

**Can Student-run Microfinance Organizations Help
Address Issues of Scale and Sustainability in the U.S.
Domestic Microenterprise Industry?**

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FIELD

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Introduction

“College students are always asked for their labor, to hand out food at soup kitchens, [they’re] not asked for their minds...” ~Rohan Mathew, The Intersect Fund

Against the backdrop of the worst financial crisis in a generation, the U.S. microenterprise industry has shown its ability to persevere and continue to serve hundreds of thousands of small businesses owners. However, this crisis has underscored the ever greater challenge of sustainability in the field. With grant and donor dollars curtailed in this environment, the search for innovative business models that lower the cost of service delivery and require lower levels of donor financing, is more imperative than ever before.

The Charles Stewart Mott Foundation asked FIELD to evaluate one of those inventive business models---microenterprise programming embedded within a university setting--which uses all volunteer student resources to significantly bring down the cost of service. The idea for this research was born the day the Associated Press released an article¹ declaring that the Elmseed Enterprise Fund, a long-running Yale student program, was the first self-sufficient program in the United States. This was a bold claim. But what if it were true? Or nearly true? Could university programs offer quality services to low-income entrepreneurs and do it at a very low cost?

We proposed to answer that question by evaluating the Elmseed Enterprise Fund, and reviewing as many other university programs as we could find. We visited both Elmseed and the Intersect Fund, a Rutgers University student initiative. We interviewed representatives of five additional programs and electronically surveyed another 16.

Our findings can be summarized as follows:

- There are no self-sufficient university programs in the United States *but* there are many low-cost ones.
- Their potential for scale is not clear. Currently the programs report serving between five and 40 during their current school year. But many are nascent, and their capacity just emerging.
- Their capacity to manage loan funds is low. Yet this service is extremely appealing to students, and other program stakeholders. A model needs to be evolved to address the challenges that student-run lending contains.

¹ Christofferson, John. “Yale Students Serve as Bankers for Struggling Entrepreneurs”, *Associated Press*, 9 May 2008.

- Their capacity to deliver training and technical assistance is higher than their lending capacity, due to both their access to student talent, and to university and community resources the students can mobilize.
- Their ability to mobilize student engagement and community involvement is very high. The Elmseed and Intersect Funds both report student memberships of around 30. Their leadership is talented, committed, and volunteering a substantial number of hours. Each has demonstrated the capacity to generate high levels of interest from university and community leaders. Each has won a business plan competition earning \$20,000 to \$25,000. They and other programs have raised grant funds from a number of local sources.
- The potential of these efforts to develop young leaders—and build greater awareness of microenterprise—is also very high.
- There is a real need to evolve a stronger methodology and supporting structure for these efforts. New student initiatives are informally learning from earlier efforts and innovating. Several have voiced an interest in a more formal exchange, and in the possibility of a hub to provide services to support other similar programs regionally or nationally, providing a common infrastructure and professional leadership.

After evaluation, we believe some further work is warranted with a core set of student groups to explore how this “seedbed” of activity can be translated into a more effective and sustained support for microenterprise development. This would include some feasibility testing of how learning can be more rapidly diffused across the groups, and whether a common infrastructure could be developed. We think this exploration is important not only for the potential for scaled client services, but also for the leadership development potential that the experience affords these students. Both these critical elements can ultimately positively impact the U.S. microenterprise field.

The following sections of the report will provide greater detail regarding the experience of Elmseed and those that have followed it. It will conclude with recommendations regarding next steps.

Methodology

The research methodology included an extensive document review and site visit with Elmseed Enterprise Fund, a program founded and run by Yale University students since 2001. The New Haven visit included meetings with student leaders, long-term board members, and a mix of old and new clients. We were also able to observe a client training session and attend their full student volunteer staff meeting.

A second site visit was conducted with the newly launched Intersect Fund, run by students at Rutgers University in New Jersey. Over a few visits, we were able to meet with the student founders and review documents, such as their business plan summary and training materials. We

observed a training session with student trainers, and went to an “end of year” reception that had an attendance of at least 50 and included student members of Intersect, Rutgers university faculty and administration, community organization partners, and other external stakeholders.

We also conducted phone interviews with student or faculty leaders of other student-run microfinance organizations including those at Brown, Loyola (New Orleans), Stetson, Lehigh, Georgetown and Harvard. Finally, we conducted an on-line survey of microfinance clubs/organizations across the country that had either an international and/or domestic focus. Summary profiles of those additional 16 organizations’ main activities are available.²

A Case Study: The Elmseed Enterprise Fund

“Elmseed is a unique student organization because it expects so much of students but it also gives so much back.” ~Alice Song, Elmseed Enterprise Fund

Microfinance is a thriving topic on college campuses across the U.S., sparked by the popularity and name recognition of international microfinance. Many students we spoke to cited their reading of Mohammad Yunus’ *Banker to the Poor* as sparking their initial interest in engaging in the field. Others also saw their work in microfinance as an extension of their interest in ‘social entrepreneurship’³, another emerging field that is being explored in many different parts of university curricula and activities. As a result, most student leaders reported that it was remarkably easy to engage and recruit others to participate in their student groups.

This is the energy that enabled four undergraduate Yale students to launch the Elmseed Enterprise Fund with a \$20,000 prize from the Yale Entrepreneurial Society (YES) in 2001. The organization is an independent 501(c)(3) nonprofit staffed by Yale undergraduate students with a board of directors comprised of local representatives of financial institutions, the university and other private firms.

Elmseed originally launched its program using the classic Grameen peer lending model (groups of three to four clients; center meetings of all groups) adding a training and consulting component. Students currently use the Core Four Curriculum⁴. They rotate weekly sessions of the Core Four Curriculum, taught by students and guest speakers, and individualized consulting by one to two students per trainee.

Program Scale

Elmseed’s reach is limited in its current configuration. The organization operates within the city of New Haven, where there is a large low-to-moderate income African American community and an emerging Latino population. Presently, students serve eight clients, six of whom are going through the organization’s four-month training program and one-on-one consulting. Two more

² Please see the appendix to this document for a list of those organizations.

³ Social entrepreneurship is defined here as a methodology that recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change.

⁴ Core Four Curriculum was developed by the Northeast Entrepreneur Fund.

<http://www.corefouronline.com/index.htm>

clients are still actively repaying loans and receiving individualized support. When discussing the topic of capacity under the existing all-volunteer staff structure with the student leaders, they estimated they could only take on an additional five clients (totaling 10-11 training clients) over the course of a school year. The students acknowledge that this limit is due to the rigidity of their training schedule and limited product/service offerings. As such they have been unable to break through this ceiling of scale of operation. These constraints have prompted discussions in the organization to address the program's shortcomings:

- **Client recruitment and student schedules:** Client recruitment starts at the beginning of the fall semester; training commences thereafter and continues throughout the spring semester. Once a class is started, they do not add clients to that training program mid-semester and students take a winter, spring and summer break. As a result, potential participants, reached through other activities throughout the year, often lose interest because there is no immediate activity or financing product available. They are now exploring having two training periods to capitalize on interest throughout the year.
- **Product offering:** until now, participants have had to undergo the group training component and develop a business plan to be eligible for a typical first-time loan of about \$2,000. In an effort to diversify and scale up their lending, Elmseed would like to launch a "fast track" product more targeted to existing business owners who do not want to participate in the training component.
- **Portfolio quality:** Elmseed has had problems with its portfolio quality recently and, as a result, has not made any new loans in the past year and a half. There is approximately \$7,600 in loans outstanding⁵, an estimated 50 percent of which is at risk or in some stage of delinquency. However, its definition of delinquency does not seem to be standard for the industry and the Board of Directors' Finance Committee is actively trying to assist the staff in improving its tracking of portfolio quality, and in getting the portfolio under control. Students report a cumulative 91 percent repayment rate, having lent almost \$60,000 since the program's inception.

Market and Client Profile

Although Elmseed has existed for eight years, the organization today is still unclear of the potential size and characteristics of its target market. Elmseed's original goal was to use microfinance for poverty alleviation, but there is a clear diversity in income strata among the clients we met; most would not necessarily be considered very low-income. The organization's marketing strategy casts a wide net to bring in clients. Its outreach materials announce 'no credit checks' or 'collateral', and emphasize the importance of clients illustrating their commitment "with their feet" (participation at center trainings). Informally though, they do not just accept any applicant into the training program; rather they see if the scale of the business operation and the client's future financing needs might be met by their product/service offering.

Given this outreach positioning, no income verification during the loan evaluation and the lack of a deeper discussion on credit worthiness within their core training curriculum, Elmseed is

⁵ As of the writing of this report, Elmseed's Co-Directors reported the write-off of a loan that was in collections, bringing down their historical repayment rate.

likely reaching business owners underserved by typical microfinance organizations with more rigorous underwriting standards in place. However, the reality is there is probably a range: who enters is partly driven by self-selection, and partly by marketing and contacts students have made with other organizations.

Another untapped customer pool is the emerging Hispanic community in New Haven. According to U.S. Census figures, 24 percent of the population of the city of New Haven is Hispanic/Latino.⁶ Elmseed does not provide services or training materials in Spanish. As an indication of the potential opportunity that exists to expand the reach of its program, Elmseed had an excellent turnout for a completely bilingual conference in February 2009, held in partnership with a local Hispanic agency.

Clearly, the market in which student groups operate matters and, in the case of Elmseed, has contributed to the program's longevity. New Haven appears to have an abundance of small business development training and lending programs offering loans over \$35,000, and no one competing below \$35,000. Eli Bildner, a Co-Director, cited two strong training programs that were recently closed due to loss of funding (the local Chamber and an organization serving Hispanics). Whether their leaders state it expressly or not, the organization has carved out its niche in this environment by leveraging its no-cost student resources for complementary training/consulting coupled with its microloan offering.

Client Visits:

- Tim- first cohort of Elmseed clients. Now very formalized. Owns 15 hot dog carts that he subleases to other vendors, owns several apartment rental complexes and is a contractor.
- Lorna- new Elmseed client currently participating in the training course. Already has a business dedicated to therapeutic massage services. Values Yale connections and student technological savvy.
- Ruth- Repeat client. Seamstress and sewing class teacher to local community. Didn't do well in group setting, enjoys the individual consulting and microloan offerings of the students.

Quality and Continuity

*"I don't think we'll ever compete on providing expert training advice, I don't think we should. I think we should focus on the one-on-one consulting and lending [small amounts of capital]."*⁷

The clients we met with seem to value the expertise of guest lectures, individual attention and connection to the resources of the university. Since Elmseed's yearly pool of clients is small, students receive continuous feedback via simple surveys and informal exchanges after each group training or guest lecture. The Co-Directors valued this direct feedback as a way to fuel organizational innovation in small ways.

⁶ Data for City of New Haven, "2005-2007 American Community Survey 3-Year Estimates, U.S. Census Bureau", U.S. Census Bureau, <http://factfinder.census.gov/home/saff/main.html?lang=en>.

⁷ Interview with Co-Directors, Eli Bildner and Alice Song, April 1, 2009.

One renewal client, Ruth, who owns a business that designs clothing and teaches community sewing classes, seemingly gets tremendous value from Elmseed's consulting services. For example, students have assisted her in responding to city Requests for Proposals to secure contracts providing sewing classes for low-income teenagers and seniors. These contracts clearly supplemented income gained from her alteration/seamstress services. Similarly, another long-time client, Tim, noted that he secured building contracts with Yale through his affiliation with Elmseed over the years.

The age differential between client and technical assistance provider is obviously wide and we questioned whether that impacted the quality of the training relationship in some way. Students are aware of this age gap and ingrain a sense of professionalism through their dress and timeliness. Clients, however, reported that not only did the age gap not matter, but that they see the students having critical advantages that could be put to use in their favor. In addition to their excellent writing skills put to use for Ruth's RFPs, another popular consulting area is technology and low-cost guerrilla marketing strategies. One client, Lorna, mentioned this could give her new business a critical edge. Other student organizations, such as Harvard's Cambridge Microfinance Initiative (CMI), have specialized their individual consulting in technology services to leverage student skills in this area.

Despite this positive feedback, Elmseed faces three issues with respect to quality:

- **Outcomes Tracking:** There are no formal outcomes tracking or evaluation methodologies. Students lose track of clients over time. Staff have now shown interest in outcomes tracking and requested tools and consulting advice from MicroTest.
- **Student Training:** There is not a strong training of student trainers, and it is not clear if their training is implemented using adult-learning principles.⁸ There is also no formal training program for its student consultants, neither in business content nor in consulting methodologies. Clients have a wide variety of needs, some more advanced than others. This was noted by a consultant at their staff meeting. The Yale students are bright and apply their research skills to serve clients' specific needs, but the student consultants could benefit from a more solid consulting training program.
- **Year-round Continuity:** The program is hampered by the organization's current lack of year-round continuity and inconsistent institutional memory. Students cycle in and out depending on their interests, and when their tenure at Yale draws to a close. Given the relatively high turnover rate and regular student breaks, Elmseed's board members described themselves as serving an important role in maintenance of institutional memory, both with funding relationships and community partnerships. During the summer months, for example, Elmseed staff goes from 30 to 3 students who remain in New Haven. The Co-Directors attribute some of their current problems with their delinquent portfolio to lack of contact with borrowers over a six-month period

⁸ Adult-learning principles favor training that is directly responsive to participants' needs, is pragmatic, participatory and active. Classes focus less on lectures and more on experiential learning through the use of case studies and other exercises.

Elmseed's current management team has decided to address these transition issues by creating a handbook for the consulting staff that would allow new staff members to get up and running much more quickly. But the students need to address these capacity issues with training and mentoring, and they also need to address the issue of continuity. Other student groups, such as those at Brown and Rutgers, have met informally with Elmseed and shared handbooks, materials and experiences. As a result, these newer groups have already made adjustments in strategy at launch. For example, Brown students will not lend during the summer and have begun to think about how to eventually make this project more sustainable through use of a full-time AmeriCorps/Vista volunteer to transition the program longer term. Rutgers, on the other hand, expects to be able to field year-round services given the size of the university and its substantial summer semester, in which many students participate.

Lending Methodology

"Based on our experience...it didn't seem that [with] people in U.S. there's actually the social pressure network available to exploit in the group." ~Alice Song, Elmseed Enterprise Fund

Elmseed founders designed the program on the classic peer lending model. Current students are slowly moving away from this model because they have experienced the limits of group social dynamics and the inherent pressure to give a loan to each group member regardless of the individual merit of the business plan. Attempts at scaling this group lending two years ago may also have contributed to the current portfolio problems. One Director noted that last year's leadership pushed the limits of this model and discussed a need to develop more controls.

Again, this experience has already informed newer groups' strategy. Brown's Capital Good Fund launched their program in February 2009 with an individual lending product, while Rutgers students are beginning with the group lending methodology but report not being completely wedded to it should it not "take" in New Brunswick.

When both the Co-Directors and interviewed board members were asked whether the lending component was imperative to Elmseed's model, there did not seem to be a clear consensus. Two somewhat contradictory sentiments came to the fore after much discussion: 1) a feeling that no other organization was reaching far enough down market and that their services were filling a specific community need, but that 2) the model was not scalable in its current configuration.

Two long-serving board members⁹ indicated a reticence to 'give this aspect up' because of the perceived loss of Elmseed decision-making abilities. On the other hand, Nathan Huttner, a former student Director of Elmseed¹⁰, and current board member, suggested that economies of scale might be built by creating a centralized body or "hub", which would presumably have full-time, experienced staff and could assist student "branches" with underwriting capability and systems management. In his view, this could help Yale students overcome their current obstacles to scale, which include inconsistent information flow year-to-year, and the lack of management information systems and credit reporting capability. The focus would be to

⁹ Board members Dave Jenkins and Lori Lindfors have served on the Elmseed Board since the organization's inception.

¹⁰ Nathan Huttner will graduate from the Yale School of Management this year.

capitalize on what they see as Elmseed's comparative advantage — the *client services component*. (Interestingly, this notion of a service center or hub was also raised by the founders of the Rutgers-based Intersect Fund, who would like to take a leadership role in its development.)

However, there was definitely diversity of opinion on whether the underwriting should be outsourced completely versus just the servicing component being handled by another microfinance organization.¹¹ Ultimately, board members came to a consensus when Nathan suggested:

“If someone came to me as a staffer and said you won’t have the final underwriting decision but that your report to the committee will be an important factor, it would still be a meaningful way to be involved. Because the way it is now the staff doesn’t make client [loan] decisions, it’s the board, so it’s almost the same thing.”¹²

Interestingly, despite not having made a loan in over a year and a half, this founding principle or identity of *microloan provider* seems to still be ingrained in Elmseed's overall outlook. This is clearly an area with which the organization is currently wrestling.

Sustainability

Contrary to its portrayal in the Associated Press article of May 2008, and given the small outstanding portfolio and pricing structure¹³, the Elmseed program is not generating enough earned revenue to become self-sufficient.¹⁴ However, what is interesting as a business model is the inherent low-cost structure of the student model, coupled with the capacity to generate local funding, illustrated both at Elmseed and at a handful of other emerging programs.

Historically, Elmseed reports a 91 percent repayment rate (constituting approximately \$50,000 of repaid loans), not including the current outstanding balances. The program's current outstanding portfolio is roughly \$7,600¹⁵ with, as previously discussed, 50 percent or more in some stage of delinquency. Arguably, managing the loan fund is something that the students have not mastered or systemized.

¹¹ Elmseed board member Lori Lindfors (CRA officer for Citizens Bank covering Connecticut) had facilitated a conversation with a local program director of ACCION USA in Boston to discuss potential underwriting capabilities. She noted they weren't ready to pursue the conversation further.

¹² Interview with Elmseed Board members, April 1st 2009.

¹³ Elmseed's interest rate is 10% per annum for first time loans. Fifty percent of that is reimbursed if all payments are made on time.

¹⁴ FIELD defines self-sufficiency as achieving 100 percent cost recovery through revenues earned through earned interest and loan fees, fees charged for training, technical assistance and other business development services, and interest on loan fund capital. Sustainability is defined as balancing a focus on mission, organizational capacity and capitalization such that the organization can sustain or increase impact over time. This includes building the capacity to maintain a degree of financial stability and to grow revenue and assets.

¹⁵ At writing of this report, Co-Directors noted they had just written off several delinquent loans, shrinking their outstanding portfolio to about \$3,200.

With a net asset base of approximately \$35,000¹⁶ and an annual operating budget of \$8,000, Elmseed's largest expense is the rental of their off-campus meeting space (\$500/month). The students are planning to eliminate or dramatically reduce that expense in the coming year. In contrast, Brown's Capital Good Fund and Harvard's CMI receive free space from the university. The various student organizations reported the basic cost structure to range from \$2,500 to \$8,500 for yearly administrative, marketing and miscellaneous expenses (i.e. copies, books, travel reimbursements, small equipment, etc.).

How does this compare to the industry?

For FY 2007, microenterprise development organizations participating in MicroTest reported the following results:

- Number of clients: 175 median, 346 mean (n = 58)
- Number of loans disbursed: 27 median; 127 mean (n = 37)
- Cost per client: \$2,294 median; \$ 2,257 mean (n = 57)

With its current \$8,000 operating budget, the fundraising responsibility for the volunteer staff is significant if they are not to exhaust their net asset base. If Elmseed were able to achieve the lower end of the range of the student cost structure, the model becomes more sustainable from a resource perspective. Yearly, the group already receives several smaller grants from an off-campus Yale affiliated entity (Dwight Hall), former alumni, a local bank leveraged through board connections (i.e. Citizens Bank)¹⁷, and online fundraising contests.¹⁸ What seems to be an advantageous trend in many of these student programs is the *new* and *very localized* nature of the funding sources they are tapping.

Leadership Development and Building Awareness of U.S. Microfinance:

The Co-Directors and executive team spend, on average, from 10-25 hours per week managing Elmseed, and this provides very hands-on experience in U.S. microfinance and nonprofit management. Despite the substantial investment of time, one of the co-Directors expressed frustration at not being able to do all the strategic thinking he wanted given the part-time nature of the organization:

*"...and it's the mental anguish that goes with it [managing the organization], it's a part time job but you worry about it all the time. It's hard because since its only 20 hours a week you just get to cover the basics [of running the organization]... There are limits to what a student run organization could do. A good CEO would be thinking about strategy all the time."*¹⁹

¹⁶ Data taken from Elmseed Balance Sheet, March 2009.

¹⁷ From a review of Elmseed documents, after their initial start up development push, they did not raise significant new dollars until 2004/5 with a Community Development Block Grant, then again in 2006/7 with consistent donations from Citizens Bank.

¹⁸ For example, during the staff meeting we attended students noted participating in www.bluestatedc.com, an online fundraising contest.

¹⁹ Interview with Co-Directors, Eli Bildner and Alice Song, April 1, 2009.

In many ways, the students face the same discussions and management problems tackled by any other small microfinance program — how to reach your target audience, craft the right product, assess the program’s quality, and still stay within an organization’s mission while scaling up. The training ground it provides these students to stay within and contribute to the field is powerful.

Further, the awareness building that Elmseed, and the other student organizations, is generating regarding U.S. microenterprise development is substantial. Elmseed currently has 30 student staff, a remarkable number given the small number of clients the program has. And the Co-Directors report that the number of applications they receive allows them to be selective in their choice of staff. Students are engaged in committees focused on marketing and outreach, fundraising, accounting/finance, client services and strategic planning. The Intersect Fund also reports having 20 to 30 staff. The power of the model for generating awareness regarding the U.S. field — and its potential to develop leadership for the field is clear. And the awareness-building goes beyond student participants to other campus and community members. The Intersect Fund held a year-end reception to introduce its clients to university and community stakeholders, and at least 50 guests. Students also use social networking tools and technology (Facebook, Twitter, website development, blogs, videos²⁰) to expand awareness. Their skills in this area herald the opportunity to build a greater awareness of microfinance domestically—low awareness being the Achilles heel of the industry in the U.S.

Key Differences and Innovations of other Domestic Programs

The discussion above included some references to several other microfinance student organizations. Chart 1 summarizes key differences or innovations among these and other microfinance student groups that have at least some domestic focus. Most are still quite young.

Domestically, three programs in particular, are seemingly addressing some of the limits outlined in the Elmseed program. The Rutgers, Brown and Harvard programs have put thoughts and actions into the following areas:

- Better planning for student transitions to maintain continuity of service;
- Focusing on a particular expertise (training or consulting only);
- Developing a stronger outreach and partnership component with a focus on a targeted market; and
- Board development to marshal consistent local resources for scale up.

At the same time, it is not clear which, if any, will solve the challenges around microlending that Elmseed has experienced. Not one has either lent long enough, or substantially enough, to present a model that matches student capacity to the demands of successful loan management.

²⁰ See Intersect Fund (Rutgers University) video showcasing New Brunswick at <http://www.vimeo.com/4036593>. Also, see Owl Microfinance (Rice University) video at www.owlmicrofinance.org, illustrating the grassroots awareness-building that is taking place on campus.

The willingness to depart from the pure peer lending model, in some instances, demonstrates the students' willingness to learn from each others' experience and adapt.

Chart 1: Summary of Domestically-Focused Student Microfinance Groups

| Program | Components | Key Differences/Innovations | Current Scale |
|---|---|---|--|
| Intersect Fund/Rutgers University | <ul style="list-style-type: none"> -Training course, group loans at \$2,500; one-on-one consulting -Serves the New Brunswick, N.J. area, and expanding to other parts of central New Jersey | <ul style="list-style-type: none"> -Strong partner development. -- Training at multiple locations, in English and Spanish. -Self-designed curriculum based on review of many U.S. practitioner curricula -Teaching style interactive and case-based -Strong earned revenue plan (scaled charge for coursework and planned individual consulting). -Recently awarded \$25,000 in business plan competition -Plan year-round services | Launched in November 2008, already trained 40 emerging business owners. |
| Capital Good Fund, Brown University | <ul style="list-style-type: none"> -Work through partners that provide business mentorship and training. -Loans under \$5,000. -Serves the Providence, R.I. area. | <ul style="list-style-type: none"> -Launched with a strong outreach component and partnerships in place. -Local focus groups informed product development— 1) personal loans of \$900 to secure green card, 2) business loans under \$5,000. -Received \$2,500 in start up funds from Clinton Global Initiative University. -Works through a nonprofit, fiscal sponsor. | Launched in February 2009, disbursed approximately five loans as of 4/09. |
| CHOMI (Center for Holistic Microcredit Initiatives), Stetson University | <ul style="list-style-type: none"> -5 week business workshop series taught by students; loans under \$2,000. -Serves the local Spring Hill, Fla. community. -Has an international component working in Tanzania with a guarantee fund. | <ul style="list-style-type: none"> -Community business course is integrated into the University curriculum. -Directed by two economics professors for longevity of initiative. | Launched in 2000. Trained fewer than 100 people, made 10 loans (all repaid) as of end of 2008. |

| | | | |
|--|---|---|---|
| BR Microcapital, Cornell University | Individual coaching and microloans (up to \$5,000) for business owners in Upstate New York (Ithaca, Tompkins County) | -Run their loan fund in partnership with Alternatives Federal Credit Union. -Seemingly well-developed program for their business school consultants. | Launched January 2009, disbursed 5 loans and took on 5 consulting clients for 4 month duration. |
| Cambridge Microfinance Initiative, Harvard University | Provide seminars and one-on-one technical assistance to surrounding Cambridge community business owners. | -Strong outreach capability—awareness in Cambridge apparently outpaces other local technical assistance providers like SCORE. -Leverage technical expertise of students in web development. | Launched in 2006, has served over 100 clients. Very active seminar series that drew 70+ business owners. 15 active members. |
| Lehigh Microfinance Club, Lehigh University | -Seek to get students actively involved in poverty alleviation measures, both internationally and nationally. -Looking to partner with local fund in Bethlehem, Pa. to use their fundraised dollars. | Group working on creating a “Microfinance Student Network” (a la Facebook) to network other university microfinance (MF) clubs (post updates, research, internships, forum to share information). | Launched fall 2007, 30 active members. |
| Loyola Microfinance, Loyola University | Target existing micro-businesses in New Orleans. Consulting and loans up to \$1500. | -Formally affiliated with the university (see discussion below). -Received \$2,500 start up funds from Clinton Global Initiative University. | Group initially received funding from business school to keep a founder and graduating senior as full-time staff to launch project in 2009. Project halted since 5/21/09. |
| Duke Microfinance Leadership Initiative, Duke University | -“FLIP IT!” program works with community organizations and local businesses in Triangle area of North Carolina. --Hands-on investment fund with Ugandan MFI. | This project brings in local organizations interested in sustainability, including some that work with low-income communities. The organizations present to students on a key set of issues they are facing, and the students then brainstorm solutions and ideas in a "rapid-fire consulting" session. | 2006, 30+ members. |
| University of Pennsylvania Microfinance Club (Penn MFC) | Get students actively involved in poverty alleviation measures abroad and locally in Philadelphia | -One of their programs is in partnership with WORC to put together business courses for local entrepreneurs. -Working with Lehigh University group to build student MF network. | Launched in 2006, 30 active members. |

| | | | |
|---|--|---|--|
| Bentley Microcredit Initiative, Bentley College | Integrate microcredit into the Waltham, Mass. Community, by providing loans under \$6,000. | -Part of an honors course at the university. Strong support from University. -Apparent strong local funding among alumni—fund capitalized at \$100,000 according to press release. | Course launched in spring 2008. First loan recipient March 2009. |
| Streetbank, Georgetown University | -Consulting and lending to businesses in D.C. area. | Encourage participation of the student body by getting those students to invest into a loan pool (leveraging success of existing investment groups on campus)—Kiva-like but domestic. | Plan to launch in fall 2009 if capital is raised through winning business plan competitions. |

The organizational structure and affiliation of surveyed organizations varies from independent, 501(c)(3) nonprofits like Elmseed and Rutgers, to university-affiliated and fiscal-sponsored programs. Of the sixteen surveyed organizations, sixty-three percent noted they were university-affiliated organizations. At writing of this report, we received news that the Loyola program was not going to launch because of the withdrawal of support from the University due to potential legal liability of supporting a direct lending program. Liability issues for solely university-affiliated programs could be barriers for student programs that want to lend directly.

This research also included internationally-focused student organizations.²¹ These groups may also offer some awareness building for the U.S. industry through on and off campus activities, and provide a feeder for internships and young talent into the field. A few offer unique investment structures or consulting services for international initiatives, which might be valuable for U.S. programs as well.²² Some of these groups may be more amenable than others to adding a U.S. component to their activities. We could see this group being a secondary focus of attention, if a pilot with the domestic-focused organizations succeeds.

²¹ Please see the appendix for a list of surveyed organizations including those focused on international issues.

²² Microlumbia out of Columbia University provides MBA-level consulting services to international MFIs at no-cost and Gumball Capital is a Stanford University group that has created a microfinance investment group.

Replication: outline of a pilot initiative

As illustrated above, these student initiatives have both strengths and weaknesses. The key ones are enumerated in the scorecard below:

| <i>Strengths:</i> | <i>Challenges:</i> |
|---|--|
| <ul style="list-style-type: none"> ○ No-cost, generally high quality manpower ‘intrinsically motivated’ ○ Large pool of students to scale-up programs ○ Leadership development opportunities ○ Low-cost overhead ○ Early adopters of social media can contribute awareness to domestic field ○ Leverage additional university resources ○ Local board development bring resources to bear (i.e. fundraising, access) | <ul style="list-style-type: none"> ○ Managing student transitions ○ Very limited lending expertise ○ Lack of mentorship by (or in most cases) connections to other domestic MFIs ○ Inconsistent training quality ○ Limited outcomes evaluation in place |

It is important to note that the students recognize most of these challenges, and many are seeking solutions to them. Several have been exchanging information informally, and have raised the idea of creating a more formal exchange among them, either via an in-person meeting or through a technological format. The idea of a “hub” or “center” to provide support to student organizations in critical areas has also been floated by several. And the founders of the Intersect Fund have spoken of creating such a center within their program, creating or affiliating chapters to their current operation. This is quite an ambitious goal for a newly established organization, one that is just about to make its first loans, but illustrates the high level of engagement these students bring to these activities and the enthusiasm for increasing the professionalization of their work.

The time appears ripe to build on these emerging conversations and ideas by facilitating a meeting with leaders of five to seven of the stronger student groups to further exchange lessons learned and explore their interest in, and vision for, a center or “hub” for student-led microenterprise initiatives. The pilot components to explore with this focus group would include the following:

- **Establishing a Clear Target Market:** how can programs better define their target markets and detail outreach methods on how to reach them. As noted, some programs are more developed in this area than others. Regional and nationally-based MFIs have documented their experiences in this area and could help programs scale up more quickly and effectively.

- **Exploring Lending Models:** delve into the cost/opportunity of a modified lending capability. This would include evaluating experiences with lending directly, and detailing possible servicing arrangements and/or guarantee funds with partner MFIs.
- **Training Programs for Students:** dialogue around the components of a solid and standardized training program for student consultants and support staff (managers, fundraisers). This could take the shape of a “training bootcamp”, and would include the use of training handbooks already being developed by the student groups, resources from the universities (i.e. the “how-to’s” of consulting from business school staff or students), and a compilation of best practices from other MFIs. Given the challenge of student transitions, a train-the-trainer element would need to be employed to maintain continuity every semester.
- **Curriculum/methodology and Outcomes Evaluation:** discussion of shared experiences to date on the use of diverse training curriculum and participatory learning. How can the pilot groups share each other’s curriculum so as not to duplicate efforts? Additionally, a mini-management training program for creating benchmarks and tracking metrics can assist in year-over-year evaluation efforts.
- **Creating a “hub” with centralized resources:** what would be the most practical and useful way for students to interact with more experienced microfinance professionals? Would students respond favorably to a mentorship program? And/or would an ongoing coaching function from a group like FIELD or AEO be more appropriate? Connecting with these university programs could certainly be attractive to other MFIs in that it could provide a very capable feeder of future interns or employees for their organizations.
- **Legal and financial structure:** what is an appropriate structure for a student-run microenterprise organization, and what should be its relationship to the university? How should these programs be financed, and what are best sources of support? If a hub were created, what form should it take? What mix of young and professional leadership should be involved? What role might professional microenterprise development organizations play? And what should be its business model?

Based on these discussions, and responding to the interests of the group, a working paper will be developed to outline the concept for further review and discussion among the groups, and to be circulated to potential supporters. As part of this, the paper would need to outline what the potential scale of this effort could be, what it might cost, and its outcomes in relation to its costs. The following are initial thoughts around what elements would constitute a successful pilot:

- **A replicable model that is scalable and cost-efficient:** address challenges of current and emerging programs to reach a certain scale of operations (closer to the industry average) *with* a significantly lower cost structure.
- **A viable lending model:** define methodology that complements student street-reach and client engagement with more rigorous underwriting and loan management.

- **Standardization and documentation:** document process (i.e. handbooks, manuals) of improvement and standardization to reduce start-up costs of future student initiatives. Create a quality training process/mechanism for both student leaders and consultants/trainers.
- **Quality outcome measures:** institute consistent outcome measures across programs that demonstrate the quality of service.
- **More clearly defining university support:** explore ways of best leveraging university resources to scale and sustain student-run programs.

Conclusion

While newspaper depictions of the Elmseed Enterprise Fund did not quite get all the details straight (especially relating to self-sufficiency), they did pinpoint this fascinating and growing trend on university campuses across the U.S. Upon a deeper review of Elmseed and other university programs, it is clear that university-based initiatives contain promising assets and resources that could strengthen the domestic microenterprise field. Student programs have access to a large, talented, and a strongly motivated labor pool, a low cost-structure, evolving networks that help build awareness, and an entrée to other university and community resources.

It is also an interesting moment in time for the U.S. microenterprise field to capitalize upon the strengths of these student programs. With a new administration that has fueled more campus activism and youth involvement than ever before, and a recession that has forced many to look to internal development projects, this business model could provide critical synergies for the industry. These assets, coupled with the leadership development that is already taking place, make for a compelling case of further support of this work.

APPENDIX

Surveyed University Student Organizations

| Name of Organization | University Affiliation | Organization Launched | Geographic focus (if any): |
|--|-------------------------------|------------------------------|--|
| Bentley Microfinance Initiative | Bentley University | 11/01/2008 | Metropolitan Boston |
| BR MicroCapital | Cornell University | 01/01/2008 | Upstate New York |
| Davidson Microfinance Club | Davidson College | 2007 | Primarily International |
| Duke Microfinance Leadership Initiative | Duke University | 2006 | Triangle Area (North Carolina), Uganda |
| Global Business Brigades | Various | 2007 | Panama and Honduras |
| Gumball Capital | Stanford University | 02/01/2007 | Primarily International |
| Lehigh Microfinance Club | Lehigh University | Fall 2007 | Both local and international |
| Los Angeles Microfinance Network | UCLA/Anderson School | 06/01/2008 | Primarily International |
| Microfinance Consulting Network | Haverford University | 2008 | Mexico |
| Microfinance Working Group/SIPA | Columbia University/SIPA | 2000 | Primarily International, some domestic |
| MicroColumbia, Inc. | Columbia University/MBA | 2008 | International-some domestic lending |
| Owl Microfinance | Rice University | 04/01/2008 | Primarily International |
| Penn Microfinance Club | University of Pennsylvania | 2005 | International |
| Point Loma Nazarene University Microfinance Club | PL Nazarene University | Spring 2008 | San Diego and International |
| Social Enterprise and Microfinance Club (SEAM) | Cornell University | 2005 | Primarily International |
| Texas Microfinance Group | University of Texas, Austin | 10/01/2008 | Primarily International |