1 **Biblical financial principles**

2 **VI. Money and business**

3 **VI. Money and business - Microenterprises**

4 **Outline**

I. Biblical teaching about business
II. Business basics
III. Micro-enterprises

5 **I. Biblical teaching about business**

1. **Do all to the glory of God**
   So whether you eat or drink or whatever you do, do it all for the glory of God. 1 Cor 10:31
2. **Search the Scriptures for wisdom**
   The beginning of wisdom is this: Get wisdom. Though it cost all you have, get understanding.
3. **Make your business a matter of prayer; enlist the prayer support of others**
   Brothers, pray for us. 1 Thessalonians 5:25 (NIV)
4. **Seek counsel from godly businessmen**
   Get all the advice you can and be wise the rest of your life. Proverbs 19:20 (TLB)

6 **Biblical teaching about business (cont'd)**

5. **Work hard**
   Diligent hands will rule, but laziness ends in slave labor. Proverbs 12:24 (NIV)
6. **Depend entirely upon the Lord for success**
   Now listen, you who say, "Today or tomorrow we will go to this or that city, spend a year there, carry on business and make money." Why, you do not even know what will happen tomorrow. What is your life? You are a mist that appears for a little while and then vanishes. Instead, you ought to say, "If it is the Lord's will, we will live and do this or that." As it is, you boast and brag. All such boasting is evil. Anyone, then, who knows the good he ought to do and doesn't do it, sins. James 4:13 – 16

7 **Biblical teaching about business (cont'd)**

6. **Develop a business plan, asking God for wisdom**
   By wisdom a house is built, and by understanding it is established Proverbs 24:3 (ESV)
7. **Create a product or service which meets the needs of others.**
   What is the distinctive competence or competive advantage?
8. **Conduct your business with the utmost honesty and integrity**
   The LORD detests lying lips, but he delights in men who are truthful. Proverbs 12:22 (NIV)>
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8 **Biblical teaching about business (cont'd)**

9. **Treat customers fairly, courteously, and professionally**
   And as you wish that others would do to you, do so to them. Luke 6:31 (ESV)
10. **Regard your employees highly and empower them**
   Do nothing from selfishness or empty conceit [through factional motives, or strife], but with [an attitude of] humility [being neither arrogant nor self-righteous], regard others as more important than yourselves. Phil 2:3 (AMP)
11. **Pay your bills, debts and your taxes**
   Pay everyone what you owe him: taxes to whom taxes are due, revenue to whom revenue is due, respect to whom respect is due, honor to whom honor is due. Be indebted to no one, except to one another in love. For he who loves his neighbor has fulfilled the law. Rom 13:7-8
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9 **Biblical teaching about business (cont'd)**

12. **Diligently keep abreast of the facts:**
   Be sure you know the condition of your flocks, give careful attention to your herds; for riches do not endure forever, and a crown is not secure for all generations. When the hay is removed and new growth appears and the grass from the hills is gathered in, the lambs will provide you with clothing, and the goats with the price of a field. You will have plenty of goats' milk to feed you and your family and to nourish your servant girls. Proverbs 27:23 - 27

Take the time to
- Understand your product, market, competition
- Know the financials
- Care about your employees. Find capable, reliable people to join you as you grow
- Understand relevant social, economic, government regulations, and other factors>

10 II. Business basics

11 The Biblical basis for profit

- Calling ten of his servants, he gave them ten minas, and said to them, ‘Engage in business until I come… “Lord, your mina has made ten minas more,” the nobleman responds, “Well done, good servant! Because you have been faithful in a very little, you shall have authority over ten cities” Luke 19:13, 17 (ESV)
- You shall remember the LORD your God, for it is he who gives you power to get wealth, that he may confirm his covenant that he swore to your fathers, as it is this day. Deuteronomy 8:18 (ESV)
- You shall not lend him your money at interest, nor give him your food for profit. Leviticus 25:37 (ESV)
- Come now, you who say, “Today or tomorrow we will go into such and such a town and spend a year there and trade and make a profit” James 4:13 (ESV)
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12 Profit 101

1
- Profit is the money left over from the proceeds of the sale of your product or service after deducting all costs associated with providing that product or service.
- Profit = Sales proceeds – all costs
-

2 **Profits are necessary for the survival and growth of the business**

13 Uses of profit

1
- Consider 10% of your profits as belonging to God
- Reinvest the 90% in your business if you want to see maximum growth of your business

or
- Divert some of the remaining 90% but you may experience lower growth of your business
  - ♦Provide for your living expenses, future needs, or emergencies
  - ♦Raise your standard of living
  - ♦Set aside money for education, retirement, or major giving
  - ♦Contribute to your Blessings Fund
  - ♦Make a loan to help someone else start a business
-

2 **There are several ways you can use profits**

14 Costs

1
- Components of costs
  - ♦Cost of goods sold
    - Value of your time
    - Hired labor
    - Materials
    - Overhead (rent, utilities, internet)
    - Equipment (amortized)
    - Packaging, shipping and delivery
  - ♦Loan repayments
  - ♦Taxes

2 **What does it cost you to provide the service or make the product?**

15 Profits are practical

1
- Suppose a business starts with $100 in capital. Further suppose that it spends all of its capital of $100 to manufacture its product, pay its workers and distributors, and pay its overhead.
  - ♦If it sells the product for $50, it either needs a new infusion of capital to build another unit, or it will go out of business
  - ♦If it sells the product for $100, the business can stay open long enough to build another unit, but won’t grow and is vulnerable to competitors
  - ♦If it sells the product for $200, it can build another unit and one additional one, resulting in company growth

It should be clear that a profit is necessary for survival and growth >

2 **A simplistic example**

16 **What determines the price you get?**

The law of supply and demand

17 **What determines the price you get?**

1
- How badly do your customers need your product?
- What alternatives do they have?
- How much do your competitors charge?
- What distinguishes your product from the rest?
- How could you increase the desire for your product?
- If you sell for a little less (making less profit), would you more than make up for it in greater volume?
- Could you decrease your costs through technology, outsourcing, or automation?>

2 The law of supply and demand

18 **Let's talk about small businesses**

19 **Micro-enterprises – an overview**

20 **Micro-enterprises**

- Small businesses started by individuals, families, or small groups (typically 1-5 employees)
- Advantages:
  - ♦Independence and control
  - ♦Few employees to manage (typically 0-5 employees)
  - ♦Low capital investment
  - ♦Agility – adaptable to changing market conditions
  - ♦Low overhead – minimal needs/costs for
    - Business space – low rent
    - Utilities
    - Salaried employees
    - Support services
  - ♦Potential high rewards

21 **Micro-enterprises**

- Disadvantages:
  - ♦Hard work and long hours
  - ♦Need to gain broad expertise
    - Manufacturing
    - Purchasing Thank you very much
    - Marketing (communications, competition, sales and service, accounting, distribution, government regulations, etc)
  - ♦All decisions and responsibilities made by the entrepreneur
  - ♦Feeling of loneliness and isolation
  - ♦Risk of failure
  - ♦Resources can be hard to find

22 **Micro-enterprises -examples**

- Farming
  - ♦Crops with better returns and nutrition
    - Cauliflower and other vegetables,
    - Mushroom cultivation,
    - Organic black rice,
    - Fruit trees,
    - Hydroponic herb gardening
    - Fish ponds out of holes created through brickmaking
  - ♦Crops that are lightweight and can be carried by bicycle into villages
    - Turmeric, ginger, garlic, mustard, etc
  - ♦

23 **Micro-enterprises –examples (cont'd)**

- Ranching
  - ♦Learn animal husbandry including giving immunizations
  - ♦Raise goats for milk, cheese, goat milk soap & hand cream.
  - ♦Raise chickens for eggs
  - ♦Raise pigs for bacon
-

24

Micro-enterprises –examples (cont'd)

- Maintenance
  - ♦Bicycle repairshop
  - ♦Well repair
  - ♦Cell phone repair
  - ♦Brick-making
- Hardware
  - ♦Solar lighting (sales and installation)

25

Micro-enterprises –examples (cont'd)

- ♦Boutiques
  - Beauty shops
  - Clothing shops (eg, saris, sandals)
  - Small petty shops
- ♦Services
  - Tutoring
  - Handicrafts
  - Knitting
  - Baby items

26

Micro-enterprises –examples (cont'd)

- Services (continued)
  - ♦Rent out rooms overnight in your home
  - ♦Prepare and sell meals
  - ♦Operate a motorized rickshaw
  - ♦Become a street vendor with a cart (vegetables/dried fish) selling door to door, etc.
- Consulting
  - ♦Invest your time to help others start micro-businesses for a % of their sales or a share of their business

27

My work and business experience

- Worked in my father's shop as a boy (summers)
- Door-door delivery of advertising brochures (age 12)
- Janitor (age 14)
- Motel maintenance (age 12-18)
- Front desk clerk
- Errand boy for a drug store (age 16)
- Carpenter's assistant (age 17-18)
- Grocery store helper (age 16)
- Surveyor's assistant and draftsman (college)
- Carpenter's assistant (college)

28

My work and business experience

- Basketball referee (college)
- Dorm residential advisor (college)
- Hydro-electric plant custodian (college)
- Research assistant (college)
- Engineer (professional degree)
- Trash hauler (entrepreneur)
- Real estate broker and property manager (2nd career)
- Home builder (entrepreneur)
- Investment manager (present occupation)

29

How to start a micro-enterprise

- Vision statement
- Products and services
- Market analysis
- Financial plan
- Operating plan

30
A written business plan provides focus

- Advantages
  - ♦Brings creative thinking and realism to your entrepreneurial journey
  - ♦Helps you to focus
  - ♦Provides a stress-free environment to understand the business landscape
    - Anticipate potential problems
    - Develop solutions proactively
  - ♦Leads to an action plan for success
- Disadvantages
  - ♦Takes time
  - ♦May require help from others
  - ♦Could lead to "paralysis through analysis"

31
Vision statement

- What is the market opportunity I want to pursue?
- What is my value proposition?
- What is my motivation for pursuing this opportunity?
- What are my resources enabling this venture?

32
Products and services

- What products and/or services will you provide?
- What need will it meet?
- Where (geographical area) will you sell your product/service?
- How will you develop/procure your product?
- How will you promote your business?
- How will you deliver your product/service
- How quickly will you deliver your product/service

33
Market analysis

- Market characteristics
  - ♦Description
  - ♦Demographics
  - ♦Size
  - ♦Growth rate
  - ♦Barriers to entry
- Competition
  - ♦Competitive advantages and disadvantages
- Pricing
  - ♦Price leaders vs price followers

34
Financial plan

- Capitalization and debt service
- Profit-loss model
- Cash flow model
- How profits will be used
  - ♦

35
Financial plan (cont'd)

- Capitalization – providing the money to get the business up and running until it can support itself
  - ♦Lenders may be reluctant to loan you the money unless they are sure you will repay them, with interest
  - ♦Investors may be concerned about if and when their money plus their expected return on investment
  - ♦

36
Operating plan

- Resources
- Customer acquisition
- Suppliers
- Employees
- Distribution plan
- Warranty

- Customer support

37 Remember that starting a business involves risk

- Make sure you have sought the Lord and trust him for his blessing and your success
- Protect your family's welfare when starting your business
- Financing can come from savings or a variety of other places; avoid borrowing money if at all possible>

38 Remember that starting a business involves risk (cont'd)

- Be sure your spouse is in agreement
- Beware of adversaries and enemies who would see you fail
- Make sure your business is compatible with local ordinances and community sensibilities
- Be willing to work hard and sacrifice your time and money as problems and obstacles arise >

39 Government, legal, social and political issues affecting businesses

- Pay your taxes that are required
- Tax avoidance (may be good) vs tax evasion (always bad)
- Keep good records
- Operate your business with the highest level of integrity
- Stay abreast of the legal, regulatory, social and political landscape >

40 Don't be afraid to move forward by faith

- Prepare in advance for self-employment over a long period of time, with much prayer and planning
- Become a free man if you have the desire, the resources, and the opportunity: *Are you a slave? Don't let that worry you—but if you get a chance to be free, take it. 1 Corinthians 7:21 (NLT)*
- In 1991, at the age of 48, I claimed 1 Cor 7:21 and became an entrepreneur >

41 Trust God for your success

42 Biblical financial principles