding the business. Analysis from SAM was performed using the indicators generated by the SAM, in order to assess the extent to which the program has impacted MEs growth in MEs which has transited from the stage of Formalization to the Follow-up stage. Thus, the sale and profit growth ratio, which compares the change in sales and profits as compared to a base year, was estimated. The indexes are obtained per week, with an average of 12 observations per ME, divided into 2 periods: the formalization stage and the follow-up stage. The week average rates calculated by the SAM during each stage were estimated, which are presented in next chart. This allows us to understand and document the evolution of the MEs during the period in which they were supported by the program. Chart 11 illustrates that in general for BC, the sales growth rate on average is 99.55 in the follow up stage compared to 110.12 on the follow-up stage, indicating an increase of 10.6% in one stage to the other. As for profits, the index has an average of 101.15 at the formalization stage and increased to 114.68 in the follow up stage, which mean that profits have grown 13.53%.

Chart 11: Growth Indexes of Mes in the Follow-Up Stage

	SG			PG		
	Formalization Stage	Follow-up Stage	Change %	Formalization Stage	Follow-up Stage	Change %
Baja California	99.55	110.12	10.6	101.15	114.68	13.4

These results demonstrate that the program has contributed with an improvement in economic conditions of these individual entrepreneurs, as illustrated in the behavior of their growth rates in sales and profits. From 2011, the REMBAS began a registration process to increase membership in order to build an organization that represents their interests and foster the growth and development of associates. Additionally, REMBAS committed to providing human capital services to its members in fiscal, administrative, finance and marketing issues. During 2011, 5,558 micro entrepreneurs became members of REMBAS, whereas in 2012 7,889, which sum up a total in 2011-2012 of 13,447 entrepreneurs who are members of this organization. The next table illustrates REMBAS membership by location.

Chart 12: REMBAS Membership 2011-2012

Location	2011	%	2012	%	TOTAL	%
Mexicali	478	8.60%	2266	28.69%	2744	20.39%
Guadalupe Victoria	114	2.05%	214	2.71%	328	2.44%
San Felipe	227	4.08%	352	4.46%	579	4.30%
Subtotal	819	14.74%	2832	35.85%	3651	27.13%
Ensenada	395	7.11%	1123	14.22%	1518	11.28%
San Quintín	34	0.61%	579	7.33%	613	4.56%
Subtotal	429	7.72%	1702	21.55%	2131	15.84%
Tecate	236	4.25%	595	7.53%	831	6.18%
Tijuana	3989	71.77%	2566	32.49%	6555	48.71%
Playas de Rosarito	85	1.53%	204	2.58%	289	2.15%
Total	5558	100.00%	7899	100%	13457	100.00%

Fuente: REMBAS, InformeTécnico, 2012

4. Concluding Remarks

The results of the application of this policy for microenterprise development, suggest the possibility to provide effective training, assistance for formalization and business development services through a methodology and the participation of students. It has also shown that collaborative schemes, in this case, government, universities and microenterprises, can result in effective public policies supported by various agents. The evaluation of the policy has illustrated that not only that more than 10 thousand microenterprises were formalized and trained, but also, it has shown the possibility that a selection of these businesses can aspire to higher levels of development derived from deepening in training, differentiated support and access to microfinance.

The results suggest that the supported micro-enterprises not only transited to operate under a formal context and rules, but those who have transited successfully through higher stages of business training under the program, has achieved better growth levels in sales and profits. This is a cornerstone in improving microenterprise prospects and welfare. This experience illustrates what is possible to achieve socially by collaboration and may be useful to other regions in different countries.

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