Microfinance on Campus Shows Promise

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The recent financial markets crisis turned out to be an unexpected boon for microfinance in the United States, for the simple reason that microenterprise development organizations (MDOs) were still lending while banks were still lacking liquidity or hampered by nervous regulators. However, while the added attention to microlending has been a very good thing for domestic MDOs for a number of reasons, the challenges that still face the industry remain. And the biggest challenge — scalability — is only underscored by its sudden notoriety. Of course, one might take the microbusiness view here and ask: if single organizations cannot scale up to serve hundreds of thousands of microentrepreneurs, why can’t we aim for tens of thousands of MDOs serving a few dozen microentrepreneurs each? And it is in the spirit of that question that a recently released case study of student-run MDOs by Elaine Edgcomb and Luz Gomez of the Aspen Institute’s FIELD project is particularly intriguing.

Edgcomb and Gomez examined the Elmseed Enterprise Fund at Yale University in some detail, as well as giving a glancing review of the relative strengths and challenges of several other student-run MDOs around the country. Identified strengths of these student-run MDOs include an energetic, talented and passionate pool of volunteers with access to many of the resources of both college or university and community, successful local fundraising efforts, and a natural leadership training tool for the microfinance industry. On the other hand, Edgcomb and Gomez identified a number of structural challenges, such as the churn resulting from a non-static student population and inexperience in loan underwriting and portfolio management. In spite of the obstacles, student-run MDOs appear to be an intriguing and promising development for the microenterprise development field and are certainly worth further study and support.

Tags: microbusiness, microenterprise development, microfinance, Research