

Scale and Sustainability: Increasing the Impact of Student-Led Microenterprise Organizations

A Conference Sponsored by FIELD, The Intersect Fund and the Elmseed Enterprise Fund

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Summary

Student-led microenterprise organizations have quickly emerged on the domestic microenterprise scene. Although most are nascent, these organizations have already demonstrated some potential to fill training and financing needs in local communities. While many are located in the East, others are emerging in the Midwest and West, and student interest in the field appears to be growing. This first gathering of student leaders grew from FIELD's evaluation of a longer-running organization launched by Yale University students, the Elmseed Enterprise Fund. That research identified a number of other clubs and direct-service organizations, and a strong interest on the part of student leaders to learn from each other's experience and to find ways to advance together.

While some microfinance clubs exist solely to raise awareness of microenterprise development and engage students around the theme, others lend to, and train, aspiring entrepreneurs. FIELD's study concluded that there were, indeed, unique assets that these organizations have that could strengthen the wider domestic microenterprise field. Student programs have access to a large, talented, and a strongly motivated pool of labor, a low cost-structure, evolving networks that help build awareness, and an entrée to other university and community resources. Additionally, the leadership 'training ground' these programs provide young leaders goes beyond many undergraduate volunteer activities, and potentially builds a pipeline of talented individuals for microenterprise or community development. The evaluation, however, also uncovered gaps in capacity, especially related to direct lending, managing student transitions, and monitoring of client metrics and outcomes.¹

The October conference was designed to begin a more formal exchange between groups around these issues and facilitate future collaboration. The main conclusions of the conference are:

- The student-led organizations are diverse in mission, organizational structure, experience and capacity. They range from those with substantial training and some lending experience to others with intermittent activities to still others only commencing operations. They are also at differing levels of capacity. The implication is that a range of

¹ For more information, see Elaine L. Edgcomb and Luz Gomez, *Can Student-run Microfinance Organizations Help Address Issues of Scale and Sustainability in the U.S. Domestic Microenterprise Industry?*. Washington, D.C.: The Aspen Institute, FIELD, June 2009, <http://fieldus.org/Publications/ScaleUniversityME.pdf>

capacity building should be available to respond to their different needs, missions and goals.

- These groups are in deep exploration of appropriate methodologies for service delivery. Some have, or are exploring, peer lending strategies, and all are seeking better ways to make and manage loans. They are experimenting with training curricula, and how best to offer consulting services, and they are seeking to understand how partnerships with professional microenterprise organizations could benefit them and their clients.
- There is still a lack of clarity regarding the potential scale of student operations. Data collected in advance of the meeting documented programs that ranged in size from one to 79 clients served in a given year.² A number of factors appeared to influence size, including market conditions, depth of student participation, and the methodology deployed. Ultimately, what can be expected in terms of operational size will be answered best in continued experiment and practice.
- These programs have already demonstrated their cost advantage. Cost per client ranged between \$43 and \$1,000. Of course, cost effectiveness depends on an assessment of program outcomes as well. At least two of the programs are close to collecting outcomes data, which will provide insight into this question.
- The represented organizations expressed strong interest in ongoing collaboration to leverage their diverse strengths, and in forming a *loose* affiliation among themselves. That affiliation, or alliance, will first focus on sharing of practices, acquiring access to professional resources, and capacity building services.
- While the students recognized some potential in partnering with established microenterprise organizations, their first interest is in having the Alliance develop relationships with industry resources such as Credit Builders Alliance and MicroTest. Individual student organizations may also be open to partnerships with specific microenterprise service providers, but it is unclear how quickly collaborations or partnerships between them might move forward.

Successes and Challenges: capacity needs

The conference exchanges among the students focused on four themes: lending, training and consulting, marketing and outreach, and scale and sustainability. Students identified ongoing challenges and brainstormed how to fill their gaps in knowledge or capacity. Given the mixed backgrounds and varying competencies in different areas, emerging best practices were shared to address some of the groups' ongoing challenges. Among the most important were these:

² Client numbers were counted using FIELD's definition, which counts an individual a client if s/he has received financing or participated in substantial training or technical assistance activities. The rule of thumb is approximately ten hours over the course of the year. One organization, the Intersect Fund, actually assisted 122 individuals with some level of service over the course of a year, from October 2008 to October 2009.

- Lending methodologies need to respond to market demand and entrepreneurs’ constraints. For Elmseed, the longest-running lender in the group, this has meant a series of changes over time from a classic peer-lending model to one that now offers individual loans along with a peer support structure designed as a membership program. Similarly, the group has made access to its training and technical assistance services more flexible and responsive to the “just in time” needs of its target group.
- Student groups may successfully offer other microfinance products in addition to microenterprise loans: the Capital Good Fund, for example, provides “citizenship loans” to help residents finance the administrative costs of completing the citizenship process. The Fund also offers “green” credit builder loans that help residents pay for programmable thermostats.
- Student groups can deliver training that clients value enough to pay for, and can generate substantial earned revenue from doing so. In addition, a strong training program can help vet loan candidates and reduce risk. The Intersect Fund charges between \$100 and \$250 for their courses based on income, offering training, business cards, and QuickBooks Simple Start for that fee.
- Student groups have been successful offering time-limited events that provide services to entrepreneurs. The Duke Microfinance Leadership Initiative, through a program called “Flip It”, offers consulting at quarterly events; the Lehigh University Microfinance Club has successfully sponsored trade exhibitions on behalf of local entrepreneurs.
- Student groups can raise substantial sums of money. The Bentley Microfinance Initiative has already raised \$125,000 in capital for lending through alumni networks.
- Students can sustain these organizations across graduating classes. However, this takes serious effort at developing mechanisms for transferring institutional memory, and developing transition strategies that support a strong hand-off from one group to the next. The Elmseed Fund offers a set of examples and prescriptions for this.

Students acknowledged a need for capacity-building in the following areas:

- *Lending*: how to develop a target market, structuring appropriate loan products and underwriting and ongoing servicing, credit reporting, and loan fund management.
- *Training and Consulting*: staff management and quality control, appropriate curriculum development, pricing of services, and outcome monitoring.
- *Organizational Structure*: planning for sustaining these groups in the face of graduation, quality controls in the pursuit of scale.

Again, one size does not fit all. Some groups would benefit from a Webinar on a specific topic while others would be best served through an ongoing mentorship or internship to gain management skills. The training also depends on the overall objectives of the organization—are they looking to impact local poverty or simply looking to serve a limited number of entrepreneurs to gain hands-on experience?

Future Scale

The question of scale and ongoing sustainability of these groups was discussed throughout the conference, with presentations by Elmseed Enterprise Fund, the only long-running program with

an eight-year tenure, and Global Brigades, a student group focused on international development with over 140 student chapters throughout the U.S.

Elmseed has served approximately 15-20 new clients per year, although recently it has made significant adjustments to its program allowing more flexibility in client recruiting, and service provision. Global Brigades has created a center with a small, paid staff. Additionally, its organizational structure has committed alumni of the program assigned to specific regions to train and advise new student chapters. Programs like The Intersect Fund and Capital Good Fund also have full-time employees who are recent graduates, and who have seemingly enabled the organizations to serve more clients. It is unclear whether adding full-time employees is just a natural progression of these programs as they grow. Although some of these programs have a scale comparable to young ‘professional’ microenterprise organizations³, it is not certain what the scale of these organizations can and *should be*. Groups like Elmseed that achieve a consistent level of growth and a measure of quality—achievable metrics within the constraints of an all-volunteer staff—might meet a market niche.

Will scale-up be dependent on having full-time employees? Will student groups spin off to become microenterprise development organizations or will they continue to leverage student participation as their centerpiece? These are still open questions to consider and will likely be answered as the groups develop in practice.

Collaboration

Day two of the conference was dedicated to considering a possible framework for collaboration. Students reached agreement on their interest in continued collaboration, the content around which they would collaborate, and how they would do so. The consensus was to move forward with a *loose* alliance of organizations that would focus on a few shared priorities to start including: online information sharing via collaboration software (such as Backpack to upload documents) and possibly a message board; research of cost-saving opportunities to track outcomes, to report client credit performance, and to develop Management Information Systems. Students have already moved forward on these first priorities and plan a schedule of conference calls to address the alliance’s structure (creating a mission/charter, objectives, liaisons/founding council, and how to incorporate other student groups).

Engagement with the microenterprise field

The synergies seem natural—students have a local presence, talented training pools, resources, and the ability to raise awareness both on and off campus settings, while many professional microenterprise development organizations have experience and capacity in areas such as lending and servicing. What will incentivize both students and MDOs to work in concert rather than in parallel?

The first step is better awareness of this alliance of student groups among microenterprise development organizations, and an articulation of the benefits the student groups bring to the table. The second will be finding opportunities where both sides can have their needs met. Based on the one example of partnership presented at the conference, it appears that operationalizing

³ MicroTest data collected for young programs (<5 years old) in FY2008 showed a median of 53 and mean of 51 clients served annually.

such a partnership will require clarity regarding expectations and commitments, and some trial and error. To that end, we should expect individual partnerships to emerge first, with the experience observed by others in the student alliance. As more is learned about how to develop these successfully, then others will follow.

Participating Organizations

Bentley Microfinance Initiative: Bentley University; Mass.

Big Red Microcapital: Cornell University; N.Y.

Capital Good Fund: Brown University; R.I.

Elmseed Enterprise Fund: Yale University; Conn.

Duke Microfinance Leadership Initiative: Duke University; N.C.

Global Brigades: University of California Los Angeles; Calif.

The Intersect Fund: Rutgers University; N.J.

Lehigh Microfinance Club: Lehigh University; Pa.



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