Lessons on Microenterprise Development from a University-Based Microlending Development Program

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Abstract: This chapter describes the University at Albany’s innovative $2.5 million Small Enterprise Economic Development (SEED) program. The program provides character-based microloans to low-income entrepreneurs in New York State’s Capital Region, supported by mentoring and guidance from local executives and graduate students. The chapter considers the opportunities and challenges of implementing such a program, based on the results of a pilot study. Although relatively new, SEED has generated some promising results relating to regional economic development. SEED may be a useful model for universities seeking to (1) extend credit to worthy entrepreneurs who are underserved by traditional funding sources; (2) enhance local competitiveness by stimulating economic development in inner-city neighborhoods. Unlike conventional economic development initiatives, which are typically targeted to high-tech firms, SEED is targeted to the “bottom of the pyramid.” (Prahalad 2005). This unique program can be adopted by other universities seeking to promote regional economic and social development.

Keywords: regional economic development, social entrepreneurship, microloans, underserved populations, SEED

Economic development is widely regarded as the key to growth and prosperity. However, the social development that must be in place to support such growth is often overlooked. Thus, integrating social and economic development is viewed as a best practice
internationally (Midgley 1997). Such integrative practices and investment in the “ecology” of innovation and enterprise formation have been less well developed in the United States. The Small Enterprise Economic Development (henceforth, SEED) program, an innovative microloan pilot program, has been operating in the New York State (NYS) Capital Region since 2011 (http://www.albany.edu/seed/). SEED is a public-private collaborative effort between the Albany Small Business Development Center (henceforth, SBDC) and the University at Albany School of Business and School of Social Welfare to provide funding, training, and support to entrepreneurs in New York’s Capital District. A large statewide credit union originally provided $2.5 million for a revolving loan fund. The first two years of financial support for program operations was provided through a start-up grant from the New York Empire State Development Corporation to offer a character-based microloan program that assists new and existing small businesses that are underserved by traditional funding sources.

This chapter provides an overview of this unique program and its successes and challenges to date. We present preliminary findings on the extent to which character versus traditional cash, credit, and collateral predicts effective lending and small business success. In addition, we test the integration of social and economic development and examine the ability of SEED to meet some of its initial goals of promoting entrepreneurship among underrepresented groups in the region.

Local Context

In New York State, 287,840 of all 443,992 firms (65 percent) have four or fewer employees (US Census Bureau 2014c). Thus, policymakers view entrepreneurs—not big business—as the key drivers of economic development and job creation, with small
business development a key feature of a diversified and vibrant economy (Birch 1987). Not only do small businesses create more jobs than large firms, they also help stabilize and revitalize distressed communities by utilizing local resources and strengths. Moreover, developing small businesses and microenterprises also complements the state’s efforts to attract larger corporations to upstate New York.

According to US Census Bureau data, New York’s Capital Region has developed into communities of haves and have-nots: urban poverty prevails alongside a booming Tech Valley. That is, the suburbs and high-profile city neighborhoods have prospered, while inner-city neighborhoods continue to suffer economically. Despite the region’s technological and economic growth, there appears to be no trickle-down effect for poorer households. Census data provide stark evidence of higher levels of poverty in the city. For example, the Albany County poverty rate was 13.7 percent in 2010, compared to 28.2 percent in Albany city (US Census Bureau 2010). Data on surrounding cities provide similar evidence of persistent inner-city poverty.

Character-Based Microlending

That old joke that banks will loan you money only if you can prove you don’t need it is especially true for underserved populations. Standard funding criteria place lower-income individuals who seek funding for business loans at an overwhelming disadvantage. Current lending policy requires personal capital, high credit scores, and collateral at levels that are not available to most low-income individuals. These barriers to accessing capital can be insurmountable. Research from international lending for microenterprises demonstrates that revolving loan funds are highly successful. For instance, the Grameen Bank, led by the acknowledged granddaddy of microfinance and Nobel Peace Prize...
winner professor Mohammad Yunus, boasts a 99 percent repayment rate (Yunus and Jolis 1999). Such high repayment in turn fosters incremental leveraging that leads to successful implementation of business plans.

There is a strong need for new programs that make loan funds available using a different methodology to assess the candidate’s ability to repay loans and provide social and business supports. It is safe to say that commercial loans are greatly reduced in distressed areas if traditional lending analysis is used that depends on essentially wealth indicators. In short, an alternative criterion and methodology beyond using the traditional requirements of cash, credit, and collateral can be applied to stimulate economic growth.

An alternative model that predicts a loan candidate’s ability to generate revenues and profits (and hence, has the capacity to repay the loan) is based on establishing the character of the candidate, as well as the validity of the business model. Examples of character traits include the entrepreneur’s socioeconomic environment, personal commitment to transparency and accountability, completion of entrepreneurial training, entrepreneurial drive, personal integrity and honesty, and active involvement with an assigned mentor.

Social and Business Supports

A microenterprise fund can support microentrepreneurs in their initial stages of development, help them to expand an existing business, or support survival during difficult economic conditions. Microenterprise programs not only provide access to credit, but also offer technical assistance in supportive environments that reinforce initiative and achieving entrepreneurial goals. The Grameen Bank found that social supports through peer-based lending and related initiatives were essential to success
(Yunus and Jolis 1999). While such peer-lending decisions are not integrated into the SEED program, the development of peer and professional social supports is a key feature of the program. SEED offers mentoring and guidance along with trouble-shooting to help microentrepreneurs overcome obstacles to success. SBDC counselors, interns from the UAlbany School of Business and the UAlbany School of Social Welfare, and student and alumni volunteers serve as mentors and provide ongoing technical assistance and social support to the entrepreneur. All of these are intended to increase the odds of success for otherwise high-risk ventures.

The program is administered by the Albany SBDC, which interacts with over 1,000 entrepreneurs every year. While the majority of these aspiring entrepreneurs have developed a valid business model and feasible business plan, slightly more than 20 percent get financing largely because the vast majority of clients never apply for financing. Many engage with SBDC for advice on such matters as marketing, financial analysis, the Empire State Development’s Division of Minority and Women’s Business Development procurement certification program, technology development, and other areas. Many who seek financing do not apply for funding, because of the risk involved or because they have not formulated a complete business plan. Some of these entrepreneurs enter the SEED program.

SBDC staff note that many of the local working poor they meet with would like to start a small business to break out of the cycle of poverty. While this population might want to start their own small business, their lending options have been limited. On the other hand, some lenders speculate that small enterprise lending could be a profitable market segment for financial institutions especially when the microenterprise grows and
requires additional funding. The SEED program was established with a goal of promoting and fostering small businesses and microenterprise development within distressed communities. In ways rarely seen in regional development initiatives, this project draws on the resources of diverse sectors, including social services and economic development, to provide the necessary supports that will advance entrepreneurship and improve opportunities for individuals within distressed communities.

**SEED Program**

At its core, the SEED program consists of the following components: the application process, training and business plan development, loan award, and ongoing peer support. Initially, prospects fill out an application, provide character references, and undergo an interview with a program staffer. Unlike many microlending programs that operate in developing countries, the SEED program does rely on some formal criteria, including criminal background checks, a review of the applicant’s credit report, and a general finance review. An additional tool used to assess applicants is the Entrepreneurial Assessment metric, which has applicants rate themselves on 20 different factors thought to be associated with business success. Applicants are also asked to explain any financial issues, though credit-scoring measures are not used in the decision-making process.

Individuals who make it past the application process are required to complete an eight-week training program offered by SBDC to learn the key components of becoming a successful small business owner. Workshop training sessions include strategic planning, legal issues, marketing, and financial management. Applicants also receive technical assistance in developing a business plan and the loan application. Counseling and assistance is also available on such specific topics as budgets and marketing through the
SBDC as need. Finally, at the end of the process all applicants make a business plan presentation to three loan officers from the credit union, which makes the final decision on awarding the loan. Up to $35,000 is available for viable candidates who successfully complete the SEED screening and training process. All loans incur a 7.0 percent interest rate for seven years. [Figure 23.1] provides an overview of the program elements and partners.

[Figure 23.1 HERE]

**Loan Administration**

The credit union administers and services the loans. Most small business loans of this size tend not to be profitable for banks because of the prohibitive costs of originating, processing, and servicing such transactions. The small size of microloans means that bank fees, which are typically based on a percentage of the loan principal, do not yield sufficient revenues to justify extending such loans. Fortunately for the SEED program, a large statewide credit union has decided to provide financial support as part of a commitment to the larger community. However, for financial supporters of microlending in general, there are also long-term incentives for making the investment.

The main objective of a microlender is to develop this crucial niche market with the overall social goal of providing financing, technical assistance, and opportunities to underserved customers. Through microlending initiatives such as the SEED program, low-income borrowers obtain financing that enables them to start or expand their business, gain experience, and establish a demonstrable track record. For successful microloan businesses, this translates into larger loans from conventional lenders in the future and hence future business opportunities for lenders.
Developmental Evaluation

To assess the initial implementation of the SEED program and to build in continuous quality improvement, a developmental evaluation was conducted by UAlbany’s Center for Human Services Research on the process and initial outputs of the program during roughly the first one-and-a-half years of operation. The evaluation consisted of two major components: An analysis of SEED program data and a survey of program applicants. The purpose of the analysis of program data was to identify strengths and weaknesses of program implementation, including the recruiting and screening process, the nature and consistency of program delivery, and the performance of the initial groups of applicants. The intent of the survey of program applicants was to examine participant satisfaction, gauge the quality and effectiveness of program components, and identify early outcomes such as hiring and business sustainability. Although comprehensive long-term evaluation of the SEED program will ideally examine such outcomes as business success, job creation, and community social and economic impact, this study provides an early review of how the program has been implemented and its success in generating the desired outputs of program completers and business start-ups.

Findings from Initial Analysis of SEED Data

This section details the findings from an analysis of files for individuals who applied to the SEED program between its inception during the summer of 2011 and the end of 2012. The files included applicants who had entered and completed the SEED program, as well as applicants who were rejected, decided not to enroll, dropped out, or otherwise left the program. During this analysis period there were 101 applications in program files, out of
which 25 were confirmed as having been awarded loans. Table 23.1 shows demographics of SEED participants.

**Applicant Personal Characteristics**

One goal of most microlending programs is to reach underserved populations; on this goal it appears that the program had some success. The data indicate that SEED applicants and program completers are more diverse than the profile of the typical small business owner. Both the applicant pool and the group that has completed the program were roughly half female. Additionally, nearly 60 percent of SEED applicants and 40 percent of those that completed the program were nonwhite. In comparison, nationwide only 21.9 percent of all non-publicly owned businesses had majority nonwhite ownership in 2007, and females were the sole or majority owners of only 29.6 percent of all nonpublic US businesses (US Census Bureau 2014b).

However, the demographic data also suggest that the likelihood of completing the SEED program differs across demographic groups. Most striking is the difference between the racial composition of all SEED applicants and those who complete the program and receive funding. Black entrepreneurs represented the largest single racial group of applicants at 43.9 percent; however, only 28 percent of the individuals that completed the program and received funding were black. Conversely, white entrepreneurs represented 41.8 percent of applicants and 43.2 percent of those that went through the interview process, but ultimately represented 60 percent of those that completed the SEED program and received loan funding. Put another way, the odds of
being selected for the SEED program and completing the program to receive a loan was better than one in three for white applicants but only about one in six for black applicants.

Also, it appears that some types of businesses may be more likely to receive funding than others. For example, businesses in the food service and retail industries represented half of the funded SEED awards despite constituting approximately one-third of applications. SEED program applicants who fell into the “other” industries category—which includes such businesses as training and educational activities, transportation companies, agriculture, and tourism—also are less likely to complete the program and receive funding than other applicants.

**Applicant Financial Characteristics**

As mentioned previously, although “character based,” the program does give some consideration to the applicant’s personal and financial circumstances. Still, the assessment of early applicant data showed that the majority of applicants did not have a major issue on their application. The most common issues were a prior bankruptcy, which was reported by over 20 percent of applicants; and a criminal conviction, which was reported by about 15 percent of applicants. Instead of major event-based barriers, it seems that applicants may more commonly face barriers associated with limited income or employment. The average monthly personal income reported by applicants equated to an annual wage and salary earnings level of approximately $44,300, which is below the $67,981 single-worker family average for the local metro area (US Census Bureau 2014a, mean income in the last 12 months).
The Entrepreneurial Assessment

The drive and ability of an entrepreneur is a trait that may be more important to success than any characteristic measured by the traditional lending process. The SEED program developed and implemented its own Entrepreneurial Assessment instrument, a self-assessment on 20 questions that address factors that are purportedly related to one’s ability to succeed as an entrepreneur. A five-point rating scale ranging from “strongly agree” at the low end to “strongly disagree” at the high end was used. Unfortunately, the program’s experience highlights a gap in the development of valid measures of entrepreneurial ability. For instance, the average scores of applicants who successfully complete the SEED program and receive funding were not significantly different from the scores of applicants who fail to complete the program or who are denied funding. Hence it is not useful for making admission decisions or predicting program completion. The program eliminated the tool from the application, but has been unable to identify a replacement—a situation that other microlenders will certainly face.

Defining and Identifying Character: Interview and References

Admission into the SEED program is largely determined by two factors: references and an in-person interview. Once it has been determined that the applicant meets the basic criteria for admission (as demonstrated in the application) the applicant is interviewed by a member of the program staff followed by a reference check. The interviews, which are conducted in a face-to-face setting at the SBDC offices, provide an opportunity for assessing the character of the applicant as well as for confirming details about the proposed business start-up or expansion. The interview session and the reference calls provide one of the only opportunities for the SEED program to gauge the character of the
applicant. The protocols for the interview and the reference contacts each contain a
question that directly addresses how “good character” should be defined. Specifically, the
questions are the following:

1. “What is your definition of ‘good character’?” (applicant interview)
2. “How has the applicant demonstrated ‘good character’?” (reference contact)

Because the SEED program itself does not explicitly define character, the responses of
applicants and references (as well as whether or not those applicants ultimately were
admitted into the program) can shed some light on how good character is perceived by all
parties involved in the process. In total, documentation was examined for 32 completed
or partially completed reference interviews and 69 completed applicant interviews.

During the interviews, applicants tended to describe themselves based on internal factors
and work ethic. The most universal themes applicants used to describe good character
were “honesty,” “integrity,” and “hard working.”

The responses recorded during the reference contacts commonly defined character
through the applicant’s behavior toward customers and employers. For example,
“interact[s] with all employees, customers, vendors with integrity [and] courtesy” and
“communicates well, [has] high integrity.” Other references described the character of the
applicant as reflected in their attitude: “very positive and upbeat,” “very peaceful,” and
“always very helpful.” Additionally, reliability was another factor references associated
with character as demonstrated by statements such as “very reliable” and “always there,
always on time.”
Point of Exit from the SEED Program

In addition to assessing the process the SEED program uses to recruit and accept applicants, the evaluation analysis also examined the flow of applicants into the program to determine where most exit. Figure 23.2 illustrates the number of applicants who remain at each stage from application through training and loan attainment. The application stage consists of the applicant contacting SEED and filling out an application; most of those that inquire about the program but do not finish the application process are not included in the program files, although this is likely a point where many would-be entrepreneurs are turned away. The staff review is when SBDC staff review the applications, conduct interviews, and contact references—most applicants that do not complete the program leave at this stage. Finally, the program phase consists of the training course, mentoring, counseling, support services, and completion and presentation of the business plan. Around one-third of those who made it through the reference calls did not go on to compete the training; however, among those that completed the main program activities during the first 18 months of the program, only two were explicitly rejected by the board.

Ongoing Supporting Services for Entrepreneurs

All graduates of the SEED program are asked to participate in an ongoing peer support network provided by the School of Social Welfare. Bringing together both new and experienced entrepreneurs to discuss business challenges offers individual and group support for SEED clients. Master of social welfare students offer individual and family support and develop the peer group agenda based on the client needs assessment. Peer
support includes weekly group meetings after each business training class. These meetings give the opportunity to build stronger ties between the clients and for them to discuss their stresses, goals, fears, hopes, and issues. Prior to each training class, MSW students have both scheduled individual meetings with SEED clients and open office time to discuss individual issues in a private setting. Peer Support also involves quarterly meetings for all current SEED clients and those that have received a loan. These meetings include an educational component based on expressed client interests, such as health exchanges, website development, Occupational Safety and Health Administration (OSHA), and minority- and/or women-owned businesses. There is also peer support sharing and discussions of issues important to them, including hiring good employees, stress reduction, and service networking.

The evaluation found that individuals who completed the program and obtained business funding made good use of the counseling services, using 9.4 contact hours on average. The most popular primary area of counseling was for “business start-up or business expansion.” A few applicants received counseling on marketing, financial analysis, government procurement, and other activities.

**Loan Repayment and Sustained Business Operations**

The primary outcomes for the SEED program are long term in nature. Determining program success requires sufficient time to determine what portion of loans is repaid and how many businesses survive beyond start-up or remain operating at the same level following an expansion. At the time of the initial evaluation study, even the earliest completers of the program could not have been operational and in loan repayment for
significantly longer than one year, which limits the ability to draw strong conclusions about the success of the SEED approach.

According to SEED staff, two of the loans made through the program had entered default during the initial 18-month period. Default rates for commercial lenders are difficult to obtain, but estimates published using a sample of commercial loan data between 1983 and 1998 show an average annual default rate of 3.5 percent for SBA-guaranteed loans during the period (Glennon and Nigro 2005). Small business loans with a SBA guarantee have some similarity to SEED loans in that they tend to be smaller and higher risk than commercial loans as a whole, although logically SEED loans are riskier since applicants have already been turned down for other lending options, which should include traditional and SBA loans. Ultimately, it is too early to draw any strong conclusions about the default rate and SEED’s success as a method of screening borrowers. For one, there is not yet enough evidence to know how SEED loans will perform over the expected repayment period. Additionally, the two loans that have defaulted represent far too small a number to assess for possible traits associated with loan failure.

Survey of SEED Applicants

In August 2013, a survey of program applicants was conducted to ask about program experiences during and after applying to SEED. The purpose of the survey was to ask applicants about the application process as well as the training, financing, and follow-up support for those that were granted loans. In addition to inquiring about the satisfaction of applicants, the survey also addressed what applicants—including those that were not admitted to SEED—have done since they first applied. The survey group consisted of all
individuals that made a formal inquiry about SEED application from the program inception until July 2013; in total, 205 valid contacts were identified and sent surveys via mail and email. This group is much larger than the group examined during the analysis of applicant file data and includes both later applicants (who applied after December 2012) and applicants who did not get far enough into the application process to warrant the creation of a file. Ultimately, 45 valid surveys were completed, a 22.9 percent response rate.

The findings from the survey provide some insight into the satisfaction and success of SEED applicants that could not be answered through the review of documents conducted during the first stage of the evaluation.

1. *Are applicants satisfied with the program?* The survey results indicate that applicants are satisfied with the program overall. A large majority (79.4 percent) affirmed that they would recommend the SEED program to other applicants.

2. *What are strengths and weaknesses of the training and support aspects of the SEED program?* Half of the respondents found the meeting and interview process to be “extremely helpful/essential,” and approximately two-thirds of the respondents who had experienced the eight-week entrepreneurship course and the process of preparing and presenting a business plan also gave these activities the top rating. Conversely, the mentorship program and the peer network (distinctly different program elements) were combined into one measurement item and were rated
poorly by respondents, with approximately one-third indicating that these activities were “not at all helpful.”

3. *Do applicants who do not make it into SEED go on to start businesses?*

The survey results indicate that those applicants who had been accepted into the SEED program were much more likely to have already started a new business than those who were not accepted. Only about a quarter of applicants who did not complete SEED had already managed to start or expand a business on their own.

4. *Is the loan size adequate?* The size of the SEED loan does not in most cases appear sufficient to support small business start-ups or expansions on its own. A majority of all entrepreneurs reported utilizing alternate sources of financing and less than half of those that completed SEED described the size of the loan as being sufficient.

**Hiring as a Result of Business Creation**

Survey respondents were asked about whether or not they hired new employees (excluding themselves) as a result of opening or expanding a business. For the majority of respondents, the answer was either “no” or “N/A” because they had not started or expanded a business. About one-third of respondents had hired workers as a result of their business expansion. Respondents reported hiring an average of 5.5 workers as a result of their business creation or expansion, ranging from 1 to 20.

**Implications**

Given the potential utility of character-based lending for the region and state, the goal will be to scale up to other regions if successful. Also, other populations could benefit
from SEED or similar programs, such as recent flood victims, returning veterans, and victims of domestic violence. Thus, the need is greater than ever to ensure that a reliable approach to microlending in the United States can be developed and scaled up. Our example of the implementation of the SEED program illustrates some initial successes and challenges in this regard.

The SEED program is still relatively new, which means that it is too early to measure most long-term outcomes such as loan repayment or business sustainability. Still, there are some encouraging signs. For one, the evaluation found that the program has succeeded in attracting a diverse and nontraditional group of applicants who may have had difficulties getting conventional loans because of financial or other hurdles. Despite being from underserved or disadvantaged populations, roughly one in four applicants succeeded in the program, received a loan, and started his or her own business. Additionally, a large portion of those surveyed indicated that they had hired additional employees to work at their business, which offers some hope for the larger economic development potential of the approach.

Still, the SEED program faced many challenges that will need to be resolved to successfully expand and thrive. For example, the evaluation found that SEED had not developed strong criteria for identifying entrepreneurs with good character. The review of SEED program files found that the Entrepreneurial Assessment used in the application process is unrelated to outcomes such as program enrollment or completion. Both the applicant survey and discussions with SEED program staff suggest that program admission is primarily determined by the interview process and the individual’s credit report—the former is difficult to replicate, while the latter is not in line with typical
microlending or alternative-lending practices. Capacity building is obviously key to supporting novice entrepreneurs and was taken advantage of by SEED applicants; however, many voiced disappointment with the mentoring and peers support networks that were major components of the original program design. Finally, there are challenges to ensuring continuing funding support for administration and capacity building, which risks the sustainability of the model regardless of business success and loan repayment rates.

One solution is further investment in research and program development within the field. New curricula and programs can be developed at universities; indeed, the University at Albany’s Schools of Business and Social Welfare are already collaborating on new courses in social entrepreneurship and hiring two new tenure-track faculty members in social entrepreneurship. Faculty, students, and alumni in both schools are excited about this initiative. In addition, new services can be offered through the nonprofit sectors, as few at this time have microlending opportunities for those they serve. Optimally, new microbusinesses can be sustained that satisfy consumer demand. Ideally, this work will evolve into a model program that will make a difference in lower-income neighborhoods in the greater Capital Region and further enhance regional economic development and local competitiveness. This program can easily be replicated at other public and private universities, especially in regions where universities play an important role in economic development (such as in New York State’s Capital Region).

Conclusions

While the microlending movement has been heralded internationally as a means for the poor to escape poverty, few models have been tested in the United States, especially
those using the character-based lending approach. Even though the United Nations declared 2005 as the International Year of Microcredit (United Nations 2014), there has been very little attention to this inclusive financial strategy in the United States. Programs such as SEED offer a model to advance such international goals in some of the highest need communities in the nation.

This chapter introduced the SEED program model and provided the results of an assessment of the program based on the first two years of program operations. As we have described in this chapter, SEED is an innovative $2.8 million social entrepreneurship program, which provides microloans and technical/business assistance to local entrepreneurs in distressed areas of New York State’s Capital Region (Albany, Schenectady, and Troy). The program is innovative for two key reasons: (1) it is a unique public-private partnership, involving the School of Business, School of Social Welfare, the business school’s Small Business Development Center, a major credit union (the private partner), Empire State Development Corporation, and numerous community partners, and (2) SEED is the first university-based, character-based microloan program with a sophisticated evaluation design, so we can assess its effectiveness and publish our findings in major academic journals. The ability of the SEED program to attract nontraditional entrepreneurs and help create small businesses serves to demonstrate that there is an unmet demand for both capital and training. It also constitutes a new and interesting form of university technology transfer/entrepreneurship (see Link, Siegel, and Wright 2015 for other interesting examples of university-based entrepreneurship programs). However, additional investment will be required to further develop a
replicable model for the United States and to empirically assess its value added, in terms of economic development and job creation.

In addition, SEED may prove to be a fertile ground for testing ways to more systematically eliminate some of the disparities revealed in the evaluation. These include the fact that minority microentrepreneurs are less likely to attain a SEED loan than nonminorities. Moreover, the evidence that either mentoring or peer supports are not yet as helpful as they might be (they were evaluated as if one program when in fact they are quite distinct) suggests that inventive new consumer-guided innovations need to be developed so that the guidance and supports involving both the business and nonbusiness aspects of entrepreneurial success are more effectively addressed. It is important to note that our evaluation did not tease out the differential effectiveness of mentoring versus peer services. Both programs used different strategies, students, and supports. These may have differential returns and levels of success. Thus, in future research, we will separately evaluate the two interventions of peer-based versus mentoring supports rather than combining them in one item for measurement of satisfaction. Finally, it should be noted that while Grameen Bank–based programs loan funds only to women (both internationally and in the United States), our research and experience suggests that men are more worthy investments, in microlending programs such as SEED.

It is also important to quantify the impact of SEED on regional economic development and local competitiveness. Although the program is relatively new, it has already generated some strong results, in terms of promoting regional economic development. In just two years, SEED has invested $1.2 million in the Capital Region, in
37 new businesses, and created or saved 150 jobs, at a cost of only $1,000 per job. This is a very high “rate of return” for an economic development initiative.

In sum, SEED may be a useful model for universities (and their stakeholders) seeking to (1) extend credit to worthy entrepreneurs who are underserved by traditional funding sources; and (2) enhance local competitiveness by stimulating economic development in inner-city neighborhoods. Unlike conventional economic development initiatives, which are typically targeted to high-tech firms, SEED is targeted to the “base of the pyramid.” This unique program, which leverages the resources of the university and its stakeholders, can be adopted by other universities seeking to promote regional economic and social development.

References


http://quickfacts.census.gov/qfd/states/36/36001.html.


Figure 23.1

SEED Partners and Process

Figure 23.2

Flow of SEED Applicants from Application to Program Completion
### Table 23.1

**SEED Demographics by Application Status**

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</tr>
<tr>
<td>Manufacturing</td>
<td>7</td>
<td>7.8</td>
<td>6</td>
</tr>
<tr>
<td>Personal services</td>
<td>5</td>
<td>5.6</td>
<td>2</td>
</tr>
</tbody>
</table>

*Note: numbers do not calculate to total amounts because of missing data.*