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Improving and Monitoring the Microlending Program in Belize

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Improving and Monitoring the Microlending Program in Belize

An honors thesis submitted in partial fulfillment of
the requirements for the degree of Bachelor of Science in Business Administration

By

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Abstract

This paper assesses the Microlending and Cayes to Business Programs within the Community Development in Belize Study Abroad Program at the University of Arkansas. The Microlending Program makes low-interest loans to small businesses primarily in Dangriga, Belize. Recently, the lending activity has expanded and concerns about repayment have increased. This paper proposes various improvements to maintain consistent loan repayment and healthy expansion of the Microlending Program. The most important ideas are to enhance social pressure on the borrowers and improve monitoring in-country after the loans have been disbursed.

Cayes to Business, an educational program required for microloan applicants, is also evaluated. A survey of past participants shows that the program has been well received. However, improvements can be made by consolidating the current Business Planning and Marketing seminars, adding a Customer Service and Professionalism seminar, and implementing an Advanced Cayes to Business seminar.

Keywords: microlending, microfinance, microcredit, Cayes to Business, Dangriga, Belize, Community Development

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I. Introduction

The purpose of this paper is to identify potential avenues for the improvement of the University of Arkansas Microlending Program in Belize as well as its partner program, Cayes to Business. As part of a multi-disciplinary study abroad trip, the Microlending Program has grown in recent years and will require much-needed improvements and monitoring to maintain steady and healthy growth.

This paper describes the histories of microcredit and the Arkansas Microlending Program. It then evaluates the Microlending Program, including feedback from borrowers, challenges the Program currently faces, ideas for improvement, and comparisons to similar programs. An evaluation of Cayes to Business follows, again evaluating user feedback and Program challenges.

II. Background

The History of Microlending

Microlending, more commonly known as microcredit or microfinance, was pioneered in Bangladesh in 1976 when Muhammad Yunus lent "...\$27 to 42 poor people in a village next to the university campus where [he] was teaching economics" [4077].¹ Impoverished borrowers were at the mercy of money lenders who would abuse loan terms, often forcing the borrowers into slave labor. Yunus eventually linked the poor to the campus bank, personally serving as the guarantor to their loans. These collateral-free loans were a success. By 1983, the project was converted into a formal bank, named Grameen Bank. "Gradually a new word, 'microcredit,' was

¹The description of microlending history, unless otherwise noted, is from Muhammad Yunus' article "Grameen Bank, Microcredit and Millennium Development Goals" in *Economic and Political Weekly*, pages 4077-4080 (Yunus, 2004).

coined for these kinds of collateral-free tiny loans for income-generating activities of the poor,” and microcredit spread across the globe [4077].

Today, Grameen bank is wildly successful. As of 2003, the bank had provided loans totaling US\$4 billion to 2.8 million borrowers with a recovery rate of 99 percent [4077].

Grameen bank was founded upon many principles that contain the general notion of empowerment. The following principles are among the most critical to all microcredit undertakings.

1) Poverty cannot be solved through charity – simply providing the impoverished with funds creates detrimental dependence and does not provide them incentive to breach the barrier of poverty [4077].

2) The impoverished have the same natural abilities as any other person. The difference is those with financial stability are able to utilize their abilities and are given opportunities while the poor are unable to tap their potential [4077].

3) Since the poor are now being entrusted with amounts of money they have never had or experienced, they do not want to ruin this new opportunity and commit to full repayment [4078].

As with most other microcredit institutions, Grameen’s primary borrowers are women (approximately 96 percent). The Grameen Bank finds that “lending to women brings greater benefits to the family than lending to men” because “...children are the immediate beneficiaries [and] women have greater long-term vision...” [4078]. Other aspects pioneered by Grameen Bank are the use of “trust” in providing loans rather than requiring collateral or legally enforceable contracts. Loans are offered for the purpose of creating income-generating self-employment (rather than for consumption), and simple interest is used in all loans [4078].

Grameen continued by expanding into housing and educational loans. Loan amounts and maturity are adjusted based upon the needs, situation, and loan history of the borrowers.

Social pressure is an important aspect of the Grameen Bank and is the driving force behind the high recovery rate. Loan recipients are required to join groups, and groups cannot receive new loans until all previous loans are repaid. When a recipient defaults on a loan, it creates pressure on the rest of the group to repay the loan. As a result, the social pressure provides incentive to use the loan responsibly and for its specified purpose. [4078]

Yunus eloquently states, “While providing small loans to the poor is an economic intervention, it begins a process of transformation in the life of the individual member” [4078]. Simply stated, microcredit is not only an economic tool, but also a tool of personal and social empowerment. In addition, recent studies find that for microfinance institutions to be effective in bettering the lives of borrowers, they must take a client-centered approach and “...offer not only financial products and services, but also financial education, management training, value chain support...” and other similar forms of aid (Srikant, 2008). All of these are vital components of the University of Arkansas Community Development in Belize Study Abroad Program, and more specifically, its Microlending Program.

Community Development in Belize

Each summer since 2007, the University of Arkansas has provided a service-learning study abroad program in the English-speaking Central American country of Belize. The Community Development in Belize Program is undertaken each year in conjunction with Peacework, a non-profit organization devoted to community development. The three-week trip is based in Dangriga, an ethnically diverse coastal town of approximately 9,000 citizens. Several colleges and disciplines come together to provide projects and services to the local residents. The

goal of these projects and services is to educate the students through real-life application of their studies while simultaneously empowering the local residents.

The Economic Climate of Belize and the town of Dangriga

While Belize may seem impoverished by the standards of a U.S. citizen, on the world stage, Belize actually ranks as a middle income country. The Belizean dollar is pegged to the American dollar at a rate of BZ\$2.00 to US\$1.00 and the country is home to many American expatriates. However, Belize is still a developing economy, and certain regions and populations struggle to make ends meet. Similar to many developing countries, Belizeans are faced with government corruption; Belize ranks only in the 44th percentile for controlling corruption (Bureau of Economic and Business Affairs, 2013). In addition, according to the World Bank's "Doing Business Report," out of 189 economies, the Belizean economy ranks 104th for doing business, 167th for starting a business, and 130th for getting credit (World Bank, 2013). Personal and commercial loan interest rates are as high as fifteen percent (Bureau of Economic and Business Affairs, 2013). Education is also an important factor. Most Belizeans possess only the equivalent of an 8th grade education, and very few complete high school. The education system rarely, if ever, includes business fundamentals such as planning or bookkeeping.

Peacework's Senior Field Director in Dangriga feels that banks in Belize are trusted, both culturally and economically. Banks can actually be viewed as a class distinction because many Belizeans earn too little to qualify for a bank account or cannot save enough to open one. But, those with accounts appear to be consistent savers, as lines at the banks are out the door on payday.

While many Belizean coastal towns thrive on tourism, Dangriga lacks the beautiful beaches and must look elsewhere for economic stability. One sector that can provide much of

that stability is small business. In fact, Dangriga is full of small businesses. Most groceries, shops, and restaurants are owned by families or individuals. While many Belizeans manage to acquire capital and become successful, others lack the collateral or cash flow for the larger loans offered by conventional banks, stymieing their ability to launch or expand a business. This climate creates the perfect opportunity to provide smaller, more affordable loans to hard-working business owners.

The Microlending Program

The function of Arkansas' Microlending Program is providing small, low-interest loans to existing or prospective small business owners in need of funding. Due to the culture of Belize, Arkansas' Microlending Program differs from the Grameen model in three notable ways. First, although women tend to show more interest in the Program than men, the Loan Program is not focused exclusively on women; men that show strong character are provided the same opportunities as the women. Second, loans are granted on an individual basis; recipients are not put into groups. Belize has strong Western influences and, though strong family and community bonds exist, the culture is much more individualistic than the cohesive cultures found in the villages of Bangladesh, Africa, or many Central American countries. Two incentives or pressures currently exist for borrowers to repay their loans: ineligibility for new loans if they fail to repay, and the fact that their failure to repay prevents others in the community from receiving much needed loans. Both of these aspects are strongly conveyed to a borrower. Third, Grameen Bank charges interest rates as high as 20 percent for income-generating loans in order to make a profit from such small amounts of capital (Yunus, 2004). In Belize, the Arkansas Program charges simple interest of only 5 percent. While interest revenue is needed to grow available funds, the primary goal of this Program is to improve the lives of the Dangrigan people while providing a

hands-on learning experience for the students involved in the Program. Therefore, the lower interest provides locals relief from the high interest rates they would otherwise face at a conventional bank.

To apply for a microloan, the Belizeans must complete the Cayes to Business seminar series (explained in the next section). They then go through an interview process with the Arkansas loan team, comprised of business students and a professor. The prospective borrower must provide adequate information about their business, such as a business plan, revenue projections and/or receipts and cost records, and a legitimate proposal for the use of the funds. Through several meetings, the team makes an assessment of the prospective borrower's character, organizational skills, sense of responsibility, and an appropriate loan amount. If the applicant is deemed worthy of a loan, a contract is written (see Appendix 1 for example loan contract) and signed by all parties of the agreement.

Loans from the program have ranged from US\$150 to US\$1,500 at 5 percent simple interest and are structured to the specific needs of the borrower. The loan maturity is typically one year and repayments are structured on a monthly basis. The first payment is often due 2-3 months subsequent to the origination date, providing the borrower time to use the funds to increase revenue streams. Repayment is carried out through bank deposits. In conjunction with Dangrigan partners, the Microlending Program holds a bank account with Belize Bank, a national bank. When the loan recipients sign the contract, they are provided with pre-dated deposit slips for that bank account. Borrowers simply take their payment to the local bank and use the deposit slip to repay their loan each month. To date, all but one loan issued by the Microlending Program have eventually been repaid.

Cayes to Business

During the 2013 study abroad trip, the University of Arkansas Program began a small business training program known as Cayes to Business (“Caye” is a Belizean word pronounced key). This program, consisting of three 60-minute seminars, was created to address the lack of business planning knowledge and financial literacy among current and prospective small business owners in and around Dangriga. The subjects covered by this program are Business Planning, Marketing, and Bookkeeping (Appendix 2 contains the discussion questions and material for these seminars). The program is well advertised with assistance from Peacework in the weeks before the students arrive in Dangriga, and seminars are held at various times on different days to provide more opportunities for people to attend. The seminars are also offered in one three-hour evening class each week. Following a short introductory lecture, the Arkansas business students lead individualized one-on-one sessions with participants where they step through the key issues in a systematic way tailored to the individual’s business. Every participant that completes all three sessions is presented a certificate of graduation signed by an Arkansas student and a professor.

Each seminar has specific objectives. The Business Planning seminar walks potential or current entrepreneurs through the big-picture questions about their business such as a description of the product(s) or service being sold, identification of the market, the target price, production costs, and competitors. The questions and answers provide a structure for the entrepreneurs to build upon.

The Marketing seminar teaches entrepreneurs how to promote their product or service through basic marketing strategies. Participants learn the “Four P’s” model of marketing: Price,

Product, Place, and Promotion. This provides a basic framework for differentiating the product from the competition and creating awareness of the product.

The Bookkeeping seminar provides entrepreneurs with basic financial literacy skills. This course has the biggest lecture component of the three seminars. Arkansas students define terms such as asset, liability, income statement, and inventory. The lecture continues, explaining how to record daily and monthly revenues and expenses, and ends explaining how to subtract expenses from revenues to compute net income. Students stress the necessity of accurate record keeping to obtain financing.

Cayes to Business was a huge success in 2013 with 28 total attendees, 25 of which attended all three seminars. Every microloan applicant must attend all three seminars to sit for a loan interview. This requirement serves three purposes. First, it provides loan applicants with better skills to structure and run their businesses. Second, by working one-on-one with Cayes to Business attendees, the Arkansas students are better able to assess the potential success of the attendees' business pursuits. And third, the students foster relationships with the participants, helping them to assess the character of the applicant.

Imminent Expansion

The year 2013 was a pivotal one for the Microlending Program. The creation of Cayes to Business and its strong turn-out led to seven loan interviews and the issuance of four microloans totaling US\$1,160. Before 2013, the most microloans issued in a single year was two. Given the early success of Cayes to Business and its noticeable effect on loan applicants, it is clear that the Microlending Program will continue to grow. Because of this rapid growth, the program requires evaluation to determine improvements in lending and monitoring practices. The information

gained from this evaluation will aid the process of ensuring a more efficient path to healthy and stable growth.

III. Evaluating the Microlending Program

Borrower Feedback

A key component in assessing the Microlending Program is obtaining feedback from the borrower's perspective. Belizeans are typically poor indirect communicators, so face-to-face communication is necessary. In early January, 2014, I spent three days in Dangriga to conduct surveys with previous and current loan recipients. I was able to find and survey owners of three of the businesses that have been granted loans by the Microlending Program.

The first business is run by a man who will be referred to as Edward. With the help of his wife, Edward started a homemade granola business from scratch. In June, 2012, he was granted a US\$160 microloan to expand his business. Edward repaid his loan in full and never missed a payment, but he chose not to apply for another loan in 2013.

The next business, which will be referred to as Oceanside Resort, is run by a women's cooperative. The women are rebuilding their establishment after a fire burned down their restaurant and cabanas. Two separate loans totaling US\$ 2,500 were granted to the women in 2010 and 2011. Both loans have been repaid in full. In 2013, they were granted a US\$ 250 loan.

The third business, a successful daycare run by two sisters, will be referred to as Smiles Daycare. In 2013, the sisters were granted a US\$ 1,000 loan to pay for rent during the summer months.

The questions posed to these businesses provide feedback in five key areas: loan terms, repayment process, impact on the businesses, suggested program improvements, and assistance

with missed payments. An example survey with the completed responses of each participant is included in Appendix 3.

When surveyed, all participants responded positively toward the current structure of the microlending program. Each respondent clearly understood the loan terms and the repayment process. All respondents also indicated the loan has had a positive impact on their businesses and was used for the intended purpose. The only ideas for potential improvement came from Edward. His most relevant idea is to create a pop-quiz to ensure the borrowers understand the loan terms and repayment process.

Special questions were created for borrowers who have missed payments. At the time of this survey, Oceanside Resort and Smiles Daycare were four months late on their payments, with neither having made a single payment on their outstanding loan. When asked if being paired with an Arkansas student would help them make payments and seek advice, the sisters of Smiles Daycare responded affirmatively. They said it would allow them to communicate with the Microlending Program to explain their repayment issues.

There are three key points to take away from this survey. First, the format and structure of the loan and repayment process appear adequate and simple enough for the borrowers to understand. Second, the Microlending Program is achieving its goal by improving the borrowers' businesses. And third, borrowers showed interest in being paired with an Arkansas student to exchange emails and ask for advice or guidance. Edward's pop-quiz suggestion is worth consideration, but may be unnecessary given the lack of confusion borrowers have about loan terms and repayment.

Loan Repayment Challenges

The primary concern for the Microlending Program is the lack of repayment by 2013 borrowers. All four current borrowers are far behind on payments. When asked why they were missing payments as part of the survey, the women of Oceanside responded that they prefer to make one lump-sum payment. While a typical microfinance organization would frown upon this response, Arkansas' microlending program is willing to be flexible, especially given that they have repaid past loans in full. As I talked with them, the women had the amount due and the maturity date of the loan memorized. That, along with the women's positive loan repayment history provides the Microlending Program with confidence that the loan will be repaid in-full before the last payment is due.

The Smiles Daycare sisters are delinquent in their payments because of the Belizean government. Childcare providers in Belize are eligible for a subsidy if they charge only BZ\$15 per child per month. The sisters previously charged BZ\$35, but the lower rate combined with the government subsidy would provide them with higher revenues. They lowered their rate in September 2013. Unfortunately, the Belizean government had failed to make a single subsidy payment at the time of the survey. The sisters planned to begin paying off their loan when they would begin receiving the government back-pay at the end of January. However, as of April 1, 2014, the sisters have still failed to make a payment and have not responded to an email sent to them in early February.

One of the other two 2013 borrowers will be referred to as Angelo. Angelo was granted a US\$250 loan to purchase a heavy-duty blender, labels, and other supplies for improving his juice business. Angelo's repayment period began in July. Unfortunately, he only made two payments, one in August and one in September, and has failed to make a subsequent payment. During my

trip to Belize in January, Angelo had flown to the United States to be with an ill family member and was unreachable.

The fourth borrower in 2013 will be referred to as Betty. Betty had aspirations of opening a snack shop out of her house. She was granted a US\$160 loan to purchase a blender, cake pans, and other equipment and supplies. Though Betty was in Dangriga at the time of my visit, we were unable to meet. Betty had failed to make a single payment until late January, when she made a US\$35 payment (US\$1 more than two months' worth of payments) after she was contacted by the local Peacework field director. The Peacework director informed the Microlending Program that Betty had not launched her business, but the director was unaware of the reason for the failed launch.

While there are many factors that could contribute to the lack of consistent and timely loan repayments among the 2013 borrowers, I identify six important hypotheses. The first, and potentially the most important, is the inadequate state of monitoring in the Microlending Program. As the Program currently stands, there is no one in Belize to consistently monitor current borrowers. The only way to monitor loan repayment is checking the Belize Bank account online for payment deposits. When payments are missed it is often difficult, if not impossible, to contact the borrowers and check their status. Most borrowers do not have personal access to the internet while others lack general computer skills. Because email is the cheapest and simplest way to communicate between countries, the lack of computer access and skills pose strong communication barriers. Even when the Microlending Program was provided email addresses to reach two of the borrowers, all emails sent to them remain unanswered. What little monitoring that has been applied is clearly ineffective from a far distance.

A second factor could be the borrowers' lack of respect for the Microlending Program's authority. With no strict monitoring of borrowers and no way to legally enforce collection of defaulted loans, the Microlending Program holds no real power to persuade borrowers to repay. Most applicants that would abuse this program shortfall should be weeded out in borrower screening, but an applicant could always have a change of heart after receiving their loan.

Third, external factors can play a common role in creating loan repayment challenges. For example, take the Belize government's impact on Smiles Daycare. The missed subsidy payments have caused a cash flow shortage at Smiles Daycare. Another external factor could be family crises. Angelo flew to the United States to be with an ill family member. A plane ticket to the United States on short notice could cost more than US\$1,000. This is a large sum of money for a typical Belizean and could prevent Angelo from holding enough cash to make future repayments. If the external factors are temporary, they are more likely to slow repayment rather than cause outright defaults.

A fourth potential cause of slow repayment is inadequate screening by the lenders and/or a lack of adequate business knowledge by the borrowers. Through the introduction of Cayes to Business in 2013, education provided to borrowers is the strongest in the history of the Microlending Program. In addition, the classes provide the Arkansas students more time to assess the loan applicants, suggesting the most thorough screening in the history of the program. Faculty oversight of the students' decisions adds an additional layering of screening. Borrowers seemingly had the base knowledge and character necessary to receive and repay a loan. Therefore, while this cause may be unlikely, borrowers may still be able to slip through the cracks due to a lack of knowledge in Belizean culture held by the loan committee (and faculty).

Fifth, the lack of social pressure can lead to weaker incentives to repay. The social group model is used worldwide, from the Grameen Bank, to Ghana, to Guatemala. The benefit of social groups is the peer pressure to repay. When all members must repay to receive future loans, group members will check on each other to ensure payments are made. However, there is currently no social aspect to the Microlending Program. Even if a group were to be formed, the individuality of the members and potential gender inequality (discussed below) could impede the benefits. However, social pressure still has the potential to improve repayment if utilized wisely.

Lastly, gender inequality—more overt in Belize than in the US—could play a role in hindering loan repayment. If a woman receives a loan, the influence of a husband or boyfriend could lead to improper use of funds, especially if monitoring is weak. If the loan is not applied to its proper use, business cash flows will fail to improve and the borrower will default.

Options for Improvements in Monitoring and Repayment

Improving the monitoring function of the Microlending Program may be the key to stable loan growth and high repayment rates. It would create a form of consistent authority within the Microlending Program, generating continual respect for the program after the Arkansas students have left. The Microlending Program would quickly become aware of external factors through consistent monitoring and could provide assistance or advice to the borrowers. Monitoring would create awareness of inadequate screening or lack of inadequate business knowledge by the borrowers. The Program would not only become aware of this problem, but would also be able to talk to the borrowers to determine how to fix those oversights in the future. Monitoring can also create a form of social pressure through consistent borrower contact and encouragement. Lastly, inefficiencies caused by gender inequality could be deterred through consistent monitoring and contact between borrowers and the Microlending Program.

Though monitoring is the most obvious solution for improvement, it may be the most difficult to enact. The Microlending Program faces geographic, financial, communication, and cultural barriers when considering effective monitoring. Three potential monitoring improvements are discussed.

The first solution to improve monitoring is to maintain contact with the borrowers through voice and text messaging. Although most Belizeans lack consistent access to the internet, most have cell phones with voice and text messaging. Cell phone communication would be the simplest way to directly contact borrowers from the United States, but it also makes it easy for borrowers to ignore calls or texts from the Microlending Program. International messaging and calling is also expensive. Google Voice allows free texting from email to international numbers. However, this service is not currently compatible with Belize telecom companies. An option is to purchase a dedicated phone for the Microlending Program to use year-round. After including international plans and fees, a plan can cost \$700-\$1,000 per year from carriers such as AT&T, T-Mobile, or Verizon. A yearly expense this large would be difficult for the Belize Community Development Program to maintain without raising the students' program fees or receiving financial aid from the Walton College of Business.

If the Microlending Program were to choose to maintain a dedicated phone, it should be kept in possession of the business faculty involved with the program. An agreement by borrowers to take part in monthly phone calls or text messaging conversations should be included in the loan contract. After each borrower is assigned an Arkansas student liaison, a specific day and time should be set up for that student to contact the borrower each month. While this form of monitoring may improve communication, it increases program costs and relies upon borrowers to answer their phones or be available to talk at the pre-planned times.

Similar to the idea of utilizing phones, Smiles Daycare showed interest in being paired with an Arkansas student to exchange emails. Yet, Smiles Daycare has not responded to subsequent emails it has received, and hence this shows how ineffective using email would likely be.

A second alternative is to create a loan monitor position in the Microlending Program. Loan contracts would include an agreement by the borrowers to meet with the monitor monthly. This position should be filled by a local Dangrigan who is knowledgeable, organized, reliable, respected in the community, and an effective communicator. He or she would meet with each borrower monthly to check on their progress, give advice, and provide personal accountability. The monitor would correspond with the Microlending Program regularly through email, communicating any problems the borrowers are having and asking for advice in situations he or she is unsure how to handle. To reduce the possibility of theft, the monitor would not collect payments – borrowers would continue to personally deposit their payments at the bank.

A payment system is the best way to provide incentive to the monitor. For example, the monitor would receive US\$5 per month per borrower if he or she meets with the borrower that month, corresponds with the Microlending Program about the meeting, and the borrower makes the required monthly payment. For example, if there are four borrowers and the monitor only meets with three in a month, or only three make the required payment, the monitor receives US\$15 for that month. These monthly payments could be made by the local Peacework director. If the Peacework director is unavailable, the Microlending Program could make a lump-sum payment to the monitor when the Arkansas students return each summer. Most importantly, the payment should not be made up-front; this removes the incentive for the monitor to meet with the borrowers.

It will be difficult to find a Dangrigan that fits the above model for a monitor. Two potential candidates come to mind, however. The first is Edward. Edward has been the most reliable and business-savvy borrower the program has had to-date. He is familiar with the workings of the Microlending Program and enjoys meeting with the students and faculty. He fits the model except for a lack of computer skills. However, Edward does have a computer and internet access at his home. He would simply require computer and email training. The second, who we will refer to as Megan, is the leader of a local women's group and is familiar with the Community Development in Belize Program. Megan has a college education and even has a smart phone, but she may not have time to give to the position. She is very focused on her women's group and incentive pay as low as US\$5 may not be worth her time. Also, the gender gap in Belize could create a lack of respect for her among male borrowers. The Microlending Program must be cautious when searching for a candidate to fill this position.

A third alternative to improve monitoring of the borrowers is an annual January visit by one of the Microlending Program faculty. Just as I traveled to Belize in January, a Microlending Program faculty member could make a 2-3 day trip each January to meet with all borrowers. In-person meetings provide the most accurate borrower information to the Microlending Program and create an opportunity to offer assistance to the borrowers. If the program has enlisted a local monitor, the faculty could meet with the monitor and pay the monitor at that time as well.

Avenues other than monitoring exist to improve microloan repayment – namely social pressure. Social pressure could be introduced through several means. First, the formation of a mentoring program among new and previous borrowers can increase the influence to repay. As the Microlending Program takes on more borrowers, it could pair successful borrowers with new borrowers to serve as mentors. The job of the mentor would be to check on the new borrower

monthly or bi-monthly. This requirement would be included in the loan contracts of first-time borrowers. The mentors would be encouraged, but not required, to consistently update the Microlending Program on the progress of the new borrowers. The function of the mentors' role would be to provide social pressure through meeting with and encouraging the new borrower.

A second prospect for repayment improvement through social pressure is placing borrowers into social groups. Forming social groups will become more plausible as the number of borrowers increase. Though typical social groups used by microfinance institutions contain approximately five borrowers, groups as small as three or four may be appropriate for the Microlending Program. None of the borrowers may receive future loans unless all members of the group pay off their existing loans. The groups should be assigned by considering gender inequality and the Arkansas students' opinions of the borrowers. Women should be grouped together, but a man could be grouped in with women if deemed trustworthy. As previously discussed, the peer pressure from social groups will not be as effective in Dangriga as in other countries; however, it will still play a role in reminding borrowers the need and timing for repayment.

A third form of inducing social pressure is to require everyone who will be impacted by the loan to attend the contract signing. This includes the spouses, children, and co-workers who are affected by the revenue of the business receiving the loan. This effort can create a social group within the business or business owner's family. An understanding of the loan by a spouse, co-worker, or even children can create influence, pressure, and encouragement to repay that the borrower may not otherwise have.

Monitoring and social pressure are not the only means to create repayment improvement. Incentives provide an opportunity to improve repayment. After borrowers receive their cash,

there is no incentive to repay other than the privilege to borrow again in the future. For those who have good intentions, but need an extra push to stay organized and committed, a reward system could be implemented, whereby the borrowers are exempt from their final payment if all other payments are submitted on time and in the correct amount.

Lastly, loan repayment could be improved by involving a local Dangrigan throughout the interview process. This assistant should be a previous successful borrower or any trustworthy Dangrigan familiar to the Microlending Program. He or she would be lightly compensated for the assistance. The purpose of this assistant would be to provide additional knowledge he or she may know or discover about loan applicants. The assistant's familiarity with local culture could provide the ability to more accurately read the applicants' reactions to the questions posed in interviews. As a result, stronger vetting of applicants could lead to more reliable and consistent repayment of loans.

Assessment of Similar Programs

Experiences of other universities in running similar microlending programs may provide valuable insights or best practices for the University of Arkansas program. The two criteria I used to identify similar programs were that the program must be run through a university and students must be directly involved in the lending process. I found that the most common university programs with student involvement are those run through a non-governmental organization (NGO). NGOs have the international experience, man-power, and funds to maintain and monitor a microlending program year-round. The NGO controls all money and lending processes; students are supervised facilitators with little authority.

I was able to identify only one program where students and their university are directly involved. Coincidentally, the program is also located in Belize. Bellarmine is a small, private

University in Louisville, Kentucky. Since 2007, Bellarmine has worked in partnership with the Rotary Club of Louisville sending a team of students each summer to learn about and provide microlending services in Belmopan, Belize (Welp, 2008). Similar to the Arkansas Program, funds are raised prior to the trip, and students determine the terms of loans and the borrowers. In the first year of the program, Bellarmine overcame the difficulty of monitoring by enlisting the help of a US expatriate and member of the Belmopan Rotary Club to collect weekly payments from borrowers (Welp, 2008). This system could not be sustained with growth of the program, so Bellarmine looked elsewhere and partnered with the Belize Enterprise for Sustainable Technology (BEST).

As described on its website (best.org.bz) “BEST, managed and operated by Belizeans, helps to create economic benefits for the poor and strengthen the ability of community-based enterprises to sustain their own development.” BEST is well established in the Belizean community and currently manages a US\$600,000 portfolio of microloans (Welp, 2008). In 2008, Bellarmine began working through BEST to provide microloans. Through correspondence on March 17, 2014, with Jim Welp, the faculty leader of the Bellarmine Belize program, I learned that Bellarmine now provides capital, meets the borrowers, and determines most terms of the loans while BEST collects payments and screens borrowers. BEST also requires collateral, has a very low default rate, and provides quarterly reports detailing each loan’s status. However, according to Mr. Welp, BEST is now borrowing from large banks and becoming an intermediary between the poor and those banks. This development deviates from Muhammad Yunus’ vision. Yunus believes in a bank that works exclusively for the poor and will not take advantage of the poor (Yunus, 2004). BEST now must focus on repaying the larger banks, and that burden ultimately falls on the impoverished receiving the loans from BEST. In addition, Yunus does not

believe NGOs are effective lending institutions, and BEST has always deviated from Grameen standards by requiring collateral in its loan contracts. As a result, Welp and his team are looking to begin microlending locally in Louisville instead.

Mr. Welp suggested Arkansas' Microlending Program could explore working through BEST as Bellarmine did, explaining Arkansas could "...set very specific terms for any loans [BEST would] extend using [Arkansas'] money...so [the] Program could be a very limited, laboratory experience for [Arkansas] students." However, this is not the strategy that the Arkansas faculty leaders wish to pursue. The objective is for the Program to remain in full control of the students and faculty in order to provide the best learning experience. The partnership with BEST may have been appropriate for Bellarmine because their program is education based. The strong partnership with BEST allows students a partial hands-on experience while learning about microlending through an organization operating on a large scale. Arkansas' Program emphasizes service learning where students learn by doing, making a partnership with another organization less desirable. The most effective avenue to sustain growth and maintain an independent program will be to implement procedures to improve monitoring and repayment.

IV. Evaluating Cayes to Business

Participant Perspective

As with the Microlending Program, a key component in assessing Cayes to Business is obtaining feedback from seminar participants. Each loan recipient who was surveyed about microlending was also surveyed about Cayes to Business. In addition to Edward, Oceanside Resort, and Smiles Daycare, a prospective business owner referred to as Daphne was also interviewed about her experience attending the Cayes to Business seminars.

The survey questions posed to the Cayes to Business participants provide feedback in five key areas: helpfulness of the seminars, impact of the seminars, teaching effectiveness, suggestions for improvement, and potential new seminar topics. An example survey with completed responses of each participant is included in Appendix 4.

All four survey respondents felt the Bookkeeping seminar was the most helpful seminar of the three offered. When asked why Bookkeeping was the most helpful seminar, the participants cited their new knowledge of bookkeeping basics and the application of that knowledge to their businesses. Conversely, none of the surveyed participants found the majority of the information taught in the Marketing seminar to be new. Three of the four respondents have seen improvements in their businesses or business ideas as a result of the seminars.

When questioned on the effectiveness of the teaching methods employed by the Arkansas students, those who were surveyed all responded positively. On the topic of improvement, both Oceanside Resort and Smiles Daycare suggested Cayes to Business could be improved through lengthening the seminars. Lastly, when asked about potential new seminar topics, all four respondents showed interest in a seminar on balance sheets. The next highest interest was shown in advertising and computing interest rates. There was also interest shown by one or two respondents in several computing topics. See Table 1 (following) for a detailed record of responses to potential topics.

Table 1: Interest Shown in Potential Seminar Topics

Subject	Topic	Daphne	Edward	Oceanside Resort	Smiles Daycare
<i>Accounting</i>	Balance Sheet	✓	✓	✓	✓
<i>Computing</i>	Basic Computing		✓		✓
	Email		✓	✓	
	Facebook		✓	✓	
	Internet		✓	✓	
	Spreadsheets		✓		✓
	Word Documents		✓		
<i>Finance</i>	Interest Rates/Expenses	✓		✓	✓
<i>Marketing</i>	Advertising	✓		✓	✓

There are four key takeaways from the survey. First, only one seminar, Bookkeeping, was found to be very helpful by those surveyed. Second, Cayes to Business seminars are improving the majority of the participants' businesses. Third, the teaching methods employed by the Arkansas students are very effective and should require little change. And fourth, the potential to implement new seminars should be visited.

Improving Cayes to Business

One of the most valuable sources of information for improving Cayes to Business is the opinions and ideas of the students who created and conducted the seminars. Arkansas students documented their experience and provided many ideas for improvement. Those ideas encompassed two areas: participant interaction and seminar content.

On the topic of interaction, Arkansas students felt current business owners in the Business Planning seminar should have a different worksheet from prospective business owners (refer to Appendix 2 for worksheet), as the current worksheet only assists the process of creating

a business. Students also felt the average age of the seminar participants was high and bringing more youth into the seminars could bring inspiration to the struggling town of Dangriga.

When documenting the content of the seminars, the Arkansas students suggested that information in the Business Planning and Marketing seminars overlapped and could be combined. This would conveniently open space for a new seminar. To fill this space, they suggested providing a seminar that addresses customer service and professionalism. In addition, the Arkansas students felt a discussion on mission statements should be included in the seminars. Lastly, Arkansas students found current business owners who attended the seminars were more interested in learning about advertising than learning the “Four P’s,” and the students felt this matter should be addressed.

Combining the information from the survey results, the previous Arkansas students, and new ideas creates an opportunity for strong improvement to Cayes to Business. First, the Business Planning and Marketing seminars should be combined as suggested, and their worksheet should be updated to address the participants’ current position in business ownership. It is also very appropriate to add a discussion about mission statements into this new hybrid seminar. Customer service and professionalism is lacking in Dangriga, and an improvement in this area could benefit many businesses and prospective business owners. Though this seminar topic was not included in the survey, it should be strongly considered for the new seminar. It is a very basic topic that would mesh well with the current seminars, and many business owners in Dangriga do not realize how beneficial customer service could be for their businesses. However, computer-based seminars will be difficult to implement. Personal computers are still relatively uncommon in Dangriga and the hardware and infrastructure does not exist to provide a

computer-based class. It may be years before such a seminar could be made possible through the University of Arkansas Community Development in Belize program.

Two survey respondents suggested lengthening the seminars. While this suggestion should be considered by future Arkansas students, it should be approached with caution. An hour-long seminar is a convenient, simple amount of time. It is short enough to keep the attention of the participants, but long enough to disseminate an adequate amount of information. Extending the seminars by thirty or even fifteen minutes could risk loss of participant attention. A longer seminar may also discourage potential participants from attending. The best course of action is to ensure that Arkansas students provide extra time after the course has ended to answer any questions the participants may have, or even to expand on certain topics beyond the scope of the course with those who may be interested.

The importance of Cayes to Business is disseminating the most important, basic business fundamentals needed to run a business. Because these seminars are a prerequisite to apply for a microloan, they should retain their basic content (with the addition of the Customer Service and Professionalism seminar). As a result, there are two potential avenues for addressing the strong interest shown in advertising and balance sheet topics. One such avenue is to create a thirty minute curriculum for each new topic and add these two new sections to one of the existing seminars as an optional class extension. For example, after the Business Planning/Marketing seminar is complete, participants are provided with the option to leave, or stay for another thirty minutes and learn about advertising strategy and techniques. A Balance Sheet seminar extension would be similarly attached to the Bookkeeping seminar. The second avenue is to add new, optional seminars covering each of these topics. The most efficient way to offer these seminars would be combining them into a one-hour seminar, offered on a fourth day each week. A new,

separate course would be more appealing to previous Cayes to Business attendees than would a course extension; the previous attendees may not want to sit through the old information they already learned while waiting for the new thirty minute extension make it possible for previous Cayes to Business attendees to add to their education without repeating classes from last year. A separate course would also be much simpler to advertise.

One of the problems faced by Cayes to Business is the lack of appeal to participants who may have a handle on the basic knowledge taught in the Cayes to Business seminars. Aside from adding to the current form of Cayes to Business, another solution is the creation of an Advanced Cayes to Business course. This course, containing two or three new seminars, could be made available to those who have graduated from the original Cayes to Business course or those who are not interested in applying for a loan. The advanced seminars could be taught in a different location simultaneously to the normal Cayes to Business seminars, or they could be taught at separate times. If a third seminar is desired for Advanced Cayes to Business, in addition to advertising and balance sheets, a lesson on interest rates and interest expenses appealed to survey respondents and would be an ideal choice.

The improvements suggested by the previous Arkansas students alone would be enough to foster strong improvement in the program, but the addition of new seminar topics has potential to create a stronger appeal to the community as a whole. In later years, based upon demand of Cayes to Business attendees and local business owners, other topics could be added to the program.

V. Conclusion

Since their inception, the Microlending Program and Cayes to Business have positively affected the lives of both Belizeans and Arkansas students. Microlending has grown gradually

while Cayes to Business debuted to a large turnout, but both show great potential for growth and continued community impact. To sustain healthy growth and overcome their respective challenges, some aforementioned improvements must be implemented in these influential programs.

The largest challenge facing the Microlending Program is the lack of repayment and monitoring. While no clear and simple solution exists, I believe the most effective solution is the implementation of a local, year-round monitor. A local monitor will be able to assist both the microlending team and the borrowers. Implementation would likely take at least two years, so in the meantime, simpler, short-term solutions will be more effective, such as including a local Dangrigan in the screening, or requiring family and co-worker attendance at the loan-signing meeting.

Cayes to Business faces the challenges of providing the most important, basic information to potential loan applicants and keeping previous or experienced participants interested in the program. As previously suggested, the Business Planning and Marketing seminars should be combined, and the Customer Service and Professionalism seminar should be added. To maintain the interest of previous or experienced participants for this year, I believe the best option is to add a fourth seminar teaching advertising and balance sheets. In later years, as the program continues to grow, I believe a full Advanced Cayes to Business course should be added.

To maintain the importance of the Microlending Program and the learning experience it provides, it must remain fully under the control of the University of Arkansas. Keeping this in mind while implementing various suggestions over the next few years will surely improve the

Microlending Program, the Community Development in Belize Program, and the lives of the citizens of Dangriga.

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Appendix 1: Example Loan Contract

June 5, 2013

The University of Arkansas through the Belize Community Development Project 2013 has committed to lend Daphne \$320 Belize dollars.

The money will be lent to Daphne in the month of June 2013 at an interest rate of 5% annually with 10 monthly payments of \$34.00 Belize dollars. Payments should be made by the end of each month beginning in September 2013 and ending in June 2013. For more details regarding the loan and corresponding payment schedule, please refer to Page 2.

The loaned money must be used to purchase a blender, cake pan, and other equipment and supplies.

The \$34.00 Belize dollar monthly payment must be paid to the Belize Bank's account as specified by the Belize Community Development Project 2013. There is no penalty for early repayment, and early repayment is encouraged.

By signing below, Daphne agrees to all of the conditions set forth by the University of Arkansas and the Walton College of Business students participating in the 2013 Belize Community Development Project.

Daphne

(Student Representative)

(Cooperative Dept.)

(Faculty Sponsor)

5 June, 2013

Daphne Loan Details and Payment Schedule

Principle \$ 320.00
Interest Rate 5%
Total Interest \$ 20.00
Total Due \$ 340.00

Payment Schedule

Date	Payment	Balance
Jul-13	\$ -	\$ 340.00
Aug-13	\$ -	\$ 340.00
Sep-13	\$ 34.00	\$ 306.00
Oct-13	\$ 34.00	\$ 272.00
Nov-13	\$ 34.00	\$ 238.00
Dec-13	\$ 34.00	\$ 204.00
Jan-14	\$ 34.00	\$ 170.00
Feb-14	\$ 34.00	\$ 136.00
Mar-14	\$ 34.00	\$ 102.00
Apr-14	\$ 34.00	\$ 68.00
May-14	\$ 34.00	\$ 34.00
Jun-14	\$ 34.00	\$ -

Appendix 2: Seminar Discussion Questions and Material

Business Planning

1. What's your idea for a business?

2. What names do you have in mind for your business?

3. What is your company's mission statement?

4. Who is your product or service for?

5. What do you think the price will be?

6. How much do you think you could sell?

7. What are the costs of this business? Materials, labor, rent, etc.

8. Will there be competition?

9. Do you have an idea for a location? Will it be accessible?

10. Will you need to hire additional employees? If so, what will it cost?

11. How are you going to fund the start of the business?

12. Are there any government restrictions, regulations, or licensure needed to run this business?

Name: _____

Cayes to Business: Session 2

The 4 P's of Marketing

Marketing – Any activity directed at satisfying needs and wants through buying and selling

4 P's of Marketing

_____ - What you are offering to customers, whether it be a product or service

_____ - The amount you will charge for your product

_____ - Location that your product is sold

_____ - How you raise awareness to your potential customers

Product

What product are you selling?

What makes your product different than your competitors' products?

Why do people want your product?

Price

How much does it cost to produce and sell your product?

What is the price of your product?

Why is that the price of your product?

What are your competitors' prices?

What are consumers willing to pay for your product?

Based on your costs and price, what is your profit per unit sold?

Place

Who is your target market?

What are the characteristics of your customer?

Where do you sell your product?

When is your product available for purchase?

How do customers purchase your product?

Promotion

How will people know about your product?

What ways can you advertise your product?

What would your advertisement look/sound like? (Print, Radio, Word-of-mouth, etc.)

What is the goal of your promotion strategy?

How will you keep your customers?

Cayes to Business

Book Keeping Vocabulary

Asset- Something you own that is useful and has value.

Example: Supplies, Equipment and Inventory

Book Keeping- Keeping track of transactions, revenues and expenses associated with your business.

Equipment Expense- The costs of repairs and maintenance of equipment used in your business. Payments on a loan for equipment can also be an equipment expense.

Expense/Costs- Any amount of money you pay to run your business.

Example: Supplies, Equipment and Overhead Expenses

Financial Management- Managing your money in a way that you are prepared for future expenses; includes saving in order to expand your business or pay off loans.

Income Statement- Revenue/Sales and Expenses/Costs are recorded on the Income Statement; allowing you to find Net Income for a period of time.

Inventory- Any products the business has not sold. Inventory is an Asset.

Liability- Something the business owes to another person or bank.

Example: Loans

Net income- The amount of money the business earned after expenses are recorded for a period of time. $\text{Net Income} = \text{Revenue/Sales} - \text{Expenses/Costs}$

Overhead Expense- Costs/Expenses that the business must pay in order to produce and sell a product or provide a service that are not Equipment or Supplies Expenses.

Example: Electricity, Water and Labor

Revenue- The entire amount of money a business earns from selling a product or products and any services the business provides.

Sales- The entire amount of money a business earns from selling one or more products.

Supplies Expense- Costs or expenses your business pays from buying supplies for producing a product or providing a service.

Appendix 3: Microlending Survey

Belize Microlending Program Survey

Past and Current Loan Recipients:

Name of Survey Respondent _____

What is your business? What goods or services do you provide?

Edward: Sell Granola (Bars and Loose)

Oceanside Resort: Restaurant and bar; have one hotel cabana and plan to expand

Smiles Daycare: Daycare services

How long have you been running this business?

Edward: Began selling loose granola/cereal in 2003. Added bars in 2010-2011 to generate more options and sales. Diversifying products has helped sales.

Oceanside Resort: 27 years

Smiles Daycare: 5 years

What was the purpose of your loan?

Edward: More ingredients, an electric food mixer

Oceanside Resort: Cabana renovations, restaurant chairs

Smiles Daycare: Pay rent during the summer months (July/August), renovate for the new school year

Have you seen positive results from the loan's proceeds? If yes, what are the benefits?

Edward: Yes – the mixer has paid for itself; excess ingredients allowed fulfillment of demand

Oceanside Resort: Yes – the cabana has been fixed-up and looks much nicer

Smiles Daycare: Yes – Was able to pay rent; daycare has been painted and new tables and chair are being put to good use

Did you understand our explanation of the terms of the loan? If not, why not?

Edward: Yes – the loan was simple and payments were easy to accumulate

Oceanside Resort: Yes

Smiles Daycare: Yes

Did you have any confusion about how to deposit your payments? If so, what is the source of that confusion?

Edward: No – explanation was clear

Oceanside Resort: No

Smiles Daycare: No

Is the revenue from your business sufficient to make your monthly loan payments? If not, why not?

Edward: Yes

Oceanside Resort: Yes – have been receiving more revenue from the cabana

Smiles Daycare: Not presently – due to delay in Belizean government subsidy payments

What are your suggestions for how the microloan program can be improved?

Edward: The educational seminars are more important than the actual financial assistance of the loan; create a pop quiz to ensure borrowers understand how to make payments

Oceanside Resort: None

Smiles Daycare: None

Do you plan to apply for another loan next year? If so, what would be the loan's purpose?

Edward: Unsure

Oceanside Resort: More than likely – restaurant and cabana expansion

Smiles Daycare: Will apply if current loan is paid off in time – pay for summer rent (July/August)

For those loan recipients who have missed at least one payment:

Why did you miss your payment(s)?

Oceanside Resort: Prefer to make one lump-sum payment

Smiles Daycare: Belizean government subsidies have not been received on time

Would it help you to make your payments if you were paired with an Arkansas student during the year to exchange emails with and ask for advice or other guidance?

Smiles Daycare: Yes – would be able to communicate with the Microlending Program to explain their payment issues

What do you need to prevent you from missing payments in the future?

Smiles Daycare: The Belizean government delay in subsidies payments is the only issue preventing loan repayment

Appendix 4: Cayes to Business Survey

Cayes to Business Attendees:

Name of Survey Respondent _____

(If not interviewed as a loan recipient) What is your business or your potential business? What goods or services do you provide or plan to provide?

Daphne: A small restaurant/booth providing food to-go

(If not interviewed as a loan recipient) How long have you been running this business?

Daphne: N/A – this is a business idea

What topic(s) did you find most helpful and Why? (Business Planning Bookkeeping Marketing)

Edward: Business Planning: Learning this material is more important than the monetary assistance of a loan – started a business from scratch with vision and inspiration, but no experience or knowledge; learned professionalism

Bookkeeping: Taught to keep track of expenses, which includes items as simple as a bike tire or auto gasoline used during the sale of product

Oceanside Resort: Bookkeeping: Have been applying bookkeeping knowledge to the business

Smiles Daycare: Bookkeeping: Helped to understand details and organize books

Daphne: Bookkeeping: Taught the basics of how to keep books (Revenue - Expenses = Profit)

Was a majority of the material we taught in the seminars new to you?

In the Business Planning seminar?

Edward: Yes

Oceanside Resort: No

Smiles Daycare: No

Daphne: No

In the Bookkeeping seminar?

Edward: Yes

Oceanside Resort: Yes/No (one of the women was already knowledgeable in bookkeeping)

Smiles Daycare: No

Daphne: No

In the Marketing seminar?

Edward: No

Oceanside Resort: No

Smiles Daycare: No

Daphne: No

(For business owners) Have you seen any improvements in your business because of what you learned in our seminars? If so, what improvements have you seen and why (what are you doing differently)?

Edward: Yes – much more organized because now keeps track of expenses and can use those to determine true profit

Oceanside Resort: No – have not made changes to business operations

Smiles Daycare: Yes – have made changes to bookkeeping to correctly find profit

(For potential business owners) Did the seminars help you to clarify your business idea or make it more likely that you will start a business?

Daphne: Yes

Did you feel that the teaching methods were effective? If not, do you have any suggestions of how we could better teach the material?

Edward: Yes – material was taught clearly, time was provided for questions and review, and questions were answered with very clear responses

Oceanside Resort: Yes

Smiles Daycare: Yes

Daphne: Yes, very

What are your suggestions for how Cayes to Business can be improved?

Edward: None

Oceanside Resort: Make the seminars longer/provide more time

Smiles Daycare: Longer seminars

Daphne: None

We are thinking about offering additional business seminars.

What other business-related subjects would you like to learn about? (An "X" designates that respondent suggests the topic on their own; a "✓" designates responded would like a seminar on this course after I propose it.)

[D = Daphne; E = Edward; O = Oceanside Resort; S = Smiles Daycare; "*" designates suggested by survey respondent before I proposed potential topics]

Computing

E,O Email

E,O Internet

E,S Spreadsheets

E Word Documents

E,O Facebook

E,S Other Basic laptop/computer usage

Other _____

Business

D,O*,S Marketing/Advertising

Other _____

Finance

D,O,S Computing interest rates, interest expense

Other _____

Accounting

D,E,O,S Balance Sheets

Other _____

Any other seminar ideas provided by survey respondent: