

Scott's Summer of Microfinance



When Smith School sophomore Scott Shuffield received the notice about an internship in Honduras, he passed it on to fellow members of the Global Business Society—but then decided he'd like to apply as well. That's how Shuffield found himself in Tegucigalpa, Honduras, last summer, working as a junior loan officer for Prisma Microfinance, a privately owned credit union whose CFO is Smith alumnus Kendall Mau, MBA '76.

Junior loan officer duties included shadowing Prisma's Honduran staff on their daily rounds. Shuffield's entire first week was spent on collections, an eye-opening experience.

"It was a little nerve-racking because you're going into quite dangerous neighborhoods to tell people they need to pay you money. I imagine it might

have looked like I was the loan enforcer," laughs Shuffield.

Living and doing business in a foreign country was an adventure, from the day it rained so hard the street flooded to the day "Tegus" shut down for the U.S./Honduras soccer matchup (the U.S. won). It also presented some unique challenges. Shuffield is reasonably proficient in Spanish, but he had to learn the business and technical terms for financial services to follow loan officers' conversations. (They don't teach you how to say "mortgage" in most Spanish classes.)

A few weeks later Shuffield graduated from loan collections to face-to-face marketing with potential clients, most of whom were small entrepreneurs and many of whom were women.

Shuffield and other Prisma loan officers went door to door, introducing themselves to neighborhood residents and educating them about Prisma's services. Sometimes potential clients were immediately receptive. But often people were resistant to the very notion of credit because of bad experiences. Some had been burned by credit cards. Others were victims of predatory lending practices by large foreign banks or by local strongmen charging usurious interest.

Toward the end of his internship, Shuffield was conducting business evaluations with potential clients—both a thrill and another challenge. "Most people in Honduras don't have computers keeping track of what they're buying or selling," says Shuffield. "They just know, so you have to ask them—what do you want to buy, how much do you want to buy, how will it help your business grow, how will it help you pay back this loan?"

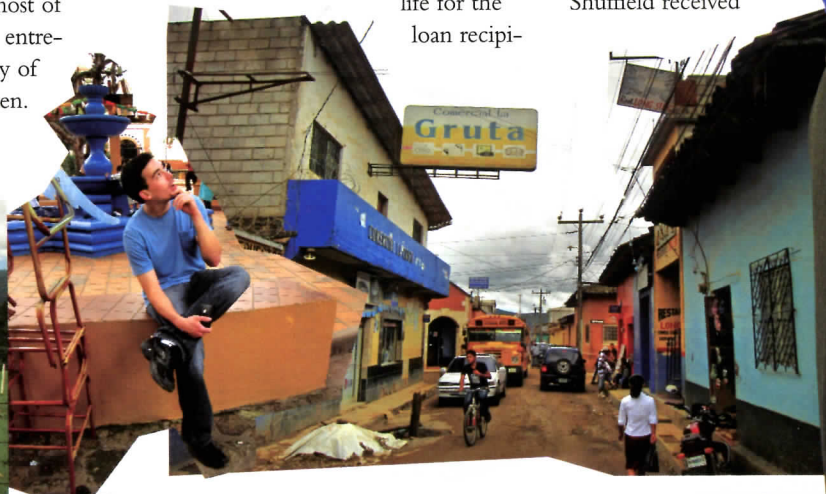
Prisma's loans are small—\$200 to \$1,000. Shuffield worked with people who were requesting loans on the low end, just \$200 or \$300. That is often just enough money to purchase a new piece of equipment—a tortilla maker, a sewing machine—that will help expand a tiny entrepreneurial venture into something that can lead to more profits and a better life for the loan recipient.

ent. And that is what Shuffield found most rewarding, he says—seeing people's lives improving.

His summer of microfinance was brought to an unceremonious close when the president of Honduras was overthrown by the military. With Venezuelan President Hugo Chavez threatening to invade, the local airport shutting down and electricity in Tegucigalpa cut off, Shuffield (and his mom and dad) feared that if Shuffield's cellphone battery died, he'd be cut off from the United States. Shuffield boarded a plane and headed back to his family in Miami. It was an unusual way to wrap up a summer internship.

Shuffield wants to pursue a career in international business, probably for a large corporation. But he'd like to do it in a way that is still respectful of local culture and that brings value to the local community.

Shuffield's experience was made possible by a scholarship from Kendall Mau, and Shuffield received



a small stipend from Prisma. Shuffield's only out-of-pocket cost was his airfare.

In January 2010, scholarships from the Smith School's Global Opportunities program made it possible for 33 other undergraduates to experience a short-term study abroad trip. More than 400 undergrads and MBA students go on a global study trips or spend semesters abroad each year. In fact, the Smith School sends more students abroad than any other school at the University of Maryland—a full 10 percent of our student body. But Dean Anand's vision is to provide every Smith graduate with global experience—through study trips, language learning or globally focused classes or research.

It's a big goal, but it's a must for creating students with global competence. "Any student going into business must understand the global dynamics of the business world," says David Wilmes, director of undergraduate study abroad programs. "Study abroad trips are so important because they give students an understanding of the world that they can't get in any other way."

Shuffield would agree. "You have to experience it to really understand the culture and the people," he says. "You see a totally different way of life. It's not any worse than life in the U.S., but it's not any better either. You can't learn that from textbooks or from classes. You have to go there and see it for yourself."

Read Kendall Mau's profile from the September 2008 issue of *Smith Business* at our Web site. —RW

SCOTT'S BLOG

JUNE 5

After showing me a little of what they do, like calculating "mora" or late fees, I went with Susan (the office manager/head loan officer for the Pedregal Office) and Dilcia to five or six places to seek out *avales* (a financial guarantee by a third party to assume the burden of a debt in the event of default) of people who are behind on payments.

According to Susan, more people than usual have fallen behind. ... The government raised the minimum wage 45 percent in March. Raising the minimum wage seems like a good thing until businesses are closing their doors because they can't pay workers. Many people think the president, Manuel Zelaya, did this to gain favor among poorer workers because elections come in November.

JUNE 17

Today turned out to be my most exciting day of work so far. ... I shadowed Dilcia, a loan officer, while she performed a new client evaluation. We rode two buses from Pedregal to Flor del Campo where we walked to Catalina's business. She rents a small space about the size of a bedroom where she sells all types of clothes from children to adults. Her rent for the space every month is 1,300 Lempiras (about \$65) Can you imagine renting anything for just \$65 a month?

JUNE 20

Work at Prisma the last few days has been really cool. On Thursday, we went out to an area of Tegucigalpa called Policarpo to do interviews with... Esperanza, Doris and Claudia. Esperanza sells food from her home (tacos, fried bananas, etc.); Doris sells fruit next door to Esperanza; and Claudia has a *pulperia*, or a small market. They decided to name their group "Women in Victory." The women that Prisma works with play a big role in their homes and are always proud to be receiving loans and growing their businesses.

JUNE 26

When I applied for this internship, I thought I would be learning about business, small entrepreneurs and the microfinance industry. Little did I know it would turn out to be an education in political science! As I wrote those last two sentences, I actually ran upstairs to the terrace to look at the main street of the Miraflores neighborhood (where I live) because I heard lots of honking. Turns out "Mel's" (President Manuel Zelaya) supporters were driving down the street yelling and honking. ... There is speculation that there will be a coup tomorrow by the military.

JUNE 29

I feel like I really learned about microfinance and how it can really help people. I also saw the ugly side of any finance company when people refuse to pay. But I realized the huge majority of people who receive microloans use them to better their lives. ... Right now, during all of these problems, the poor in Honduras (about 70 percent of the population) will be the most affected. In times like these, more than ever, these people need to continue to have access to microloans through agencies like Prisma.

