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Big iDeas Project Proposal: The Empowerment of Small Enterprise in the Dallas Community through Microloans

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Big iDeas Project Proposal

The Empowerment of Small Enterprise

in the Dallas Community through Microloans

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About Us: The Microfinance Group

We are an organization of students, coming from a number of disciplines, backgrounds, and experiences. Although many of us come from the Cox School of Business, we see this as proof of our competence and ability to excel at what fuels our passions most. We specialize in studying and promoting the practice of microenterprise. Nobel Prize winner Muhammad Yunus proved the power of giving modest loans to small enterprisers, and we hope to test and prove the viability of his practices in our local communities in the Dallas-Fort Worth Metroplex.

Faculty Cooperators

Jim Bryan
BBA Scholar Admissions

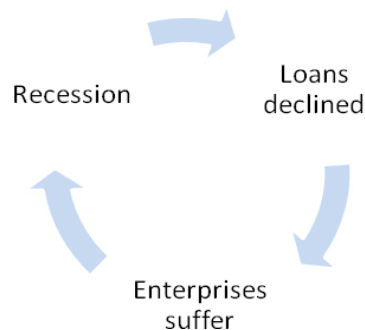
Andrea Fernandez
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The Empowerment of Small Enterprise

Executive Summary

Communities have always relied on the contributions of their small businesspersons in order to prosper; so when small enterprise suffers, we all suffer. Our team proposes to empower small enterprises in DFW, particularly in Vickery Meadow, through microloans ranging anywhere from \$250 to \$750. Using our connections in the community, we will find qualified loan recipients and tailor our clientele's loans and repayment methods to individual needs. Through microloans, private enterprisers will have the power to better both themselves and the Dallas-Fort Worth Metroplex.

Statement of Need



Today's economy has engraved a spirit of mistrust within the business world. Microloans necessary for founding or improving a small business are difficult to obtain. Some claim that as a result, the recession continues. In search of employment, many are migrating to Texas. The census bureau showed that Texas' population in 2000 was 4,293,741; a mere decade later, the population has increased to 25,145,561¹. More and more people are coming to Texas and at the center of this migration is the Dallas-Fort Worth Metroplex.

¹ U.S. Census Bureau, [2010 Census Data](http://2010.census.gov/2010census/data/index.php) 14 Jan. 2011, 22 Jan. 2011, <<http://2010.census.gov/2010census/data/index.php>>.

With these circumstances in mind, it is unfortunate to see that the spirit of mistrust rampant throughout the country has also possessed communities in DFW. Our team conducted field research on small enterprises through in-person surveys. The surveys showed that small businesspersons in communities with potential for economic growth have little desire to pursue microloans. Small enterprise owners are uninformed about microfinance and how it differs from the big bank loans, which plagued the media during the start of the recession. Because of their preconceptions, small businesses, which could improve themselves, instead remain stagnant or suffer.

An opportunity exists to reestablish trust and start a financial discussion between microfinance organizations and small businesses in DFW. Only after this discussion takes place can potential loan recipients make informed decisions about microloans. Our team theorizes that if we find clients through reliable intermediaries, we can demonstrate success to small enterprises through microfinance. Shared success with our clients will establish the reputation of the organization and spark an interest in microloans throughout businesses in the DFW community. To put this theory to the test, our team proposes that we begin by giving microloans to a pilot group in the Vickery Meadow community where there is a strong relationship to potential loan recipients.

Project Description

Goals	Methodology	Evaluation
<ul style="list-style-type: none">• Help Vickery enterprises• Create trust in microfinance• Lay foundation for SMU MFI	<ul style="list-style-type: none">• Use contacts to find clientele• Tailor loans to clients' needs• Regularly meet with clientele	<ul style="list-style-type: none">• Study loan experiences case-by-case• Seek further funding

Vickery Meadow is situated in North Dallas. According to the Dallas Morning News, it is the densest community in the city, consisting largely of minorities, immigrants and refugees.² Due to these circumstances, more than a third of the residents in Vickery Meadow live below the poverty line. Governmental and non-profit organizations aid the residents as they adjust to their surroundings by offering a large number of public services. Over the years, this aid has dramatically enhanced the community. Vickery Meadow boasts of a 17.2% decrease in the crime rate and predicts an increase in the apartment market in 2011. They announce with eager anticipation pride that they have received from the City of Dallas a Housing and Urban

² Michael E. Young, "Hope blooms in Vickery Meadow," *The Dallas Morning News* 7 Jan. 2006, 28 Dec. 2010, <<http://www.dallasnews.com/sharedcontent/dws/news/localnews/stories/010806dnmetvickery.2a4bd98.html>>.

Development Community Challenge Grant for the amount of \$2,225,000 in order to improve their infrastructure.³

With such an industrious and bright future ahead of them, the people of Vickery Meadow embody the American dream. Through local cooperation, hard work, and determination, individuals are empowered in their community. Their prospects could expand immensely if their community's small enterprises were empowered through microloans, as well. With the collaboration of personal contacts and local NPOS, our microfinance institution intends to do just that.

Among our contacts is Jose Campos, a previous Big iDeas grant recipient. He has a program at Vickery Meadow, which provides individuals with financial advice, and through this program, he has developed a strong relationship with his clientele. Because these individuals trust Campos and the Vickery Meadow community, we believe that they will be receptive to the idea of microloans.

Our team will work in conjunction with Campos's own project: Campos will recommend individuals who he believes should receive loans and from there, we will invite those individuals to apply for a loan using a specific form. An interview will be arranged to determine whether the individual's living circumstances can be improved through a microloan. Those candidates who pass the screening process will receive personal service.

Rather than having set loan amounts, we would like to sit down with each approved loan recipient and tailor the loan and the repayment methods to individual needs. Not only will this give our clients the flexibility they need, but it will also allow our team to experiment with different approaches to lending and repayment so that upon reevaluation, we can determine which business practices do and don't work. The repayment method is as important as the lending itself. Anticipating the slow growth of small enterprise, we propose an increasing repayment method. The recipient will pay back a small part of the loan at the beginning of the repayment period, and as profits grow, they will pay back an increasing percentage of the loan. If there are problems with repayment, renegotiation of the payment will take place; taking any form of collateral, agreed upon beforehand, will be a last resort.

Once we have successfully finished with our pilot group, we will step back and evaluate our progress. As we intend to keep detailed records of our experiences with each loan recipient, we will be able to sit down and discuss which business practices did and didn't work. This discussion will allow us to improve our services and continue to grow as a microfinance institution that betters and empowers small enterprise in the Dallas-Fort Worth Metroplex.

³ "Vickery Meadow Improvement District Newsletter," Vickery Meadow Improvement District, 18 January 2011, <<http://www.vickerymeadow.org/>>.

After this self-evaluation, we will seek out more investors, based upon the extent of our success and the individuals we encounter during our project. A future possibility is holding an auction in the late fall as an engaging and effective way of raising the funds necessary for a microfinance institute. In time, we hope to obtain enough investment and a large enough reputation to engage SMU students with the needy communities around them through a Microfinance Institution at SMU. With SMU's own Microfinance Institution, a world of possibilities is available to us. From internships and case studies for students to a better way of life for community members, an institute like this would be beneficial to both the SMU community and the DFW community.

Conclusion

Census data shows that in 2008 forty million people in the United States lived below the poverty line. Women and immigrants made up well over half of that number.⁴ Microfinance targets these poverty-stricken groups and offers capitalism as a way out of dire circumstances. Nobel Prize recipient Muhammad Yunus proved the success of microfinance in Bangladesh, and we hope to bring that same success to the immigrants and refugees living in Vickery Meadow.

Many in our interdisciplinary team have taken business and economic courses at SMU. We know that microfinance is a sustainable, profitable way to lift up low-income individuals through loans and hard work. Such an undertaking can teach small enterprisers valuable business sense and confidence, which will lead to further success and a permanent way out of poverty. While our greatest goal is to help individuals better their station in life, a snowball effect is inevitable in the complex network that contemporary business has become. We know that wealth creation can empower individuals with financial freedom, and as Americans we know that free and thriving enterprises open the doors for an energized community and an improved DFW economy.

⁴ U.S. Census Bureau, State and County Quick Facts 16 Aug. 2010, 22 Jan. 2011
<<http://quickfacts.census.gov/qfd/states/00000.html>>.

Proposed Timeline

— February

- Meet Vickery Meadow leadership
- Understand needs of community and individuals

— March

- Meet with Vickery Meadow families and individuals to assess their specific needs
- Applications due
- Interviews & selection for loans

— April

- Interviews & selection for loans
- Set up repayment schedule
- Give loans

— May

- Give loans
- First repayment installment
- Student groups meet with individuals and families to discuss progress

— Summer

- Additional repayment installment(s)
- Discuss and game plan for fall; based on success, seek out appropriate investors

— September

- Student groups meet with individuals and families to discuss progress
- Additional repayment installment(s)
- Fundraising event
- Continue search for investors and focus on community involvement

Anticipated Budget

Printing expenses for pamphlets, brochures, etc.	\$50
Website expenses	\$100
Funds for loans	\$4,850
TOTAL:	\$5,000
Person responsible for funds:	Sean Zech
Signature:	_____