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# **THE IMPORTANCE OF KEEPING YOUR ENTREPRENEURIAL FINANCE STUDENTS UP TO DATE DURING COVID-19 TIMES**

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## **ABSTRACT**

*The purpose of this paper is to examine the issues that occurred as part of the worldwide problem created by the COVID-19 situation and its impact on teaching the subject of entrepreneurial finance. By staying up-to-date and relevant, professors could use the resources available to them to show how entrepreneurs survive and thrive in this scenario. While the spring 2020 semester presented a unique challenge to both professors and students, professors who embrace it and the succeeding semesters as an opportunity to grow can benefit themselves and their students in general. Professors can continue to use COVID-19 examples in their entrepreneurial finance classes for the near future. The paper is based on the experience of teaching the course and not empirical data, and relevant to professors teaching the course in the United States.*

**Keywords:** COVID-19 Impact, COVID-19 Situation, Entrepreneurial Classes, Students.

## **INTRODUCTION**

The spring semester of 2020 was unusual in many ways for students at most universities in the United States. In-person, face-to-face classes were suspended for and most universities moved completely online. For professors teaching the subject of entrepreneurial finance, this semester provided an opportunity of a lifetime to show students how to learn from the amazing things done by both common people and entrepreneurs during these testing, singular times. Entrepreneurial finance is a new area in the study of entrepreneurship in that it concentrates significantly on the process of making financial decisions and wealth maximization for new ventures. The classes in this area concentrate on the inception of new businesses, the accumulation of capital; surviving early hiccups, getting additional funding, and go on to discuss how to finance a growing venture including exit strategies. The classes usually tend to be both at the senior and graduate level in most business schools that offer them. The purpose of this paper is to highlight some of the topics that professors could have and can discuss in their entrepreneurial finance classes, show students how businesses can and do thrive in this unique historical scenario being played out globally. This study also discusses how to keep students engaged in these difficult times and what can professors do to enhance their students' knowledge during the pandemic. While this study is more for professors of entrepreneurial finance in the United States, similar examples could be used in other countries.

There have already been some studies that examined the changes that were forced on both instructors and students due to COVID-19. Sunasee (2020) examined the impact of COVID-19 on a class of organic chemistry and found that a combination of asynchronous and synchronous methods was effective for content delivery, active learning, and increased student engagement. In another study, Toquero (2020) mentions that COVID-19 impacted educational systems in 188 countries as of April 6, 2020. She strongly suggests that educational institutions to “*produce and proliferate studies and document the impact of the pandemic on the educational system*”. Liguori & Winkler (2020) wrote an editorial for Entrepreneurship Education and Pedagogy that discussed how the pandemic is affecting entrepreneurship education globally and called for added scholarship and the development of resources for entrepreneurship education. The purpose of this paper is to fulfill this need and show how entrepreneurial finance professors can use the examples given below to increase student knowledge, teach them what entrepreneurs are taking advantage of the opportunity provided by the current situation and help them find resources to increase their understanding of finance.

### COVID-19 AND CLASS ADJUSTMENTS

COVID-19 created havoc with the educational system as it did with every aspect of human life on the planet. In the middle of the spring 2020 semester, professors suddenly had students who reached out with unusual stories of hardship. Several students had lost jobs where they were paid by the hour. Other students had children stay at home with them as daycare centers closed. Non-traditional students mentioned that their children had either moved back home from college or in some cases had to move in with them following an economic hardship. One of the first things professors needed to do then and in the current semester is to reassure the students and handle students’ problems sensitively. Professors needed to record their lectures and tell students that they can listen to recorded sessions in a time favorable to them. Professors also had to help students who are unused to online education on how to access and get the best out of lectures. Students who attend live online sessions need reassurances about how the current scenario is not permanent. Professors can potentially use this to increase student understanding of the subject. This is done by citing examples of how entrepreneurs were taking advantage of the situation presented and trying to find solutions for the world. Entrepreneurship is based on human ingenuity, persistence, and initiative.

To begin with, one of the better ways to go forward, increase student knowledge, and reassure them would be to mention the positives that were occurring at the time. One of the first things noticed during the early stage of the pandemic was the shortage of N95 masks for even medical personnel. There was an article in the popular press that mentioned that Duke University’s innovation<sup>1</sup> of using vaporized hydrogen peroxide to clean the N95 masks for reuse. Companies known for their innovation used this opportunity to increase their goodwill among the public. An example of this is the innovation of the company Dyson<sup>2</sup> which started producing ventilators after designing one in just ten days in the United Kingdom. It is important to remember to remind students that they are living through historical time. Bringing the

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<sup>1</sup> <https://techcrunch.com/2020/03/27/duke-university-uses-vaporized-hydrogen-peroxide-to-clean-n95-face-masks-for-reuse/>

<sup>2</sup> <https://techcrunch.com/2020/03/26/dyson-and-gtech-answer-uk-call-for-ventilator-design-and-production-to-support-covid-19-response/>

developments that are taking place in the medical field and discussing them with students enhances student knowledge on how to convert an idea into an opportunity to create a sustainable business and creating value. Discussions about masks among interested parties led to a simple and yet very entrepreneurial venture where a husband-wife team with one doctor and one engineer came up with an idea to decontaminate N95 masks<sup>3</sup> and reuse them. This showed the coming together of several parties and receiving a pentagon contract. This is a near-perfect example of an entrepreneurial process leading to value creation. Other potential examples are the impact of the COVID-19 on the stock markets<sup>4</sup> that could be discussed both as a potential overreaction by the market and bring in discussions on investor behavior during panics. Cures and potential cures' news were treated with news articles and entrepreneurial finance professors could use these to discuss how to potentially create value. Using very current examples like possible treatments<sup>5</sup> or early news of a working vaccine<sup>6</sup> would make the classes more interesting. The possibilities for entrepreneurial finance to make the class interesting and very hands-on are harder at this time in history than at any time in the recent past.

There is evidence from Italy that innovative methods are used to encourage an entrepreneurial mindset in students. Secundo et al., (2020), study the 2012 initiative of the Italian Ministry for Education, University and Research to fund a program called CLabs that inculcated an entrepreneurial mindset in students. They report that these labs are promising in getting students the benefit of various stakeholders and create an entrepreneurial mindset among them. This experiment can be replicated with COVID-19 using media like Microsoft Teams and Zoom. In another paper, Bacq et al., (2020) discuss how a “*virtual idea blitz*” was created with the help of entrepreneurs, doctors venture capitalists, students, and others including professors to create over twenty ideas on how social entrepreneurial action was initiated during COVID-19 period. Entrepreneurial finance teachers can take lessons from this study. Using similar meetings on a virtual basis, professors can enhance student knowledge and participation at this time. Other studies that can help professors of entrepreneurial finance at this time could include the study of Brown et al., (2020) and Maritz et al., (2020) to improve their classes.

### US SMALL BUSINESS ADMINISTRATION (SBA)

Most texts in entrepreneurial finance mention the major types of credit available to small businesses through SBA. These include the traditional sources of 7(a) loan, the 504 loans, the microloan, and venture capital. For 7(a) loans, while commercial banks lend the money, the SBA guarantees up to 85% of the loan money; In the case of 504 loans, while a commercial bank and not-for-profit company provide the loan with SBA guaranteeing the not-for-profit part. For microloans, the SBA provides the funds through a community organization, and for venture capital; the SBA borrows money to lend to SBICs (Small Business Investment Companies) and

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<sup>3</sup> <https://www.nbcnews.com/health/health-news/dinner-table-chat-between-husband-wife-may-help-solve-coronavirus-n1183716>

<sup>4</sup> <https://www.cnbc.com/2020/03/08/dow-futures-drop-700-points-as-all-out-oil-price-war-adds-to-coronavirus-stress.html>

<sup>5</sup> <https://abcnews.go.com/Health/head-lice-drug-emerges-potential-coronavirus-treatment-studies/story?id=70119724&fbclid=IwAR1SKFy5dMuIZ-5O3dfDB7djyvP-yQHiHmTKg5OmrY6QnffgzB0XKWaWf0>

<sup>6</sup> <https://www.cnbc.com/2020/03/30/johnson-johnson-to-begin-clinical-trials-on-coronavirus-vaccine-candidate.html>

guarantees payment to investors<sup>7</sup>. Most of these are some form of guarantees given by the SBA to encourage small businesses. The SBA took on a much larger role during the COVID-19<sup>8</sup> crisis. On March 27, 2020, the President of the United States signed the CARES Act into law that contained a significant amount of \$376 billion in relief for workers and small businesses in the USA. The SBA used this opportunity to provide relief in several forms. The paycheck protection program was a loan program that provided for forgiveness in retaining employees by traditionally expanding the SBA 7(a) loan program. The Economic Injury Disaster Loans is another option that provided help to small businesses and non-profits that are experiencing a temporary loss of revenue due to the crisis caused by COVID-19. According to the report dated August 24, 2020, on the website of SBA<sup>9</sup>, there were 3,573,856 loans approved amounting to a dollar amount of \$188,022,021,024. The next is SBA Express Bridge Loans that help small businesses with a pre-existing relationship with an SBA express lender to access up to \$25,000 quickly. This provides temporary help to urgently needed cash while waiting for EIDL loan for qualified borrowers. Besides, the SBA is also providing debt relief to loans for six months for borrowers of select loans.

Entrepreneurial finance professors should incorporate the changes caused by these latest developments in their classes. There are various ways to do this: One could create an exam or a quiz to look at the new developments and help students read the information on the website. Another way would be to encourage students to write an essay on these new developments. As most students who take this class are either graduate level or senior level, one expects them to be in the job market or to be self-employed within a year. The knowledge of SBA and the help it gives small businesses would be of enormous help to any job-seeking new graduate. This is the case for those students who are seeking to join a small business or a startup. Their knowledge of these programs could be of crucial help in enabling them to get their job and help their employers.

### **HOW TO MAKE CLASSES MORE RELEVANT TO THE CRISIS PERIOD**

Entrepreneurial finance professors can further enhance the knowledge of their students by demonstrating the impact of a loss of revenue for small businesses and how this is offset by lowering the cost of capital by taking advantage of favorable interest rates provided by SBA guaranteed loans during the crisis. These loans are bound to be cheaper since the prime rates fell over the past year<sup>10</sup>. According to the website of JPMorgan Chase (2020), the prime rate was 4.75% at the end of October 2019. The rate came down to 4.25% by March 4, 2020 and to 3.25% by March 16, 2020, as the crisis unfolded. Professors can demonstrate how the loss of revenue stream can be offset by the lowered cost of capital by qualified entrepreneurs thereby minimizing their losses. For businesses that did not suffer a loss of revenue due to the crisis, this is an opportunity to lower their rates and have increased profit margins. Of particular interest to entrepreneurial finance professors is the impact of the SBA loans on cash burn rates of small

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<sup>7</sup> Leach, J.C., & Melicher, R.W. (2011). The information on types of loans are from the text *Entrepreneurial finance. Cengage Learning, 2015*, 486

<sup>8</sup> Most of the information in this paragraph is based on the website of SBA. The website <https://www.sba.gov/> has all the relevant information.

<sup>9</sup> <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loans#section-header-5>

<sup>10</sup> <https://institute.jpmorganchase.com/about/our-business/historical-prime-rate>

businesses. For example, the SBA's debt relief for loans for up to six months could significantly reduce cash burn rates during the COVID-19 crisis. Cash Burn<sup>11</sup> can be defined in general terms as the cash an enterprise spends on its operating and financing expenses and also includes its capital expenditures in acquiring assets. An SBA loan could potentially reduce all but capital expenditures in this definition. Since the aim of entrepreneurs would be to reduce their cash burn and thereby increase their longevity by keeping the revenue stream intact, it would be very important for students to learn the advantages that small businesses can derive from loans of this type during a crisis. Students can also be encouraged to learn about new businesses that are coming up as short-term opportunities for entrepreneurs to make short-term cash. For example, Paul Derham, of Mudeford<sup>12</sup> in England's Dorset region now runs a small business that takes tourists to visit large cruise ships now idling in the seas close to the coast due to COVID-19. Students in the class should be encouraged to come up with similar ideas that will enhance their ability to think like an entrepreneur. This will not only enable them to think like an entrepreneur but also enhance their confidence and their ability to think outside the box, which is the fundamental requirement for entrepreneurship.

Creative thinking during the pandemic is not necessarily an opportunity for only small entrepreneurs. Singapore Airlines<sup>13</sup> had converted an A380 double-decker aircraft into a restaurant at Singapore's Changi Airport. With procedures similar to boarding an aircraft for flying, dining at the new restaurant will require a security check and boarding pass. The whole experience is to give customers a choice to experience conditions similar to high-quality air travel without actually going anywhere. Professors should point out that an inflight dining experience like this will ensure several things for the airlines: one, it will create a positive experience in the mind of future customers about the airline and its service; two, it will keep older customers loyal to the airline and let them relive their earlier experiences on the airline. Thirdly, it will help train new cabin crew with their more experienced colleagues at this crisis time and most importantly, generate revenue for the airlines when international travel is more or less unavailable. This creates an opportunity for entrepreneurial finance professors to explain to their students how an airline during this period can be revenue generating. Other airlines are being just as innovative with Finnair<sup>14</sup> offering its business class meals for sale at a local supermarket chain to keep their loyal customers forced to stay at home during the pandemic, happy.

While the study aims at helping professors of entrepreneurial finance, the examples given are equally applicable to other business disciplines as related to entrepreneurship. Examples of innovative thinking and business opportunities that have arisen from the COVID-19 situation abound around us. For instance, Paul Derham, of England's Dorset region mentioned earlier can look at how to reach a larger clientele by using more innovative methods of marketing during the crisis period. He could also consider tying up with one of the cruise companies to allow his passengers to have their dinner on the deck of the cruise ship for an extra charge. Teachers of entrepreneurship-based subjects will have to encourage their students to think outside the box at times of crisis. Stoking their minds to think differently and helping them to do so would enable them to learn more about entrepreneurship subjects than traditional textbook learning.

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<sup>11</sup> Leach, J.C., & Melicher, R.W. (2011). *Entrepreneurial finance*. Cengage Learning, 2015, 167.

<sup>12</sup> <https://www.cnn.com/travel/article/ghost-cruise-boat-tour-uk/index.html>

<sup>13</sup> <https://www.travelandleisure.com/airlines-airports/singapore-airlines-changi-airport-plane-restaurant-a380>

<sup>14</sup> <https://www.travelandleisure.com/airlines-airports/emirates-new-onboard-lounge-covid-amenities>

## CONCLUSIONS

COVID-19 has affected all major economies in the world in several ways. This is a historical year in world history when nature made new rules that have been forced on the way we live, work, shop, and travel. Every crisis provides an opportunity for growth. The purpose of this paper is to encourage professors of entrepreneurial finance to encourage their students to read beyond the textbook and look at practical examples in the real world that show how entrepreneurial finance is working during this crisis. The paper also discusses how SBA loans can be used to help businesses continue to grow and thrive in the current situation. Entrepreneurial finance as it is taught before this crisis will be different from the way it will be taught soon as economies reopen, and COVID-19 disappears. However, the crisis has provided examples about the entrepreneurial process and the initiative taken by entrepreneurs that can be used as examples to enhance student understanding of the subject. By encouraging students to learn from real-world examples during this crisis, we can create a student group that is better prepared for not just the current job market but can understand any future potential crises better.

There are some limitations to the study. First, it concentrates on one part of entrepreneurship education, the finance area. While several implications exist from the examples used in the study for other areas of entrepreneurship, its primary purpose remains to help entrepreneurial finance professors to teach their subject better during the pandemic and its aftermath. Future studies can look into the marketing and management aspects of entrepreneurship education. Successful entrepreneurship requires success in all functional areas of business. For example, according to Fox (2020), the Singapore Airlines dinner on a plane option named “*Restaurant A380 pop-up*” was so popular, that it sold out in thirty minutes. This is an example of excellent marketing. Using this opportunity to train a new flight crew is a good management initiative. There are identical examples given in the popular press that show initiative in other functional areas of business education is cited in this study. It all adds up to one thing: Entrepreneurship is based on leadership and inventiveness: what applies to one business discipline area during a pandemic can be equally applicable to all other areas.

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