

Microfinance, Service Learning and Social Value Creation: A Nicaragua Project

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Abstract:

University business curriculum has often gone beyond traditional lectures as a means of teaching accounting, finance, marketing and other core topics, and has recognized the benefits of global experiences and experiential learning. This paper details an innovative short-term study abroad course in Nicaragua, which provided students with service learning experience, hands on consulting with Nicaraguan entrepreneurs and an international micro lending organization, and a global and culturally-broadening experience.

Introduction

The business curriculum literature has documented the importance of and benefits from experiential learning, service learning and cross-cultural experiences to create well-rounded, civic-minded global citizens. One such benefit is that there tend to be higher rates of volunteerism among young adults who have had these kinds of experiences (Wright 2000). Business schools are recognizing this trend and are responding in kind by offering programs for students interested in corporate social responsibility (Benn and Dunphy 2009; Gloeckler 2008). Service learning programs incorporated into the business school curriculum can meet the needs of students interested in both volunteering and promoting social responsibility (Klink and Athaide 2004; Burns 2010). Students who participate in such programs have higher rates of volunteerism after graduating (Tomkovick et al 2008; Weber 2010). Most business schools also recognize that tomorrow's leaders must have a global outlook (Beechler and Javidan 2007). The need for developing socially responsible, global leaders extends beyond the classroom. A good example is the PriceWaterhouseCoopers (PwC) "Project Ulysses," an integrated service-learning program for partners at PwC offered in the firm's global portfolio of leadership development program that sends its employees to developing countries to work in partnerships with non-

governmental organizations (NGOs), entrepreneurs and international organizations (Pless, Maak and Stahl 2011; Stephenson and Mace 2009).

Service Learning in a Global Environment

The Robert H. Smith School of Business at the University of Maryland (UM) has a robust study abroad program for undergraduate students. Over the last several years there have been courses offered in Europe, Asia, Middle East and Latin America. The University of Maryland Strategic Plan includes globalization as a key component of undergraduate education. It is the University's aspiration that all undergraduate students complete at least one study abroad course before they graduate. The course entitled *Doing Business in Nicaragua: Microfinance and Social Value Creation* was developed in keeping with the University's globalization goal.

Course Goals

For a study abroad trip to be of value to the student, to the University and to the community to which he/she is traveling it needs to incorporate several meaningful experiences. The goals of this course were for the students to achieve the following: (1) use the knowledge gained in their undergraduate studies, (2) experience entrepreneurship and small business operations first hand and (3) change the lives of people in an international community.

Expectations for the students were to:

1. Use their marketing skills and creativity to raise funds for grants for entrepreneurs.
2. Act as consultants researching business problems/issues identified by entrepreneurs, and develop recommendations for ways to solve them.
3. Advise and help with developing business plans, budgets and other documents as needed.
4. Gain real-life understanding of microfinance to include benefits as well as obstacles.
5. Recognize opportunities and challenges inherent in cross-cultural experiences.

Plan to Achieve Goals and Meet Expectations

Planning for the *Doing Business in Nicaragua* course took place over several years. The idea for the course took root when faculty working with a graduate College of Information Studies course in Nicaragua made connections with various organizations and recognized study abroad opportunities for other UM schools and departments. These connections were made over a period of four years and fueled ideas which were eventually incorporated into the course.

The final course configuration had three components:

1. In-Country Educational Partners

The R.H. Smith School of Business encourages study abroad classes to partner with a college or university in the host country. We had two criteria for an educational partner. First, because Nicaragua is a Spanish-speaking country, we needed a school whose students had some command of English. Second, the school had to be of high educational quality and have a major business focus. Universidad Americana (UAM), a bilingual business school with an outstanding scholarly reputation, fit both criteria.

The collaboration was a good fit for both schools. For UAM, the collaboration gave its business students an opportunity to meet and work on projects with business students from the United States and provided a way to perfect their language skills, expand their network of friends and make potential future business connections. For UM students, the collaborations provided an opportunity to gain insight into another culture from peers, to work together on projects, to view them from a different perspective and to have the benefit of a bilingual colleague. The collaboration gave students from both schools an

opportunity to enrich their college experience, use their classroom knowledge in a hands-on, real life business setting that significantly impacted lives, and to have fun doing it.

2. **Consulting Projects for a Nonprofit**

As plans for the course progressed, the decision was made to have the students work with clients who needed seed money to start or expand their business. The authors benefitted from having a local contact in Nicaragua, who suggested they contact *Opportunity International* (OI, <http://www.opportunitynicaragua.org/>), a nonprofit organization which provides microfinance loans, banking services, and training to millions of people in developing countries. In the beginning, it was felt this collaboration would provide a valuable service for OI staff and clients who would work and learn from the students. It would also provide a great experience for business students, giving them an opportunity to be consultants to new entrepreneurs.

However, as plans for the course continued to evolve, the Director of OI thought it would be more valuable for OI if the students would research several challenging issues facing OI and its clients. In Nicaragua, OI focused on working with micro-entrepreneurs to help their products reach global markets. The director also felt that researching and thinking about these issues would give the students a broader consulting experience, helping them become more familiar with the different aspects of micro-entrepreneurship in the global marketplace.

3. **Small Business Entrepreneurs**

Our local contact knew and was familiar with the business aspirations of some local very small “mom and pop” business entrepreneurs. The decision was made to approach these entrepreneurs and match them with our students. This would provide our students with a

one-on-one client consulting experience. None of these entrepreneurs had any business background; their “mom and pop” shops were struggling. These entrepreneurs had a dream, an idea and the passion, all the ingredients that make a business succeed. They needed direction and, of course, some capital. The opportunity to work with university students excited the four entrepreneurs who were approached with the idea. The entrepreneurs would bring to the table their knowledge of the culture, knowledge of their clientele’s likes/dislikes, and knowledge of where to find the best wholesale deals. The students could help develop strategies for accounting/budgeting and teach business principles such as the importance of reinvesting in the business and the significance of product placement. See Appendix 1 for the day to day structure and timeline of the course, and Appendix 2 for the syllabus. .

Structure of the Course – Making it work

One of the biggest challenges to the success of the course was making the multiple collaborations work. Our partners were; a university, a nonprofit organization and entrepreneurs all situated in Nicaragua, where Spanish is the main language. In order for the class to succeed in all these components it needed to be carefully coordinated which requiring a lot of planning, constant fine tuning and considerable flexibility.

The course was offered as a Winter Term three week course, with eleven days of the course spent on-site in Nicaragua. To accomplish all of the course goals, and to be ready to” hit the ground running” in Nicaragua, the students had to do extensive pre-work.

First, the students had to select projects, and based on the projects selected, groups were formed. The resultant four groups were able to connect with their Nicaraguan

counterparts (UAM students, Opportunity International staff, and the entrepreneurs) with the help of technology (e-mail, Skype and telephone).

Student Pre-Work Activities

Several weeks before leaving for Nicaragua, the students engaged in the following pre-work activities:

- Learning about the business, economics and politics of the country and microfinance issues through selected readings and videos.
- Meeting with the Nicaraguan Ambassador, getting a firsthand view of the history and politics of the country.
- Attending a lecture on the importance of cross-cultural communication.
- Attending a lecture on business plan development for small businesses in an international environment.
- Meeting with UAM students, Opportunity International staff and entrepreneurs via Skype. The Skype sessions turned out to be an important part of the pre-work, as it was a way to get to know each group, their needs, ask questions and together develop a plan of action. Partnering with a bilingual business college and having Spanish speakers on our planning team made the language issues much easier to manage.
- Researching and preparing draft versions of reports on topic chosen by each group for OI.
- Researching and preparing a draft plan of action for the entrepreneur selected by each group

- Planning, developing and carrying out fundraising activities where the funds were to be used as start-up grants for the entrepreneurs.
- Soliciting used computers from family and friends to be donated to entrepreneurs.
- Establishing a course blog (<http://terpsabroad.blogspot.com/>), where students would take turns writing daily about their experiences in Nicaragua. The blog was also to be used as a fundraising tool.

Reality - Course Activities in Nicaragua

The course activities were clustered around collaborations with the UAM students, Opportunity International and entrepreneurs. This meant that on-site, in Nicaragua, the authors travelled to three different cities – Managua (capital of Nicaragua and campus location for Universidad de Americana), Granada (Opportunity International headquarters) and San Juan del Sur (home of the entrepreneurs). Each city presented activities and opportunities to get to know the people, the institutions, the country and the culture.

Brief overview of activities in each city: Managua

Managua - First Stop – capital of Nicaragua

This was the first time that the UM and UAM students could work together in their groups, talk about the projects, and fine tune needed changes. They discussed the upcoming presentations to Opportunity International, made plans for translating power point slides, and outlined needs for the upcoming work with the entrepreneurs.

The students learned about and were able to observe the Nicaraguan business environment.

They visited and toured several diverse small businesses and nonprofits, as well as a major Nicaraguan bank with microfinance operations. A visit to the UAM campus was also part of the learning experience where the students heard a presentation from one of the Nicaraguan founders

of a fast growing international microfinance organization, Agora Partnerships. Lastly, the students met with the Director of Opportunity International/Nicaragua, who made a special trip to Managua to meet with the students and answer any questions before their presentations in Granada.

Granada – Colonial City – Opportunity International Headquarters

The second stage of the course was to present the research results of the consulting projects to Opportunity International (OI) staff and clients. The OI headquarters are in Granada, a colonial city about 30 miles southeast of Managua.

The research projects were as follows:

Business Plan Guide: Develop a facilitator guide and manual for micro entrepreneurs to help micro entrepreneurs develop their own business plan. The **challenge** – the **Business Plan Guide** had to be developed in a simple way, since it would be a tool for micro entrepreneurs with no formal education.

Microfinance: Research sources of microfinance; how microfinance works-benefits/pitfalls; how to successfully obtain and use microfinance; develop loan application and collateral forms.

Evaluate OI operations in Nicaragua: Define all current steps (the process) of how a product moves from the artisan shop in Nicaragua to US. Assess how to reduce costs and increase effectiveness of sending products to international markets.

Assess the capacity of micro entrepreneurs: Develop a sample survey/questionnaire to provide a baseline of information on micro entrepreneur's production capacity for their shop.

Incorporating the information gained from meeting the Opportunity International Director; discussing the research results with the UAM students, understanding the issues from their point of view, changing the presentation as per their advice, made the final research findings more valid and meaningful.

The UM and UAM students also worked on solving the language barrier, translating the presentation power point slides into Spanish. While the UM students presented the research in English, the UAM students translated the research findings and recommendations into Spanish. The research and resultant recommendations were well received by Opportunity International staff and clients with some discussion after each presentation. Opportunity International felt that the students captured the essence of the issues involved and were optimistic that they could incorporate several of the recommendations.

The evening after the presentations, over dinner the students met with Tim Rogers, journalist and political analyst who has covered Nicaragua for many years. His first-hand accounts of the presidential inauguration which had just taken place and his depth of knowledge about Nicaragua's politics, provided the students with a much better understanding of the current political situation in Nicaragua.

Micro Entrepreneurs - San Juan del Sur

The remainder of the course took place in San Juan del Sur. This small coastal town has transitioned from a sleepy fishing village into a popular tourist destination. The community is ripe with small business opportunities to serve the influx of visitors and residents. The number of entrepreneurs who wish to begin and/or expand businesses is on the increase. Our local contact's close connections to this community enabled her to hand-pick the "mom and pop" entrepreneurs as she was very familiar with the individuals and their businesses.

The following four “mom and pop” entrepreneurs were paired up with the four student groups.

Roxanna – Clothing store

Needs: A brochure for marketing the clothing shop; a business plan to help her expand the shop

Research: Type of equipment and cost to set up a professional looking shop in her home

Training: Keep up with consumer needs/likes; business plan issues (goals/mission of business)

Ana Cecelia – basic small grocery

Needs: - move to a larger facility in a better location; bring in customers

Research: Who is the target consumer; product needs of the target consumer; product placement

Training: how to find out consumer needs/likes; business plan issues (goals/mission of business)

Lionell – microfinance business

Needs: Better understanding of microfinance and what it entails. Operation manual, including criteria for granting loans, develop a standardized application, set up a web presence; computer.

Research: What do other microfinance organizations do? What criteria should be used to loans? Who should be able to get a loan /purpose? How to get people to pay back?

Training: microfinance basics; basic computer skills, spreadsheets/Excel

Richard – taxi service

Needs: computer, website, brochures, marketing strategy, how to expand business

Research: How to attract more clients? Business plan;

Training: develop draft brochure, basic computer skills, spreadsheets/Excel

Each group of students (UM and UAM) chose an entrepreneur and worked with him/her for several days to help meet the entrepreneur’s needs. As with the projects for Opportunity

International some of the research was done as pre-work before the trip actually took place. UM

students met the entrepreneurs via Skype, used email and even phone to gather information so

that plans could be made to better assist each entrepreneur. Once in country, having the UAM

students as partners in these groups made the consulting projects so much more valuable and

productive, not only for the UM and UAM students but also for the entrepreneurs.

The language barrier was a non issue as the UAM students helped with the translations, business culture issues, and any other questions that came up.

Accomplishments

Student accomplishments included:

1. They used their marketing skills and creativity to raise money to use as grants for the entrepreneurs
2. They researched the issues and developed recommendations for Opportunity International, using finance, logistics, marketing and entrepreneurship skills.
3. They developed a sample business plan guide that will be used by Opportunity International to help their clients develop simple business plans, helping the micro entrepreneurs think through issues to help them grow their businesses.
4. They advised and worked closely with the micro entrepreneurs to help them meet all of the stated needs: money, equipment, computers, training.
5. They gained real-life understanding of microfinance – how a small amount of money, made a deep impact in the life of an entrepreneur and his/her family. They also learned that microfinance does not work for everyone. For example, students visited microfinance clients who failed to pay back their loans.
6. They saw, first-hand, the opportunities and challenges inherent in cross cultural experiences.

The students raised \$710, through appeals to friends and family and through a children's book sale. Students also obtained two donated laptops and accessories for the entrepreneurs. They decided to give each of the four entrepreneurs with whom they worked equivalent amounts. Roxanna, clothing store owner and Ana Cecelia, grocery store owner, each received \$355. Lionel, microfinance lender, and Richard, taxi service owner, received laptops and accessories, which had an approximate value equal to the cash awards. Roxanna

used her grant to purchase shelving and displays for her store, and Ana Cecelia used her grant to stock her enlarged store.

Microfinance models at other Universities

While the students' microfinance experience was a one-time event, with monies given as grants, and no returns expected, it did show them that a relatively small amount of money (to most Americans) can make a big difference in the quality of life of the entrepreneurs and their families. The awards ceremony with the entrepreneurs was very emotional with several entrepreneurs saying that this allowed their dreams to come true. In some universities, microfinance is taking place on a larger scale. For example, St. Johns University started Globe, a student-managed micro lending program. Using Daughters of Charity as field agents, Globe managers examine loan applications from entrepreneurs they have not met from three continents and several countries (Sama 2010). Students raised \$60,000 their first year to fund their loans which range from \$60 to \$500. According to FIELD (Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination) at the Aspen Institute, there are 11 micro finance organizations run by university students (Haralson 2011). The funds offer training and technical assistance, microloans and in some cases, personal small-dollar loans. Funding comes from private individuals, university grants and local banks and foundations. In 2009, the Campus Microfinance Alliance was formed, co-founded by Rutgers Intersect Fund, Brown's Capital Good Fund and Yale's Elmseed Enterprise Fund. The Alliance provides seed grants and technical assistance to new student-run micro lenders.

Nest Steps

The University of Maryland study abroad experience has the potential to lead to a school-wide micro lending operation. The study abroad experience is likely to be repeated in Nicaragua and other countries in future terms.

Conclusion

Developing a business plan, and understanding the financing of a business are key components in a finance education. While this study abroad trip applied the principles to a small business, the finance theory is applicable to all sizes of business organizations. This trip also advanced the exploration of social value creation – how successful businesses can add value individually and to the economy as a whole. The course supported the business school’s goal of integrating international experiences into the curriculum. Most students in their work after graduation will be working for customers that have international customers and suppliers and will need to know how to deal with business and people of differing cultures. This course accomplished its goals. In addition, the students gained hands on experience, saw how their knowledge and creativity can make an impact on the lives of others, and made friends for life in another country.