

The NAU SIFE Model for Micro Enterprise Development: The Formation of a Cooperative Micro Loan and Entrepreneurship Education Program

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Abstract

This paper describes the unique structure of a micro loan program that links university and economic development needs of communities through entrepreneurship education. Developed by university students, this program provides loan capital, business education and technical assistance to entrepreneurs and is cooperatively administered by a student organization and three other agencies. The program is unique because it engages university students in experiential and service learning, through their roles as program administrators and entrepreneurship educators. The program structure simultaneously offers a solution to the problem of how to deliver the crucial educational component of micro-lending programs in a low-cost and efficient manner.

I. Introduction

The recent resurgence of interest in free enterprise, as evidenced by the growth and proliferation of entrepreneurship educational programs, is fortifying the role of small business as the backbone of the US economy. For younger children (K-12) several non-profit organizations, such as Kid's Way Corp., Junior Achievement and Overcoming Obstacles, have been growing and expanding their educational reach with a variety of free enterprise programs, camps, training, and curriculum. Entrepreneurship majors have been growing as a field of study at the university level. Increasingly, universities are hosting business simulation and business plan competitions. Philanthropic organizations such as the Coleman and Kauffman Foundations provide grants for entrepreneurship educational program development. Students in Free Enterprise, a university student organization, has expanded to over 600 universities and continues to grow in the US and internationally.

At the same time, tremendous growth in micro-lending institutions and programs is occurring internationally. These programs are proving to be effective in increasing the economic self-sufficiency of low and moderate-income people through self-employment. Many of these micro-loan programs operate on the premise that business knowledge and skills are the most critical gaps that must be filled before business success can be achieved. The challenge posed is determining how to deliver these services in a cost-effective and high-impact method.

This paper proposes that one solution to this challenge is to engage our university students through service-learning opportunities and internships in the entrepreneur education process. The paper describes an innovative, cooperative structure linking university students to a newly- formed microenterprise loan program, developed and run by university students.

The remaining five sections of the paper are organized as follows: Section II provides background information on the history of microenterprise development. Section III discusses the educational objectives of the Students in Free Enterprise (SIFE) organization and "service-

learning” as a higher education pedagogic method. Section IV describes the micro loan program and Section V discusses the formative process of the program. Section VI discusses the feasibility and cost-effectiveness of future program development. Conclusions are presented in section VII.

II. Background of Microenterprise Development

Microenterprise development came to the U.S. from developing countries over 10 years ago as a way to provide credit and financial services to rural and urban poor. In the more developed economy of the US, micro lending has become a niche strategy for 1) fostering small business creation and growth among disadvantaged populations without access to conventional resources; and 2) increasing economic self-sufficiency of low and moderate-income people through self-employment (Shorebank Advisory Services, 1996). Microenterprises commonly are defined as businesses with five or fewer employees and credit needs under \$25,000. According to the most recent data available from the US Small Business Administration, between 1989 and 1991, 2.5 of the 2.6 million new jobs created in the US were in small businesses with five or fewer employees.

In recent years there has been tremendous growth in micro-lending programs and institutions nationally. As of 1996, at least 266 microenterprise programs were operating in the United States, an increase of more than 200 percent over 1994. Although the bulk of these programs are less than three years old, collectively they have served over 170,000 clients and loaned over \$126 million. In 1995 alone, programs report lending more than \$35.5 million to 36,211 businesses (Directory of US Microenterprise Programs, 1996). Rapid growth in micro-lending is occurring because these programs are proving to be an effective means of alleviating poverty and spurring economic development in rural and low-income communities (SEID, 1995).

Research studies by the Self-Employment Learning Project (SELP, 1996), the Mott’s Foundation’s Seed Capital Assessment Project, and the evaluation of the Self-Employment Investment Demonstration (SEID, 1995) provide evidence that these programs are creating jobs and raising incomes and asset levels among the poor. However, research also indicates that to be effective, these programs must not only provide capital, but also must include intensive business training and technical assistance that is typically very costly to provide. The findings of the Aspen Institute’s five-year SELP study of seven microenterprise programs emphasize the fact that business training and technical assistance are critical service components of these programs. The programs studied all operated on the premise that business knowledge and skills are the most critical gaps that must be filled before business owners can achieve success. The challenge posed is determining how to deliver these services in a cost-effective and high-impact manner.

One solution to this challenge is to engage our university students through service-learning opportunities and internships in the entrepreneur education process. In order to facilitate the linkage of university students to community microenterprise development agencies, a program structure is needed. One such structure already exists in the form of the Students in Free Enterprise (SIFE) organization, which is discussed in more detail in the following section.

III. Educational Objectives: Meeting the Educational Needs of Our Students and Communities

Founded in 1975, SIFE is a non-profit educational organization working in partnership with business and higher education, providing college students the leadership experience of establishing free enterprise community outreach programs to teach others how market economies and businesses operate. SIFE's overall mission is "to provide college students the best opportunity to make a difference and to develop leadership, teamwork, and communication skills through learning, practicing, and teaching the principles of free enterprise" (SIFE Annual Report, 1998). Currently, the SIFE organization consists of more than 30,000 students at over 600 colleges and universities. Funded by more than 500 corporate donors, SIFE is expanding internationally, due to the demand for free enterprise education in South America, Eastern Europe and the former Soviet Republics. Forty new SIFE teams have been formed this year in Brazil alone.

One or more university faculty advisors (designated as Sam Walton Free Enterprise Fellows) supervise SIFE teams. SIFE Fellows spend hundreds of hours of their time working with their SIFE teams. The role of the SIFE faculty advisors is to coordinate project activities, supervise students, and help them raise funds to cover their projects, travel and equipment needs.

The SIFE teams develop and deliver educational programs and projects to K-12 students, peers, adults, and business owners in their communities. The number of educational programs and projects delivered by SIFE teams to their communities varies widely, ranging anywhere from 20 to 150 projects in a given year. Some projects involve a single presentation while others have a much greater outreach, including multiple presentations. For example, SIFE students might deliver 10 curriculum modules at 5 different schools resulting in 50 presentations. The SIFE students are required to document the impact of their programs, and ensure their success and continuation in the future. Student teams prepare a six-page annual report each year and have the opportunity to compete at Regional and International SIFE competitions, where hundreds of corporate executives judge SIFE teams' 24-minute multi-media presentations.

Through the development and delivery of their educational programs, SIFE students engage in experiential learning. Experiential learning encompasses a wide range of methods that actively engage the learner in the learning process. This pedagogical tool better prepares university students for the "real world" through the development of critical thinking, leadership, teamwork, and communication skills. Experiential learning enables students to apply their knowledge to real business problems and formulate feasible solutions through research and analysis.

Service learning is one form of experiential learning, that many SIFE teams engage in through the delivery of educational programs targeted to their communities. Service learning is:

"a method under which students learn and develop through active participation in thoughtfully organized service that is conducted in and meets the needs of a community, and is coordinated with the community and with an elementary school, secondary school,

institution of higher education, or community service program” (National and Community Service Trust Act, 1993).

A blue-ribbon committee of some of America’s leading educators and business owners, supports the notion of service-learning:

“There is no substitute for experience. Academic work should be complemented by the kinds of knowledge derived from first-hand experience, such as contributing to the well-being of others, participating in political campaigns, and working with the enterprises that create wealth in our society.” (The Wingspread Group on Higher Education, 1993)

An example of experiential learning that provides a “real-world learning laboratory” for SIFE students and community citizens is the cooperative micro-loan and entrepreneurship education program developed by SIFE students at Northern Arizona University. Through active participation in this project, SIFE students are exposed to the educational and economic development needs of our communities, the business formation process, credit analysis and underwriting issues of capital lenders, and interpersonal communication techniques. This program is discussed in detail in the following two sections.

IV. Micro Loan Program Description

Northern Arizona University’s Students in Free Enterprise (NAU SIFE) forged the development of the Northern Arizona Small Business Loan Fund (NASBLF) in order to provide needed loan capital, business education and technical assistance to entrepreneurs throughout northern Arizona, who otherwise are not eligible for conventional bank funding. Northern Arizona consists of small cities, rural areas, portions of the vast Navajo reservation and several smaller Native American tribal reservations. Due to high unemployment rates and poverty levels on the Indian reservations, third world living conditions are prevalent in the northern portion of the state.

These partners cooperatively administer the program:

- Northern Arizona University Students in Free Enterprise (NAU SIFE), a student organization, consisting primarily of business and education majors whose mission is to provide education about how market economies and businesses operate,
- Chicanos Por La Causa (CPLC), located in Phoenix, is the third largest community development corporation in the US, dedicated to providing a variety of social service programs in Arizona,
- Greater Flagstaff Economic Council (GFEC), a community development corporation whose mission is to improve the economic well-being and opportunity of citizens in the Flagstaff community,

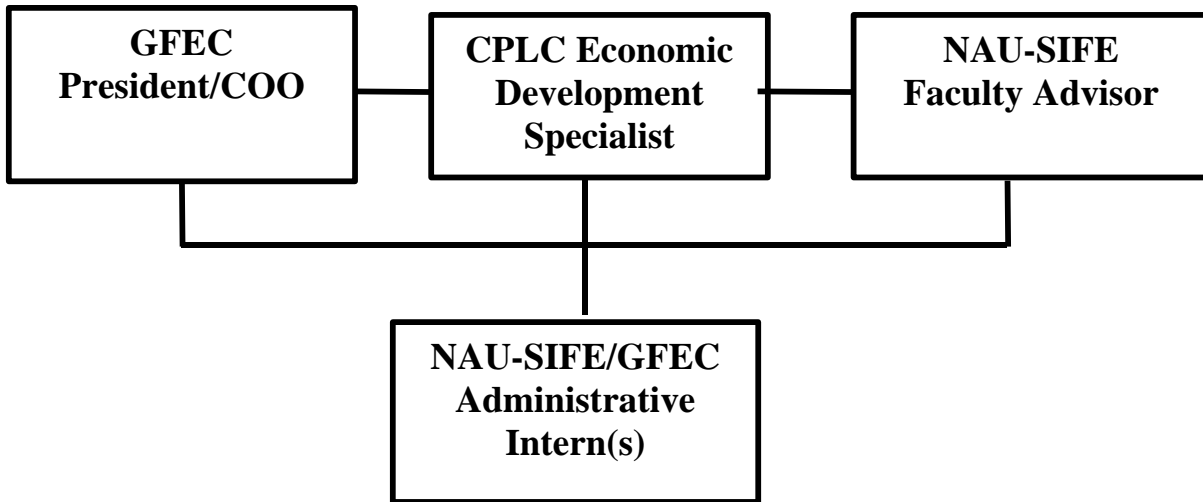
- Coconino Community College Small Business Development Center (SBDC), a technical assistance agency committed to helping small businesses succeed.

CPLC provides loan capital to entrepreneurs, while the other three partners provide program administration and business education. Figure 1 shows the organization chart for the cooperative structure. The program has received over \$150,000 in funding for administration and training from the City of Flagstaff and five banks. This funding will be sufficient to operate the program for more than three years as the budget forecast is only \$42,000 per year. Already, several banks have committed to additional future administrative funding, and the Arizona Department of Commerce has expressed an interest in providing additional loan capital.

GFEC provides office space and serves as the contracting agent with the City of Flagstaff and CPLC. NAU SIFE students, employed as paid interns at GFEC and SBDC, administer and coordinate activities for the program. Figure 2 provides a detailed description of SIFE interns' administrative and technical assistance responsibilities. Other SIFE students work one-on-one with loan applicants, assisting them in the preparation of business plans. NAU faculty and the SBDC provide oversight in the business plan development process.

**Figure 1. Northern Arizona Small Business Loan Fund
Organization Chart**

Loan Administration Organizational Chart



Technical Assistance Organizational Chart

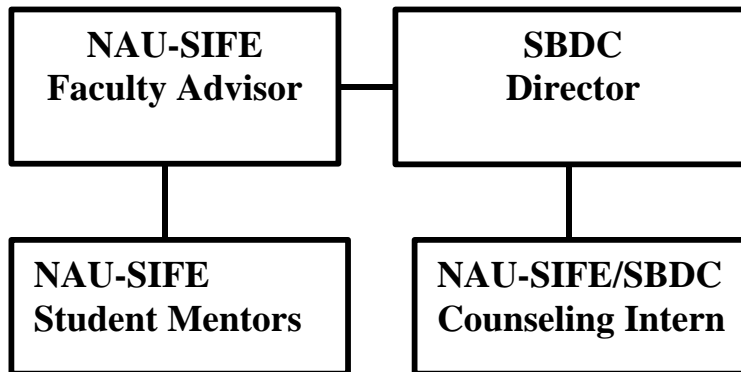


Figure 2. Northern Arizona Small Business Loan Fund SIFE Intern Responsibilities

Administrative Intern(s) at GFEC:

- ◆ Field all inquiries
- ◆ Set up information sessions (individually or group)
- ◆ Prepare brochure and distribute (local banks, service agencies, chambers of commerce, library, city and county offices, etc.)
- ◆ Prepare all necessary forms: client intake sheet, loan application, form letters, etc.
- ◆ Prepare and update workshop training (SBDC, SCORE)
- ◆ Prepare marketing plan/press releases
- ◆ Maintain client database for tracking and reporting purposes
- ◆ Prepare and monitor budget (accounting done by GFEC as a sub-account)
- ◆ Coordinate business plan preparation with SIFE students, NAU faculty and SBDC
- ◆ Perform risk assessment analysis, and gather all financial information: credit check, financial analysis, etc.
- ◆ Set up loan advisory committee meetings/coordinate and reproduce all information
- ◆ Write summary reports for loan advisory committee
- ◆ Forward all information and loan recommendations to CPLC
- ◆ Coordinate with Sherry SentGeorge (CPLC) for client visits, training, auditing, etc.
- ◆ Gather and verify all required legal documentation for CPLC
- ◆ Perform other duties as assigned

Business Assistance Intern at SBDC:

- ◆ Assist clients with finalizing business plan
- ◆ Verify accuracy and feasibility of client-provided information
- ◆ Prepare financial projections with client-provided information for inclusion in the business plan
- ◆ Run a financial analysis on historical and/or projected financial statements
- ◆ Write a financial analysis summary report for loan committee
- ◆ Coordinate review of business plan by SBDC Director, NAU faculty member, or business banker
- ◆ Help prepare client for question and answer session with the local loan committee

A local loan advisory committee consisting of NAU College of Business faculty, business bankers, CPAs, and agency directors, reviews client applications and business plans. The 9-member committee then forwards its recommendations to CPLC for final approval and funding. NAU SIFE, GFEC, SBDC, and Service Corp. of Retired Executives (SCORE) provide on-going technical assistance for clients who are successful in obtaining loans. Two other business assistance centers in the College of Business at NAU; the Small Business Institute (SBI) and the Center for American Indian Economic Development (CAIED), also provide research, counseling, and training for small businesses. Figure 3 outlines the process that clients will progress through to obtain capital for their business enterprises.

Figure 3. Northern Arizona Small Business Loan Fund Client Process

- 1.** Information Session: One-on-one with SIFE/GFEC intern or group session is scheduled if there are many inquiries. Client fills out counseling intake sheet, signs release form for credit check and pays \$10 for the credit report. Respond within 3 days regarding credit check. If rejected, client called by CPLC or intern.
- 2.** Client must attend “Start Your Own Business” workshop given by SCORE or SBDC (3 hours). Client must pay for (\$20-\$35) and obtain proof of attendance. (Not required if in business over 1 year).
- 3.** Client fills out loan application and pays \$20 fee.
- 4.** Business Plan Preparation – client assigned to SIFE student to complete business plan workbook. SIFE students supervised by College of Business faculty at NAU.
- 5.** Client turned over to SBDC for business plan completion, financials, and financial analysis to be performed by SIFE student intern at SBDC. Risk assessment analysis and summary report prepared by SIFE/GFEC intern.
- 6.** Business plan reviewed and evaluated by member of sub-committee (NAU faculty, SBDC Director or bank loan officer). Business plan evaluated on a scale from 1 to 3 (1 = Excellent) and rating incorporated into risk assessment analysis.
- 7.** Client is scheduled to meet with loan advisory committee to answer questions regarding the business plan (10-minutes). Loan advisory committee approves or denies and makes recommendation on loan terms and interest rates. Letter is sent to client from committee recommending loan approval or denial.
- 8.** Forward loan advisory committee’s recommendation, summary report, business plan and financial analysis to CPLC for final review and loan decision.
- 9.** SIFE/GFEC intern gathers information: UCC filing, legal documents check, etc.
- 10.** CPLC travels to Flagstaff to execute all necessary documents and loan agreement. Copies made and filed in Flagstaff. Loan origination fee of \$100 charged to client.
- 11.** SIFE/GFEC intern follows up with client at six months, requests financial statements, and /or refers to SBDC for “wellness check.”

NASBLF consists of three loan programs: 1) an SBA Micro Loan Program with loans from \$2,000 - \$25,000 2) a Native American & Minority Loan Fund with loans from \$1,500 - \$5,000 and 3) an NAU SIFE Student Loan Fund, targeting high school and college student entrepreneurs with loans from \$200 - \$1,500. Interest rates on loans average 12 percent and terms for the SBA and Minority loan funds are less than 6 years. The student loans carry terms less than 2 years. Funds may be used for working capital or the purchase of equipment, machinery, furniture, fixtures, inventory, or supplies. All loan proceeds must create or maintain jobs for low or moderate-income people.

V. Program Formation

This section describes the process through which the micro-loan program was created. Included is a discussion of the major challenges faced and the strategies employed to overcome various obstacles. Anecdotal evidence provided by local bankers and technical assistance agencies, as well as a significant volume of business owners seeking assistance, demonstrated a large demand for micro loan capital and business education. Demographic information for the largest county in northern Arizona indicates that 23% of those for whom poverty status has been determined, live below the poverty level.

The NAU SIFE faculty advisor, and SIFE President, a student in the College of Business, researched existing micro loan programs. Visits, meetings, and discussions were held with Multi Bank, the Self-Employment Loan Fund (SELF) and Chicanos Por La Causa in Phoenix, and with the Utah Microenterprise Loan Fund in Salt Lake City, Utah. Additionally, several microenterprise studies were researched to obtain a sound understanding of the factors contributing to successful micro loan programs. The primary findings resulting from this initial research were: 1) Micro loan programs consist of three key components: loan capital, program administration, and business training, 2) The administrative agent for the program has to be a non-profit 501 3c corporation and 3) The business training process and on-going technical assistance function are critical to program success and, therefore are a key component required by any micro lender considering a partnership.

Administrators of all three micro loan programs in Phoenix were willing to consider partnering with NAU SIFE. However, due to legal liability issues within the university system, SIFE could not form its own non-profit 501 3c corporation. Thus, partnering with a local non-profit 501 3c corporation for the administrative and business training functions made more sense. The President of the Greater Flagstaff Economic Council (GFEC) was then contacted. He wholeheartedly supported the program concept and agreed to serve as the contracting agent and provide office space. However, GFEC did not want to assume the administrative responsibilities of the program. Since SIFE students would perform the administrative functions, GFEC's administrative involvement was not necessary. GFEC also indicated that they are an approved contractor for the City of Flagstaff, who recently had announced a request for proposals for \$50,000 for a micro loan program.

The next phase of program development focused on configuring the business training and technical assistance components of the program and obtaining funding for administration and business training. The SIFE student president agreed to engage in a supervised independent

study in the fall 1997 semester, for the purpose of writing the funding proposals. On the training side, discussions with the director of the Coconino County SBDC were initiated. Although supportive of the program, SBDC declined to become responsible for the business training component due to limited staff and resources. The time frame for micro loan applicant training was also problematic, because the business clients were likely to apply continuously, while most training typically is delivered in discrete time blocks on a regular basis. The solutions generated for the training process were:

- Require the clients to attend a 3-hour “Start Your Own Business Workshop.” Both the SBDC and local SCORE chapter offer these workshops on a monthly basis.
- Identify a suitable business plan workbook for clients to complete.
- Coordinate SIFE students to work one-on-one with client applicants to mentor them through the business plan development stage. Once the workbook is completed, the clients would then be referred to the SBDC for business plan finalization.
- Fund a SIFE student intern at the SBDC to handle the client volume and assist clients with preparation of financial statement projections, and to perform financial analyses on those projections.
- Have the SBDC director perform a completeness check on the business plan.

Once the core elements of the program were identified and the SIFE/GFEC/SBDC partnership and program structure were agreed upon, the remaining question was which micro lender to contract with for loan capital. In making this decision, all partners agreed that maintaining flexibility and retaining local control were important. Since the partners have a better understanding of the local business environment, rural economies, and individual client needs, they wanted the loan decision process to reside with a local committee. Chicanos Por La Causa (CPLC) was chosen because it was the most willing to accommodate the partner’s concerns and is intensely focused on community development efforts. CPLC was agreeable to allowing a local loan advisory committee make loan recommendations and willing to train SIFE interns and the local loan advisory committee. Additionally, CPLC has successfully operated a micro-loan program since 1992, has a cumulative default rate of only 2 percent, and has SBA approval to lend up to a half million dollars in Coconino County.

The final element to complete the program structure was obtaining funding for local program administration and training. The independent study conducted by the SIFE President resulted in a program proposal that the student presented to the Mayor of Flagstaff, bank representatives, and agency directors. Written funding proposals were then submitted to the City of Flagstaff for their \$50,000 Request for Proposal and to five local banks. Table 1 contains the projected 3-year pilot program budget totaling \$126,000. The proposals resulted in funding commitments exceeding \$100,000 from the banks and \$50,000 from the City of Flagstaff.

Table 1. Northern Arizona Small Business Loan Fund Proposed Three-Year Budget

Computer, Software, Office Equipment and Furniture (one-time expense)	\$ 3,000
Administrative Payment to CPLC (\$5,000/yr.)	\$ 15,000
(3) 20 hr./wk. SIFE Interns (\$7.50/hr., 50 weeks/yr.)	\$ 67,500
Employee Taxes (15% of wages)	\$ 10,125
2 Faculty Oversight Stipends (\$3000/yr. Each)	\$ 18,000
Marketing /Brochures (in-kind donation from Bank One)	\$ 0
Printing/Copying (\$600/yr.)	\$ 1,800
Telephone (\$ 75/mo.)	\$ 2,700
Office Supplies (\$300/yr.)	\$ 900
AEO Membership (\$150/yr.)	\$ 450
Training Materials (Business Plan Workbooks)	\$ 2,000
Conference Travel (\$1000/yr.)	\$ 3,000
Miscellaneous Expenses (\$500/yr.)	<u>\$ 1,525</u>
TOTAL 3-YEAR BUDGET	\$126,000

YEARLY BUDGET = \$42,000

Throughout the entire formation process, the local banks were very supportive. One bank in particular, took an active role in facilitating the development of the program. Bank officials attended several meetings with micro-lenders, met with key agency directors in Flagstaff, and provided food and transportation. The enthusiastic response of the banks is due to a number of factors. First, the banks' monetary contributions to the program qualify for investment under the Community Reinvestment Act. Second, the banks now have somewhere to refer clients who do not meet bank-lending guidelines or otherwise cannot qualify for a loan. Finally, the training component of the micro loan program will result in better educated business owners, who, if successful, will become future clients of the banks.

Once funding was obtained, the actual start-up process for the program took one month. CPLC executed a contract with GFEC that included a \$5000 per year payment from NASBLF to CPLC to cover administrative costs, training, and travel. CPLC sent an economic development specialist to Flagstaff for two days to train the SIFE /GFEC student intern and local loan committee members. The intern purchased all essential office equipment, designed the loan fund brochures, prepared all loan applications, checklists, and documents, and coordinated the press

conference held in August 1998. SIFE students (CIS majors) volunteered to install all the computer equipment, software, printer, fax and phone system.

VI. Feasibility and Cost-Effectiveness of Future Program Development

The Self-Employment Learning Project (SELP) identifies three strategies of micro lending programs. The first is the credit-led individual lending strategy whose that provides credit to individuals who can't qualify for loans from traditional credit sources, but are capable of developing and managing their businesses with relatively minimal support. The second type are group lending strategies, which employ a peer structure to provide small loans to low income and inexperienced borrowers, and uses that structure to guarantee loans and to provide training services. The third category includes training-led strategies (used by the largest number of programs in the SELP study), which allow access to credit, once training requirements, including the development of a business plan, are met.

The NAU SIFE model falls into the third category of training-led strategies. Several programs using training-led strategies have experimented with linkage or partnership arrangements that allow for cost-sharing of service delivery with other organizations. Many training-led programs also are exploring innovative ways to create partnerships or intermediary structures that can allow for lower-cost or more efficient delivery of program services. However, the fact that university students directly train and administer the NAU SIFE micro-loan program, distinguishes it from existing programs. SIFE students work on-on-one with clients, mentoring them through the business plan research and development process and SIFE interns perform virtually all administrative aspects of the program. Faculty advisors and agency directors provide oversight and direction, but are not involved in the day-to-day operation of the program. Student participation, combined with a partnership structure may prove to be a cost-effective method that will enable microenterprise programs to pursue financial sustainability, without compromising the quantity or quality of the training and technical assistance component.

College students who participate in SIFE volunteer their time to teach others what they have learned and tend to be motivated by a desire to "make a difference" in their communities. SIFE teams centered in colleges of business, like NAU's team, possess the knowledge and skills to be effective entrepreneurship educators. Engaging this under-utilized work force in meaningful service learning opportunities not only benefits the community, but also helps to produce college graduates who possess superior skills. Through experiential and service learning these students not only obtain valuable job skills (for example leadership, teamwork, and communication skills) prior to entering the workforce, but also learn to become "community citizens," with a better sense of civic responsibility (a recurring theme among graduation commencement address speakers).

The cost effectiveness of the NASBLF has yet to be determined, however with a projected annual budget of only \$42,000 per year, the program should prove to be extremely cost efficient. The Northern Arizona Small Business Loan Fund (NASBLF) program could easily average only \$1000 per assisted business assuming only 42 clients per year are assisted. In

comparison, the 1994 average cost per assisted business was \$3018 for the seven microenterprise loan programs included in the 5-year SELP study. A direct comparison of the NASBLF program to those in the SELP study may not be appropriate since loan capital is not provided. However, the NASBLF budget includes administrative payments to CPLC, the capital lender, for loan servicing. Presumably, this reflects CPLC's estimate of the incremental costs incurred in servicing the loans. Finally, the SELP study programs are older and much larger, servicing anywhere from 206 to 978 clients per year. As the NASBLF program grows and more businesses are assisted, economies of scale should be achieved resulting in even lower costs per business assisted.

VII. Conclusions

The proposed NAU SIFE micro-loan model is more feasible and appropriate in small communities where access to a college or university exists and a cooperative structure is needed to collectively accomplish the process. Finding college faculty who are advocates of experiential and service learning may be challenging, however higher education officials are beginning to recognize the benefits of greater student and faculty involvement in their communities. Certainly, SIFE faculty advisors exemplify a new generation of university educators.

While the NAU SIFE micro loan program is in its infancy, already it has generated much interest in the state with the Department of Commerce, The Small Business Administration, and city and county officials who are concerned with economic development, unemployment, and community development issues. Discussions are underway with SBDC directors and university faculty for statewide expansion opportunities in Yuma and Apache counties. Teleconferencing technologies are being explored to provide the ability to conduct face-to-face counseling with clients in remote rural communities, especially those on the Native American reservations, where business assistance is scarce.

Since SIFE teams currently are active on over 600 college campuses nationwide and 328 microenterprise programs were operating in 46 states in 1996, the potential for national application of this model is exciting. In California alone, 31 microenterprise programs were operating in 1996 and currently, 40 colleges and universities in California participate in SIFE. The emerging micro lending industry has identified low-cost and effective delivery of entrepreneurship education as a major challenge. Service-learning initiatives in higher education and the growth of SIFE provide the opportunity to engage an educated and motivated student work force in the process of microenterprise development. This paper presents a working model of a unique micro loan program enabling college students to participate in the free enterprise education of community citizens.

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