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# ACCION

## U.S. Microfinance: Small Loans, Big Results

MicroTracker Outcomes Study for the  
Accion U.S. Network and Opportunity Fund

microTracker<sup>mt</sup>.org  
at the Aspen Institute

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# Foreword

Providing access to credit is an important, but tricky business. At Opportunity Fund and Accion, we believe it is our responsibility to take a step back and measure how our work has affected the entrepreneurs whose dreams we've funded. Has their business grown since investing the dollars loaned? Have they hired employees? Are they earning greater profits? As Bill Gates so eloquently said in his annual letter for his foundation this year, ". . . Setting clear goals and finding measures that will mark progress toward them can improve the human condition."

The Accion U.S. Network and Opportunity Fund are proud to collaborate to produce the largest nationwide sample of microloan borrowers ever evaluated. The Aspen Institute's microTracker outcomes survey gives us a unique opportunity to evaluate our microloan programs. We make these loans with a mix of thorough consultation and good faith, but we rely on industry-leading evaluation metrics to know the outcomes for our clients.

The impact of a single loan on the local entrepreneur drives our day-to-day work. But it is the chance to understand the outcomes from our collective work across the country that makes this report a significant contribution to our field.

*Gina Harman*  
*Chief Executive Officer, Accion U.S. Network*

*Eric Weaver*  
*Founder and Chief Executive Officer, Opportunity Fund*

# Foreword

The microenterprise industry in the United States seeks, at its core, to extend economic opportunity to those who have the capacity to create and run businesses but lack access to resources and information. To know truly whether it is succeeding, the industry needs to look beyond the outputs of loans made or entrepreneurs trained or coached. It needs to see the changes that result in the businesses it has touched.

For that reason, FIELD, an Aspen Institute program, works to advance the U.S. microenterprise industry through knowledge and innovation. Since its inception, FIELD has worked with microenterprise practitioners to collect data on the outcomes experienced by the clients they served. Our research has produced much of the existing base of research on U.S. microenterprise program clients, and our microTracker client outcomes survey, conducted since 2003, is the only annual survey in the United States of the business, household, and individual outcomes of microenterprise program clients. Participating programs receive training and guidance in contacting a sample of clients and surveying them about their experiences. FIELD then analyzes the data and assists participating programs to understand how the results can inform and strengthen their work. We at Aspen applaud the Accion U.S. Network and Opportunity Fund for the commitment they show to their clients and the strength of the microenterprise industry by investing the resources necessary to assess and evaluate their outcomes.

*Joyce Klein*

*Director, FIELD, The Aspen Institute*

## Introduction and Methodological Summary

The Accion U.S. Network and Opportunity Fund are leading providers of loans to U.S. microbusinesses. In the spring of 2012, members of the Accion U.S. Network and Opportunity Fund partnered to conduct the microTracker outcomes study, a project of the Aspen Institute's FIELD program. The survey tool, which builds on FIELD's 20-year history collecting data through the U.S. Microenterprise Census, uses standard measures for comparisons and benchmarks across the U.S. microenterprise industry.

This outcomes survey, which is deployed annually by microenterprise development organizations, measures changes for small business owners at the business, household, and individual level. The survey includes baseline information about the client from the time that the client began working with the microenterprise development organization, plus information about the client's status approximately one year after receiving services. Clients who received loans in 2010 were surveyed by phone in 2012. All survey questions focused on outcomes in the year 2011, one year after the loan was disbursed. For 2011, the response rate for the microTracker survey was 45 percent. A total of 1,325 surveys were completed across 23 participating microdevelopment organizations. The Accion and Opportunity Fund sample was comprised of 479 completed surveys, which represents one-third of the total surveys completed.

This paper presents findings specific to the Accion and Opportunity Fund study associated with longitudinal information on changes achieved by clients and businesses. It allows no claims of causality or reporting of the net benefits of the microenterprise development organizations because no comparison group data are available. There is evidence, however, that clients found value in program participation and that the information and skills they received were used to run their businesses. Thus, at least some of the observed changes likely are attributable to the services the clients received.

# Overview and Key Findings

Accion and Opportunity Fund's microTracker outcomes study offers deep insight into the state of microloan recipients' businesses during the ongoing recession. Key findings point to microloan recipients contributing to local economies in three key areas: job creation, business sustainability and growth, and income generation.

## **Job Creation**

Nationwide, over 54 percent of survey respondents reported having employees, indicating that microloan recipients are key contributors to job creation throughout America. Of the businesses reporting employees, the average number of jobs supported was 5.6.

## **Business Sustainability and Growth**

Even in times of economic turmoil, microloan recipients run sustainable businesses. Over 97 percent of survey respondents reported that their businesses were open one-year post loan. In addition, 43 percent of microloan recipients reported seeking a loan for business growth purposes. These statistics strongly suggest that in meeting the capital needs of small business owners, Accion and Opportunity Fund are increasing the likelihood of business success.

## **Income Generation**

The survey indicated that microloans play an important role in boosting small business owner income, with 32 percent of respondents reporting increases in income generated from the business from 2010 to 2011. Notable also is the 41 percent of respondents indicating that the income generated from their business met or exceeded their expectations.

## Summary of Key Findings

Indicator	National	Chicago	San Diego	East Coast	New Mexico Arizona & Colorado	San Francisco (Opportunity Fund)
Total completed interviews	479	51	28	177	151	72
Percent of businesses surveyed that reported having employees	54%	58%	61%	56%	52%	49%
Average number of jobs per business among businesses with employees	5.6	4.9	4.5	7	4.6	4.9
Business survival rate	97%	98%	100%	98%	95%	95%
Clients reporting an increase in business revenue	36%	23%	60%	28%	44%	49%
Clients working at the business full time	69%	78%	81%	67%	58%	83%
Clients reporting they needed their 2010 loan to grow their small business	43%	37%	43%	46%	39%	39%
Clients reporting they needed their 2010 loan to improve the operations of their small business	29%	27%	25%	33%	23%	33%
Clients reporting that income from the business met or exceeded their expectations	41%	34%	46%	47%	31%	42%

## MicroTracker Outcomes Study Summary: San Francisco (Opportunity Fund)

Indicator	Outcome
Total completed interviews	72
Percent of businesses surveyed that reported having employees	49%
Average number of jobs per business among businesses with employees	4.9
Business survival rate	95%
Clients reporting an increase in business revenue	49%
Clients working at the business full time	83%
Clients reporting they needed their 2010 loan to grow their small business	39%
Clients reporting they needed their 2010 loan to improve business operations	33%
Clients reporting that income from the business met or exceeded their expectations	42%
Percent of clients reporting satisfaction with Opportunity Fund	98%

### About This Research

Opportunity Fund's regional outcomes are part of a nationwide microTracker outcomes study completed in coordination with the Accion U.S. Network. Nearly 500 microloan recipients who received loans in 2010 were interviewed in 2012 about business outcomes in 2011, offering deep insight into the state of business for microloan recipients during the ongoing recession. A full whitepaper is available at [us.accion.org/microTracker](http://us.accion.org/microTracker).

### About Opportunity Fund

Opportunity Fund is a not-for-profit social enterprise helping thousands of California families build financial stability. Our strategy combines microloans for small businesses, microsavings accounts, and community real estate financing. Since making our first loan in 1995, our team has deployed over \$279 million and helped more than 15,000 low-income Californians.



## Case Study: Job Creation Feliciano and Ines, Peninsula Party Rentals

"Go big or go home." That was the attitude of husband and wife team Feliciano and Ines when they decided to open up their own party supplies store, Peninsula Party Rentals.

After working together at a party rental shop for many years, Feliciano and Ines began to rent tables and chairs for parties to clients from their garage at their home in Mountain View. In time, business grew so much that they decided to open a party supplies shop of their own, offering all the fun ingredients of a successful party: popcorn machines, snow-cone makers, bouncy castles and more.

Feliciano explained, "We first heard about Opportunity Fund at one of our business classes. When we realized we would need a loan to buy more chairs and tables, we immediately went to Opportunity Fund." In 2004, they were approved for a \$10,000 loan and they were able to grow Peninsula Party Rentals out of their garage into a storefront on a busy street in Mountain View.

After seven years of hard work, their business has changed remarkably and they have become the local go-to store for family parties. Their revenues have more than tripled and they have hired six employees.

As business continues to grow, Feliciano and Ines continue to need additional capital to invest in their business. With a seven-year track record of profit and success, Feliciano and Ines approached their local bank, but were denied credit in 2012 because of increased credit requirements. Ines and Feliciano returned to Opportunity Fund where they were quickly approved for a loan of \$25,000. "We are really happy with our experience finding loans outside the mainstream. If not for Opportunity Fund, we wouldn't have been able to expand our business."

# About This Research

## **Data Collection Process**

The process followed by participating organizations, including Accion and Opportunity Fund, consisted of guided collection of outcomes data from a sample of program clients, using protocols and tools developed by FIELD under its microTracker program. The total attempted sample for Accion and Opportunity Fund was 1,300, which represented a cross section of all clients to whom microloans were disbursed in 2010. Accion worked in partnership with Infogroup (www.infogroup.com), a business compilation company specializing in phone surveys, to collect the data. Although the interviews took place in 2012, respondents were asked to report on outcomes in 2011 and to provide data regarding business sales, owners' draw, employment and household income, business survival and other points of interest.

## **Data Analysis**

Aspen Institute statistical analysts cleaned the survey response data and produced a respondent analysis. To identify any statistically significant differences between the surveyed respondents and those not surveyed, analysts performed chi-square tests on categorical variables (including gender and minority) and t-tests on continuous variables (including sales and household income). Statistical significance in this case implies that the differences are not due to chance.

Using the tests described above, the Aspen Institute did not find statistically significant nonresponse bias in the data collected, in terms of gender, business ownership, and paid employment status at loan intake. At the same time, the surveyed group was likely to have fewer minorities and slightly higher household incomes. Some other variables, such as business revenue and draw were missing in too many cases to perform tests.

# About Us

## **About the Accion U.S. Network**

As the largest, and only nationwide, micro- and small business lending network in the United States, the five members of the Accion U.S. Network connect small business owners with the financing and support they require to create or grow healthy businesses. We stand behind every small business owner striving to achieve success, so that businesses—and entire communities—see real and lasting impact.

At Accion, business owners find a one-on-one lending approach that considers character and other business strengths in addition to credit history. Business owners looking to start or grow can qualify for accessible loans that are both fairly priced and flexible.

As a microfinance leader and part of a global organization, Accion is working toward a financially inclusive world where all businesses can access the tools they need to achieve higher success.

## **About Opportunity Fund**

Opportunity Fund is a not-for-profit social enterprise helping thousands of California families build financial stability. Our strategy combines microloans for small businesses, microsavings accounts, and community real estate financing. Now California's leading microfinance provider, Opportunity Fund began based on the idea that small amounts of money and financial advice could help people make permanent and lasting change to improve their own lives. Since making our first loan in 1995, our team has deployed over \$279 million and helped more than 15,000 low-income Californians.

## **About the Aspen Institute and FIELD**

The Aspen Institute is an educational and policy studies organization based in Washington, DC, with a mission to foster leadership based on enduring values and to provide a nonpartisan venue for dealing with critical issues. FIELD was established in 1998 to build on the work of the Self-Employment Learning Project, the leading domestic microenterprise evaluation and public education program at that time. Since its inception, FIELD has maintained a focus on the U.S. microenterprise industry—exploring innovation, evaluating new ideas, helping to build the industry's infrastructure, disseminating best practices to practitioners, and serving as a resource to donors interested in microenterprise.

# Afterword

As direct U.S. microlenders, we at Accion and Opportunity Fund have the unique privilege of witnessing the results of our work firsthand every day. We see new businesses opening, borrowers seeking funds to hire new employees, and families improving their financial standing. Anecdotes of these encounters serve to inspire and motivate, but as industry leaders, we know we must constantly seek a thorough analysis of our outcomes. Rigorous for its deep analysis of borrower finances and business state, microTracker sets the industry standard for outcomes measurement at a level that instills confidence. We are proud to offer the results as a resource for our partners, donors, and investors.

Through this study, we are also proud to highlight the potential in small businesses to create major economic change on a national level. Although this study draws from the experience of approximately 500 microloan recipients, a staggering number of small businesses in the United States struggle to obtain needed capital to grow. Each of these small businesses is able to define in a uniquely meaningful way the opportunity that a loan provides. For some, it is significantly growing a business; for others, it is earning a bit more for their families. These opportunities are powerful individually, game-changing collectively. They are ones which lenders, policymakers, and corporations must constantly seek to activate in their fight for a stronger U.S. economy.

*Gina Harman*  
Chief Executive Officer, Accion U.S. Network

*Eric Weaver*  
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This study was made possible with generous support from the Sam's Club Giving Program

The Sam's Club Giving Program supports community-based programs that empower small businesses and families to make smart choices that lead to healthy and bright futures. In 2011, Sam's Club and the Sam's Club Giving Program made cash and in-kind contributions of more than \$101 million, which included donating more than 38 million meals to local food banks. Visit [SamsClub.com/giving](http://SamsClub.com/giving).

