Investing in Entrepreneurship:
A 'Learning Dialogue' for Microenterprise in the United States

by

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INVESTING IN ENTREPRENEURSHIP:
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JENNIFER A. LANGER

Submitted to the Department of Urban Studies and Planning on May 17, 1999 in Partial Fulfillment of the Requirements for the Degree of Master of City Planning.

ABSTRACT

This study utilizes data from a national-level survey conducted by the Aspen Institute to examine the strategy of microenterprise assistance and microcredit provision in the United States. Four program groups are analyzed: training programs that do not offer loans, lending programs that serve primarily low-income individuals, lending programs that serve primarily minorities, and lending programs that report unusually large average loan sizes. Within each of these groups, this study identifies significant subgroups that are making specific contributions to the strategy or employing it in unusual ways.

The data confirm a diversification of the field that provides strong evidence against data aggregation and universal performance measures for microenterprise programs. The study concludes that there is a place for microenterprise programs in economic and community development in the US, but that the strategy may have a different role to play than originally anticipated. Policy implications and avenues for future micro- and macro-level research are discussed.

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# Table of Contents

I. Introduction .......................................................................................................................... 5  
   Background  
   Summary of objectives and research question  
   Structure  
   Literature on microenterprise in the US

II. Data Collection and Analysis ......................................................................................... 16  
   Survey design  
   Survey distribution  
   Data confirmation and entry  
   Definitions  
   Data analysis

III. Program Groups: Training Programs ............................................................................. 22  
   Common characteristics among training programs  
   Distinguishing characteristics among training programs  
      Focus: Welfare recipients  
      Focus: Women  
   Participant-staff ratios: Two hypotheses  
   Participant Demographics: Trainers compared to the industry average  
   Public- and private-sector training programs  
   Summary of findings

IV. Program Groups: Low-Income Lenders ......................................................................... 32  
   Program size and participant-staff ratios  
   Participant demographics  
   Lending services of low-income programs  
   Distinguishing characteristics of low-income programs  
      Focus: Welfare recipients  
      Focus: 100 percent low-income programs  
   Summary of findings

V. Program Groups: Minority-Focused Lenders ................................................................... 40  
   Program size and participant-staff ratios  
   Participant demographics  
   Lending services of minority-focused programs  
   Distinguishing characteristics of minority-focused lending programs  
      Focus: Group-only minority lenders  
      Focus: 100 percent minority lenders  
   Public and private minority-focused lending programs  
   Summary of findings

VI. Program Groups: Economic Development Lenders ....................................................... 48  
   Program size and participant-staff ratios  
   Participant demographics  
   Training services  
   Lending services of economic development programs  
   Distinguishing characteristics of economic development lenders  
      Focus: Small vs. large economic development programs  
      Focus: 100 percent lending economic development programs  
   Summary of findings

VII. Implications for Microenterprise Policy and Future Research ...................................... 56  
   Applicability of this analysis for microenterprise policy in the US  
   Recommendations for future research  
   Conclusion  
   Appendices
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Chapter I
Introduction

Microenterprise assistance has grown over the last decade to become an important and widely practiced development initiative in the United States. As the field reflects on the successes and failures of the strategy, funders and practitioners alike are looking to better understand its strengths and weaknesses. Funders seek a means by which to gauge the return on their investments, and practitioners want to know how well they are doing what they are trying to do, and how they compare to programs like theirs around the country. Everyone wants to know how “best practices” can be shared and developed to make the microenterprise strategy more effective, especially in light of charges that microenterprise programs are “a great fraud,”1 “do not focus on the truly disadvantaged,”2 and “won’t save the poor.”3

Research on the American microenterprise field tells us that it is not a homogeneous universe, and is in fact composed of a number of related, but distinct, approaches. The different approaches naturally target different populations, offer different services, and yield different results, which suggests that generalizations should not be made (and data should not be aggregated) across the field as a whole. Such generalizations are not only inaccurate statements about the field, they actually do it a disservice by assuming away the strengths of diversity. Moreover, we must have a means for taking into consideration what objectives programs are trying to achieve, and what means they are employing to do so, before we attempt to measure the quality of their results.

My research aims to facilitate the learning dialogue of US microenterprise programs by analyzing available data in an attempt to create and evaluate programmatic categories for the field. Based on the experiential knowledge of the field, this study will search for and analyze “clusters” of programs with similar traits, allowing for a level of aggregation that provides meaningful insights about the multifaceted nature of microenterprise assistance in the US. The specific clusters examined are:

- Training programs – programs that do not provide credit to their participants;
- Low-income lenders – programs that serve primarily low-income individuals;
- Minority lenders – programs serving relatively high proportions of ethnic or racial minorities;
- Economic development lenders – programs offering much larger loan sizes than the rest of the microenterprise industry.

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1 As stated by Michael Shuman (Institute for Policy Studies) in a July 1998 address at the Aspen Institute, Washington, DC.
2 Servon, 1997, 175.
3 Bates and Servon, 1996.
The data are considered through the lens of participant demographics, borrowing rates, and program size, age, and location. The identification and analysis of these clusters will, I hope, assist programs’ efforts to find and learn from kindred spirits in the field, advance funders’ attempts to better understand the strategy they are supporting, and aid the creation of performance measures for the US microenterprise field.

Background

Microenterprise assistance in the developing world context, as pioneered by the Grameen Bank of Bangladesh, is based on microlending – the provision of small amounts of credit to very poor entrepreneurs, with the goal of helping them to create a steady income source out of their small, informal businesses. Over time, these loans have proved to be fundamental, stepping-stone investments that enable entrepreneurs to lift themselves out of poverty. The strategy, as a result, has given rise to a new and important approach to poverty alleviation around the world. As such, the concept of “bootstrap banking” has generated appreciable support in the American context as well, and policymakers, funders, and practitioners alike are eager to explore the strategy. The field has grown quickly over the last decade to include almost 300 practitioner programs in 46 states, covering urban and rural places, and offering a variety of products.

In search of a broad-based definition, we can say that US programs, like their precursors, are certainly aiming to serve entrepreneurs and their microenterprises. At this time, all domestic microenterprise programs are run by public or private non-profit organizations.\(^4\) The programs provide some combination of lending, training, and technical assistance (TA) services to their clients. Lending services might include bank-style loans to individual borrowers, or group lending programs in which borrowers create peer groups and guarantee loans for one another. “Training” refers to classroom-style instruction, and “technical assistance” refers to one-on-one counseling. Training and TA will typically cover skills and techniques for running a business, and will often include personal development assistance as well. An additional characteristic is that a significant majority of programs (85%) report that they target a low income population, illustrating how the poverty alleviation focus that originated in developing country microenterprise initiatives is carried over to the domestic field’s self-definition.

It is well known, however, and increasingly obvious that microenterprise programs in the US are not the same thing as microenterprise programs in developing countries. Developing country programs are generally “credit-led”; that is, their primary function is to provide access to capital for poor people who have no other source of business credit. In the US, where credit (e.g. personal loans, credit cards) is

\(^4\) A small number of for profit microenterprise programs do exist (usually in the form of consultants or consulting firms), but they are generally excluded from the microenterprise dialogue because of the very different nature of their focus and constraints.
more readily available to the poor, most microenterprise programs are “training-led,” providing access to information in the form of entrepreneurial training and technical assistance. This is not to say that lending is not an important aspect of microenterprise assistance in the US – in fact, only a quarter of programs do not offer loan funds – but only 14 percent of participants served by lending programs in fiscal year 1997 actually borrowed from available funds.

Clearly, something different and interesting is going on in the US programs where, in contrast to precedents from developing countries, demand for information appears to be far greater than demand for credit. The result is that the services offered by microenterprise programs have evolved (and continue to evolve) to meet the needs of a very different economic geography. Beyond this general understanding, however, it is not immediately obvious what US microenterprise programs are actually all about.

For example, in light of the poverty-focused origin of the microenterprise strategy, it is initially surprising that only 31 percent of programs in 1998 reported that “poverty alleviation/individual income increase” was their main goal. In contrast, a significant proportion, 48 percent, reported that “job creation/business development” was their main goal, and a smaller group (25%) reported that “community economic development” was their main goal. This seems to suggest that it is not only programs’ services that have evolved, but their fundamental objectives as well. There are clearly several different types of microenterprise programs out there, some which maintain the traditional focus on poverty alleviation and some which adapt the microenterprise model to focus on economic or community development in their service areas. Lisa Servon writes,

*One can imagine a spectrum with prototypical economic development programs at one end and prototypical social welfare programs at the other, with individual microenterprise programs plotted at different points along the spectrum. For most programs, the places they occupy are determined largely by the balance they achieve between training and lending.*

Servon’s point is well taken, and I undertook this thesis with the purpose of getting a closer look at the spectrum she describes. I argue, and my analysis confirms, that it is unreasonable and unproductive to compare the several hundred American microenterprise programs to each other as though they were intended to be so many uniform replications of a single strategy. A spectrum does, undoubtedly, exist, and the differences it reveals are important.

**Summary of Objectives and Research Question**

The major objective of this thesis is to use data on microenterprise program strategies, services, and clientele to help funders, practitioners, and support programs better understand the nature of microenterprise assistance in a US context. I illustrate that generalizations about program performance

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5 The figures do not total as expected because a few programs reported more than one “main goal.”
cannot be made across the entire domestic microenterprise field, because the different approaches to microenterprise assistance seek and obtain very different results. I use data from SELP’s 1998 survey of microenterprise practitioners (described in Chapter II) to generate programmatic categories based on distinctive characteristics, that better lend themselves to generalization, and I employ these to distinguish programs so they can be more efficiently compared. I will attempt to answer the question, what are microenterprise programs in each of these categories actually doing and seeking to accomplish? That is, who are they targeting, and who are they actually serving? Do they offer products and services designed to meet the needs of target populations? And are they located to do so? I describe patterns reflecting how different program clusters attract and serve different clientele, and offer indications of how different strategies respond to scale.

Structure

This thesis consists of seven chapters. Chapter II describes the collection and analysis of the program data through a July 1998 survey of microenterprise programs. The next four chapters identify the program groups and describe their attributes and, as much as possible, performance: Chapter III describes the training program group, Chapter IV describes the low-income lending group, Chapter V discusses the minority lending group, and Chapter VI discusses the economic development lending group. Finally, Chapter VII covers policy implications and general conclusions.

Literature on Microenterprise in the US

Compared to the broad array of public and private efforts that attempt to move the poor out of poverty, microenterprise programs perform exceptionally well... There is nothing more ‘direct’ than practical, on-the-ground strategies that meet the poor where they are and support their own chosen efforts to improve their economic conditions.7

--Peggy Clark, Director of the Self-Employment Learning Project, author of Enabling Entrepreneurship: Microenterprise Development in the United States.

Targeting [enterprise assistance] aid to low-income individuals should be eliminated... The mom-and-pop, zero-employee small business continues to be common in low-income, inner-city minority communities. This sort of minority business enterprise reflects not economic development but working poverty; yet precisely these firms are frequently targeted for lending assistance.8

--Timothy Bates, Wayne State University, author of Banking on Black Enterprise: The Potential of Emerging Firms for Revitalizing Urban Economics.

7 Quoted in Brokaw, 4.
8 Bates, 3 and 5
At this point in time, the literature on the American microenterprise field is relatively slim. The major authors publishing articles on this subject include Timothy Bates of Wayne State University, Lisa Servon of Rutgers University, and the Aspen Institute’s Self-Employment Learning Project (SELP). The perspectives of the three are quite different, with Bates unrelentingly critical of the field, the Aspen Institute more generally positive, and Servon relatively undecided between the two perspectives. Of all the work done by these three authors, only the Aspen studies relate directly to the questions explored in this paper. The work of the major authors is therefore introduced here and then cited, as appropriate, throughout subsequent chapters.

In August of 1993, Peggy Clark and Tracy Huston published the first findings of the Self-Employment Learning Project, a longitudinal study of entrepreneurs from five of the nation’s most established microenterprise program. The study showed that a majority of entrepreneurs involved in microenterprise programs provide for their households by “patching” income from two or more sources. Most of the entrepreneurs did rely on their microenterprise as their primary source of income, but most also work full time. This led the authors to conclude that “microenterprises may serve an important buffer role, allowing families to have higher incomes than they would if family members only held wage employment.” This was especially important within the survey sample because nearly all participants were low-income individuals.

As this paper has suggested and will continue to explore, it is no longer true for the US microenterprise field that participants are primarily low-income; to the contrary, the demographic profiles of microenterprise programs are quickly diversifying. The SELP study, reflecting on the educational background of its sample, anticipated this trend:

"Sampled microentrepreneurs appear to be well-educated, with 82 percent having a high school level education or more [and 24 percent having a college degree].... This finding is important because education has always been seen as a key predictor to job success. In America, it was thought that a high school level education would guarantee you a decent job. Even better, if you had some college or additional skills, we always believed that you would find a productive niche in our economy. Structural changes in our economy have led to increasing unemployment and widespread low wages, and both of these trends are not necessarily mitigated by a person's education level."

The diversity of populations targeted by the microenterprise field today is evidence of an evolving global economy in which education and job security do not always go hand in hand. Related to this, the relaxation of the traditional focus on poverty alleviation offers evidence that access to credit is a problem for more than just low-income, poorly educated individuals.

Lisa Servon’s work builds on the longitudinal studies of SELP with interview- and case-based research on microenterprise programs and a focus on their individual empowerment benefits. Servon

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Clark, P. and Huston, T., 7.
points out that “these programs are functioning as social training programs, empowering [participants] to manage their lives within the constraints of the new economy.”¹⁰ This is reflected in the existence of the training program group and, to a certain extent, explains the low percentage of borrowers across the industry. Miriam Walden of the Women’s Initiative for Self-Employment discusses the role of entrepreneurship training for participants:

... People can’t be good business people until they can see themselves as economic actors, until they have some basic business literacy and economic literacy. And it just turns out that people are fascinated with the idea of starting small businesses. And it just turns out that that’s a magnificent vehicle for teaching people the literacy they need. And I think that economic development is naïve in thinking that you can go to people and say, “In order to be an employee you need to know these things.” You have to go to people and inspire them. And what’s so great about self-employment is that we can inspire people to learn these things... It’s a bait and switch, maybe, but I think a legitimate one... Self-employment is a very effective carrot to get them interested, to inspire them to build their skills.¹¹

This vision of microenterprise programs as job training alternatives has become very important, and has also raised concerns about the sustainability of programs. With so many people seeking out training, and comparatively few seeking credit, interest income is often an insignificant slice of a program’s funding pie. The Aspen Institute reports that, in fiscal year 1997, only 14 percent of participants in microlending programs nationally borrowed money. This is somewhat discouraging. While only 14 percent of total participants borrowed, however, the average borrowing rate (that is, the average percentage of participants who borrow from a given program) is 38 percent. This is still low, but high enough to suggest that interest income can be a more significant contributor to the training aspect of programs than we might have suspected. The difference between the total percentage and the average rate also suggests that programs of differing sizes place differing emphases on credit provision. This will be explored in the chapters that follow.

Servon demonstrates that microenterprise is a viable route to self-sufficiency for a small subset of welfare recipients, remarks (as this paper does) on the wide variety of approaches to microenterprise assistance, and embraces a perspective on the field that is generally quite positive. This, however, has not always been so. In April of 1996, she published an article with Timothy Bates in Inc. magazine entitled, “Why Microenterprise Won’t Save the Poor.” The authors remarked, “In policy-making circles... microenterprise loan programs are touted as the solution to urban poverty.” This statement is patently untrue and unwarranted. I have seen no evidence in any of the popular or scholarly literature on this subject to suggest that microenterprise practitioners believe they have what Bates and Servon call “the silver bullet for the urban-poverty problem.” To the contrary, I have seen evidence of a trend Bates and Servon remark on as well: many are not even aiming at the urban poverty problem. The authors protest

¹⁰ Servon, 1996, 44
that many programs are not serving the poor at all, but are instead focusing on specific target groups, like women and minorities. This is proof positive that an analysis like the one I present in this paper is long overdue. Indeed, some programs are serving very few poor individuals; some are not serving any at all. If they do not claim to be fighting poverty, however, but rather utilize the same strategy to embrace some other goal, then we are seeing not a deviant, but a variant of a strategy that aims fundamentally to serve groups without access to traditional forms of business credit and training. Students of economic and community development cannot object to such an outgrowth before successfully demonstrating (as has not yet been done) that it is ineffective.

Timothy Bates, unlike his co-author, is unequivocally critical of the microenterprise industry. His work looks primarily at “minority business development programs,” referred to in this paper as minority-focused lenders. He describes five “traits of programs that fail to generate economic development” for minority business enterprises as:

- Active lending in overcrowded, low-profitability lines of business having minimal economic development potential;
- Extending tiny loans to marginally viable firms;
- Targeting loans to low-income inner-city neighborhoods that provide a poor environment for small business operation;
- Generating high loan default rates, with consequent erosion of funds available for relending;
- Failure to document the effectiveness of minority business enterprise loan assistance programs.²

Bates’ first point is well taken: programs do tend to loan money to businesses in overcrowded sectors, like retail sales, beauty care, and jewelry production. Because of saturated markets and low profit margins, these businesses tend not to create many jobs or much wealth. There is a clear argument for encouraging participants to find new market niches, but there is also the countervailing concern of practitioners that entrepreneurs need to create their own businesses and capitalize on their own ideas, not be directed into a line of business deemed more appropriate.

His second and third points basically write off the microenterprise strategy for inner cities – in fact, write off inner cities themselves as non-viable places of business, and their residents as non-viable businesspersons. The success rates of microlending around the world, in concert with the current

¹¹ Quoted in Servon, 1996, 44.
¹² Bates, 6
domestic focus on inner city revitalization, renders these points essentially irrelevant, since both initiatives appear to be moving forward with or without Bates.

Finally, the fourth and fifth points raise legitimate questions about program performance: both loan loss and documentation are issues with which programs struggle. (Although early evidence suggests that default rates are remarkably low.) These problems are actually related, in that the difficulty of developing effective management information systems in so young an industry makes both loan tracking and program performance difficult to document. With time (and pressure from the Government Performance Reporting Act), these problems can be worked out.

Although the bulk of his article focuses on the defunct Economic Opportunity Loan program of the Small Business Administration, Bates makes fiery arguments against all forms of business credit assistance to low-income minorities. He writes,

*The language of minority enterprise assistance – helping ‘socially and economically disadvantaged firms’ – reveals flawed premises that undermine minority business enterprise programs... Aid efforts often focus upon providing small amounts of debt capital to aspiring minority entrepreneurs... Yet those programs frequently target loan assistance to low-income persons who lack the education and skills necessary for success in most lines of self-employment... Debt capital and owner human capital, are complements in the small-business world, not substitutes.*

Bates makes one argument no one can disagree with: debt capital and human capital are most certainly not substitutes, in the small business world or any other. This is why 95 percent of microenterprise practitioners are offering some form of training to their participants. Whether or not low-income persons automatically do not have the skills to run a successful business, and whether such a business – especially one located in the inner city – really marginalizes the owner from the mainstream economy, is a point that remains to be debated. Furthermore, as Chapter V will discuss, most minority-focused microenterprise programs are not any more focused on serving low-income individuals than the industry as a whole, and only 17 percent could be described as “low-income lenders,” as discussed in Chapter IV. We can, however, take away from Bates’ work a concern about substituting debt for human capital, and the critical role of training for all – not just minority – low-income entrepreneurs.

The final author to be discussed here is a relative newcomer to the microenterprise debate. Margaret Johnson of Oklahoma State University recently published an article entitled “Developing a Typology of Nonprofit Microenterprise Programs in the United States” in the *Journal of Developmental Entrepreneurship.*

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13 Ibid., 4.
14 Johnson, 165-184.
of any given microenterprise program. In an effort to combat this, she employs three characteristics of microenterprise programs (organizational mission, lending mechanism, and client population) to construct a typology of the field. She conceives that programs can be categorized by their design with regard to these three characteristics, and creates the grid below.

<table>
<thead>
<tr>
<th>Individual Lending</th>
<th>Individual and Group Lending</th>
<th>Group Lending</th>
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<tr>
<td>Open Applicants</td>
<td>*Economic development oriented</td>
<td></td>
</tr>
<tr>
<td>Open Applicants and Target Groups</td>
<td>*Multi-purpose service</td>
<td>*Multi-purpose empowerment</td>
</tr>
<tr>
<td>Target Groups</td>
<td></td>
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</tr>
</tbody>
</table>

Fig. 1.1 – Johnson’s typology categorizes microenterprise programs based on three elements: organizational mission, client population, and lending mechanism.

Johnson’s typology is useful in that it provides a framework for thinking about the structure of the American microenterprise field. By my estimation, however, it contains two critical weak points. First, it disregards the role of training in differentiating between program types. Johnson writes that because training is almost universally offered by microenterprise programs, “it is not as helpful in differentiating between various microenterprise programs that make business loans.” Although she is correct in saying that whether or not a program offers training is essentially irrelevant since almost all programs do, she is incorrect in writing off the importance of training in distinguishing between program types. It certainly cannot be used as a binary indicator, but the training services a program offers and the degree to which it focuses on training over lending are very important, not only to the program’s design, but also to its performance indicators. This paper uses the SELP survey data to elaborate on the relevance of differential training and technical assistance offerings.

The second weakness in Johnson’s typology is that it is based on case studies and, therefore, has limited applications at scale. She writes, “By using the typology, systematic research on microenterprise in the United States can help move us from anecdotal stories and case study research to understanding the patterns, outcomes, and potential for various types of microenterprise programs in the United States.” Certainly, the goal of her typology (and of this paper, as well) is to provide a language or “learning

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15 Ibid., 166.
16 Ibid., 176.
dialogue” to facilitate research on the microenterprise field in the US. Johnson’s typology does that, but it does not enable us to “move from anecdotal stories and case study research,” because the information required to construct the typology, while manageable at a small scale with the case studies she employs, would be extremely difficult to collect at the scale she suggests.

The survey from which this paper draws its data was intended to extract exactly the elements Johnson describes in her typology. Among other questions, the instrument asked respondents for the mission statement, lending mechanism, and target population of their program. The results were surprising. In terms of low-income clients served, there actually seemed to be very little correlation between a program’s stated mission and its performance.18 And in terms of an empowerment versus an economic development focus, it was almost impossible to determine, from the mission statements, which was the higher priority. (This is the nature of mission statements: they declare, broadly, the goals of the organization which, in this situation, encompass both empowerment and economic development more often than not.) The survey did return useful information on programs’ lending mechanisms, both group and individual. But target populations, like the mission statements, turned up inconclusive, since programs reporting that they target low-income clients reported, on average, only 1 percent more low-income clients than the industry as a whole. Whether this was due to differing interpretations of the term “target,” or simply because programs are not reaching the populations they are trying to serve, is unclear at this juncture; what is clear is that, of the three elements proposed by Johnson and collected by the SELP national survey, only one (lending mechanisms) proved truly useful.

Clearly, a more in-depth analysis of programs is required to be able to place them in one or the other of Johnson’s mission categories and in a particular group according to target populations. So while Johnson’s typology may work well, it only works in the presence of case studies. A national-level survey would be hard put to collect the kind of on-the-ground information her typology requires. This is not to suggest that Johnson’s typology is useless. To the contrary, it is an important step toward understanding the diversity of the microenterprise field. It is, however, limited in its applications. Johnson writes,

> The typology can help practitioners identify for themselves, clients, and funders the potential and needs of various types of programs. Service providers can use the typology to help identify the program goals and the implications for different strategies. For example, an empowerment oriented program might be the best way to help very poor clients, but it is likely to be more costly. The typology can be used to explain to funders the link between program approaches and types of clients served.19

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17 Ibid.
18 Programs mentioning the words “low-income” and “poverty” in their mission statements averaged 68 percent low-income participants, just 5 percent higher than the industry average.
19 Johnson, 182.
She is absolutely right. The typology she constructs is useful from the practitioner's perspective, because it conceptualizes the differences that exist between programs, but it unfortunately does not allow us to describe or analyze the field as a whole, as she anticipates it might.

This paper moves the effort to describe the US microenterprise field another step forward. Although certainly as imperfect as Johnson's typology, this paper adds the national perspective and data analysis that her work lacks. With any luck, future iterations of SELP's national survey will endeavor to gather information in such a way that it clarifies both Johnson's typology and the program groups described herein.
Chapter II
Data Collection and Analysis

All data reported in this thesis (unless otherwise cited) were collected in July 1998 by the Aspen Institute’s Self-Employment Learning Project. As a SELP research assistant and co-author of the *1999 Directory of US Microenterprise Programs*, I began to work with the project in June 1998 as the survey instrument was being designed.

Survey design

The eleven-page survey (see Appendix A) was designed by the project team with the assistance of several microenterprise practitioners and independent researchers. It is important to note that the survey was designed in order to collect information for publication in the *1999 Directory of US Microenterprise Programs*, with this study as a secondary consideration.\(^\text{20}\) We presented several drafts of the instrument to the practitioners, who provided feedback and edits so that the language would be logical and questions would be realistic for practitioners to answer. Special care was taken to request only data we believed most programs could track and would willingly report. In doing this, we knowingly and regretfully restricted the scope of the data (we do not have, for example, *delinquency rates*, *default rates*, *business successes vs. failures*, or *lending demographics*), but we did so to avoid overwhelming respondents and to ensure better results for the survey as a whole. The instrument asks programs to submit data on their mission, target populations, geographic service area, funding sources and budget, lending and training services, partnerships, fees, participant demographics, goals, challenges, and major achievements.

Survey distribution

The survey was distributed to every person on the SELP mailing list, every person on the Association for Enterprise Opportunity’s mailing list, and every SBA microlender. In addition, we obtained mailing lists from many of the known statewide microenterprise associations (California, Florida, Georgia, Illinois, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Missouri, Montana, Tennessee, and Vermont), and distributed surveys through these channels as well. Many surveys were sent out after programs heard about the study by word of mouth, and quite a few programs were discovered through Internet searches. In all, more than 1500 surveys were distributed, although this

\(^{20}\) The figures reported in this study will, in small ways, differ from the figures reported in Langer and Kays, 1999. This is due to the fact that final edits were still being made to the Directory data as this paper was being written. The differences, however, are minor and will not materially influence the analysis.
number includes multiple copies sent to many programs, and surveys sent to individuals not involved in microenterprise programs who were on the various lists because of their interest in the field.

In sum, 285 microenterprise practitioners responded to the survey. They are profiled individually in the *1999 Directory of US Microenterprise Programs*, and are examined in the aggregate in this paper. (61 microenterprise support programs and funders also responded, but are not discussed in this document. For more information on these programs, see Langer and Kays, 1999.) We believe that the 285 respondents represent approximately 80% of the country’s microenterprise programs, and we are confident that nearly 100% of the nation’s oldest and largest programs are included in the data set. A vast number of participants in the SBA’s microl oan demonstration project responded to the survey, as did many programs funded by the HHS Office of Refugee Resettlement, the Department of Labor, and various philanthropic foundations.

We found many smaller programs through internet searches and state microenterprise association mailing lists, but if any group is underrepresented, it would be this one. When I got in contact with the Charleston Citywide Local Development Corporation, for example, the director was hesitant to include her program in the study because “we only serve residents of Charleston.” This seemed to be a common response among the smallest programs. They see themselves as separate from and subordinate to the microenterprise industry, when in fact they are an interesting, and growing, subgroup.

**Data confirmation and entry**

I checked every survey for inconsistencies in an effort to determine whether data reported by programs were correct. Whenever possible, I spoke with program directors to clarify or correct inconsistent data before entering it in the database. I then entered the survey data from every respondent into a database. When all of the surveys were entered, I printed out pages with essential numbers for each program, and faxed them to the programs for verification. This led to another round of phone calls and consistency-checking.

One problem that became evident during this process was the inconsistency of data collection by programs. A surprising number of program directors I spoke with were unsure about the origins of the numbers they had reported, and many were unable to confirm that their figures referred only to participants in their microenterprise program, and not participants in other small business programs run by their organization. Additionally, programs’ definitions of ‘microenterprise,’ ‘participant,’ ‘low-income,’ and ‘loans disbursed’ often differed materially from those provided on the survey. As often as possible, I worked with the program directors to correct for these discrepancies, but I can only speculate on how many went undetected. To some extent, this will affect the results of the study, but no better data set exists for this purpose, so I conducted the analysis with the hope that errors occur consistently across
the set, allowing us to make comparisons and draw conclusions that are relatively correct, if not completely accurate.

Definitions

For the most part, the terms used in this paper are derived from those understood across the microenterprise field and those defined on the survey instrument itself. Although the survey requested certain figures both “since program start” and “in fiscal year 1997,” all participation, demographic, and borrowing figures discussed in this paper refer specifically to those reported by programs for their 1997 fiscal year (as in, for example, survey question D2 – see Appendix A).

The Self-Employment Learning Project, in conjunction with the microenterprise programs it studies, defines a microenterprise as “a sole proprietorship, partnership or family business that has fewer than five employees, does not generally have access to the commercial banking sector and can initially utilize a loan of under $15,000.”21

In this paper, use of the terms the field and the industry refers to the set of all microenterprise programs responding to the SELP survey, except where the figures being discussed refer to lending or borrowing, in which case the terms refer only to the set of responding programs that offer credit to their participants. This analysis assumes that the set of respondents to the SELP survey is a reasonably large and representative sample of the microenterprise industry. This is not uncommon or unfounded: in broad discussions about the microenterprise field in the US, many practitioners, researchers, and writers refer to the SELP survey’s respondents as “the field” or “the industry.” Because the survey is published biennially in the form of the Directory of US Microenterprise Programs, it is understood by many to encompass the entire US microenterprise field, or as much as can be identified in a single effort.

The term lender, lending program, or microcredit program refers to a program that offers business credit to participants, and the term trainer or training program refers to one that does not engage in lending activity but does offer training and TA opportunities. (This is done for purposes of binary identification, in spite of the fact that almost all programs offer training or TA.) Programs that offer group lending but no individual lending are referred to as group-only lenders.

The term participant refers to an individual who has received an intensive service or who has an active, outstanding loan from a microenterprise program. This set of individuals is divided into borrowers (participants who received a loan from the program) and non-borrowers (participants who engaged in training or technical assistance only). The percentage of borrowers in a program is referred to as its borrowing rate. Naturally, all of the participants of a training program are non-borrowers, and all
of the participants of a 100 percent lending program are borrowers. Because the survey divided participation in this way, we do not know how many non-borrowers were interested in taking out a loan, but were judged not to be credit-worthy by the program or were otherwise unable to follow through with their desire to borrow. This unmet demand is an aspect of microenterprise assistance that is interesting and important, but that cannot be gauged by this study.

For purposes of this discussion, the term low-income encompasses two groups: individuals living above the poverty line, yet below 80 percent of the local area median income and individuals living below the poverty line (as defined by each program individually). The term welfare recipient refers to an individual receiving welfare benefits (AFDC or TANF); this group is not mutually exclusive with the low-income category, and so is considered separately from the general low-income group.

Use of the term target refers, based on context, to the population a program is either reaching or trying to reach. The survey asked programs to identify their “target population,” but did not place any stated constraints on this term. Responses, therefore, varied, with some programs reporting all eligible populations and some reporting groups they were specifically trying to access. The question of “target population” thereby became peripheral to the analysis, and a greater focus was placed on the actual demographics of the programs’ participants.

At various points in this paper, I discuss the prioritization of “reaching the most economically disadvantaged clientele.” Programs were asked to assign a 1-5 value to this priority in Section G of the survey. A value of 1 means “of very low priority” and a value of 5 means “of the utmost priority.” This is an interesting, if not robust, measure of a program’s self-assessment with regard to its own focus on serving the poor.

Data analysis

As stated above, the data set discussed in this paper represents only the practitioner programs responding to the survey. Many microenterprise funders and support programs also responded, and many practitioners offer support services to other programs, but these are not considered here, where the focus is on the interaction between practitioners and entrepreneurs.

The analysis was conducted using a Filemaker Pro database and Microsoft Excel spreadsheets. Unless otherwise specified, all figures reported are drawn from the set of programs providing data relevant to the calculation. For example, the figure for average percentage of low-income participants was derived using the set of all programs providing data on low-income and total participation. Any program not providing both data points was not included in the calculation. It is true that some programs

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21 Severens and Kays, 1997. In a gathering of practitioners held recently at the Aspen Institute, the loan size in this definition was changed to $20,000 (a fact which, itself, indicates change in the industry). Because the survey was conducted, and this paper
probably were reluctant to provide numbers that might not reflect admirably on their performance, but it is also true that many programs are not required to collect certain data, and so simply cannot provide a response. As a result, although my method of calculating the figures results in a constantly changing sample size, and may inflate or deflate figures somewhat, it is the most reasonable solution given the limitations of the data set.

The program groups discussed in this paper are essentially a deductive outgrowth of the target groups identified in and by the work of microenterprise researchers. This was inevitable, since the survey was designed to collect information on the field as it is understood by these very researchers. (As the upcoming chapters will show, however, the findings with regard to these groups were not always as expected.) The program groups were identified as follows.

- **Trainers** – programs offering training and/or TA, but not loans, to entrepreneurs. This program group is entirely dismissed by Johnson’s analysis, as described in Chapter I.
  
  Metric: program offers no lending services. \[n = 78\]

- **Low-income lenders** – programs serving relatively high proportions of low-income individuals. This group represents the set of lenders who seem to operate according to the original microenterprise philosophy.
  
  Metric: top 25 percent of lending programs when ranked according to percentage of low-income participants in program. Low-income participants represent greater than 90.4 percent of the participants of each of these programs. \[n = 37\]

- **Minority lenders** – programs focusing on serving ethnic or racial minorities. This group includes programs studied (and concerns raised) by both Bates and Servon.
  
  Metric: top 25 percent of programs when ranked according to percentage of minority participants in program. Individuals from ethnic or racial minorities represent greater than 80 percent of the participants of each of these programs. \[n = 35\]

- **Economic development lenders** – programs making larger loans to microenterprises. This group represents programs that are serving more established microbusinesses and, as the analysis reveals, more prepared entrepreneurs.
  
  Metric: Average individual loan size is greater than \$15,000, the loan amount described in SELP’s original definition as the upper margin of a microbusiness’s initial credit needs. \[n = 35\]

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nearly complete, before this change was made, it is not reflected in the present analysis.
The program groups were defined in this manner in order to facilitate this particular analysis. The trainers are isolated from the lending field in order to allow (and encourage) closer study of this relatively unexamined group. The low-income and minority lending groups, representing the top quarter of programs when ranked by these measures, are set up this way to allow comparison within the group and subgroups. This is not to imply that only programs with greater than a given percentage can be focused on a certain population; rather, it is intended to point out the characteristics of programs that are actually serving relatively high proportions of those target populations. The economic development group is included to represent the growing subset of programs that are making larger loans to more established microbusinesses. Appendix B provides a grid to facilitate quantitative comparisons between the major program types.

I did preliminary analyses of a number of program groups before determining that these were the most telling. One set of programs that is not included in this analysis is the women-focused group. It is, of course, possible to rank the programs according to percent women served and then select the top quarter, as was done for minority-focused and low-income lenders. The difference is that there were very few characteristics that identified or distinguished a women-focused group. The top quarter of lenders, when ranked according to percent women served (greater than 70 percent women), served, on average, 63 percent low-income participants, 58 percent minorities, and 20 percent welfare recipients. Only the welfare figure was (not surprisingly, given the gender disparity) different from the industry average (14%).

Incidentally, the one significant characteristic that emerged from the women-focused program group was a clear focus on personal development training and TA. Within this group, 73 percent offer self-esteem building, compared to 41 percent in the industry, and 88 percent offer communications and personal effectiveness training, compared to 58 percent in the industry. This group also has much lower borrowing rates than the rest of the industry, with an average of 17 percent compared to the industry’s 39 percent. It is this fact that leads us to discard this program group from the study. Upon closer examination, the women-focused lending group seems to disintegrate. More than half of the programs in this group fall into one of the other lending groups, generally either low-income or minority-focused. Among the 44 percent remaining, the average borrowing rate is only 8 percent, suggesting that these programs are, essentially, training programs that focus on women, with very little emphasis on lending. For these reasons, this group was not identified in this study as one of the industry’s major subsets.
Chapter III
Program Groups: Training Programs

Because of the training-led nature of the US microenterprise field, virtually all microenterprise programs are, to some extent, training programs. Whether through their own programs or through partner agencies, 97 percent of practitioners offer some form of training or technical assistance, and across the field, training-only participants outnumber borrowers almost ten to one. The programs that are exclusively trainers, however, represent a subset of the population that is inherently different from the rest, and so merit their own consideration in any typology of the field. As explained in Chapter II, for purposes of this study, this group will be referred to as “training programs,” and all programs offering credit, whether or not they train, will be referred to as “lending programs.”

Seventy-eight of the 284 microenterprise programs in this study are exclusively training programs. On average, they served 247 participants in fiscal year 1997. This is somewhat higher than the industry average of 217, and represents 31 percent of 1997 training participants. Among the 78 training programs, the average age of the program is six years, and there is a distinct correlation between age and size. Programs with under 50 participants in FY97 average around five years old, and programs with 50-100 stick close to that with an average of 6.5 years, but the average age quickly climbs to around a decade for programs serving 100-200, 200-400, and greater than 400 participants in FY97. These data indicate (and participation numbers corroborate) that training programs grow over time, serving more and more participants each year. The figures seem to indicate that participation growth reaches a plateau when a program is about ten years old. This may be so, but is just as likely a reflection of the fact that very few microenterprise programs in this country (about 15 percent of training programs) have been operating for more than ten years.

Common Characteristics Among Training Programs

As explained in Chapter II, the microenterprise field divides its educational approach into two components: training and technical assistance (TA). Within the training program group, 77 percent of programs offer training and 91 percent offer TA. This is roughly the same as the lending programs where, among programs offering training or TA services, 75 percent offer training and 94 percent offer TA. It is important to remember, when considering the data discussed in this paper, that these numbers tell us only the percentage of programs offering a service, not the percentage of participants to whom that

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22 Of the remaining 3 percent, half reported that they offer lending only, with no training services or partnerships, and half reported lending only, with no training services, but did not answer whether or not they provide training through partnerships with other agencies.
service is provided. Training programs tend to offer two kinds of training and TA: business development services and personal development services.

Business Development Services

The most commonly offered business development training courses offered by this group of programs are financial management and record keeping (78 percent of programs), marketing and advertising (78%), and business planning (77%), followed closely by market identification/feasibility (73%). Technical assistance offerings are roughly the same as training offerings, although slightly more programs report that they offer TA in business planning (83%) and slightly less in financial management and record keeping (74%). Computer and other equipment training, offered by 49 percent of programs, is more common in the training program group than in the lending group, where it is offered by only 34 percent of programs. Within the training group, 38 percent of programs (about 6 percent more than in the lending group) offer industry- or sector-based consulting as training or TA; only half of these reported the sector in which they provide these specialized services, and within this group, no clear pattern emerged.

Personal Development Services

Within the training program group, 82 percent of programs report that they offer “peer support, exchange, networking, and goal setting” (more commonly as training than as TA), which is considerably higher than the lenders’ 66 percent. This might lead us to consider the trainers in the industry more focused on personal development than are the lenders. Communications and personal effectiveness opportunities, however, are reported by only 2 percent more trainers than lenders, self-esteem building is offered by about the same proportion of trainers as lenders, and mentoring is offered by fewer trainers than lenders.

What emerges from this examination is a better understanding of the general manner in which training programs are designed. They seem to offer more specific business development services than the lending group and seem somewhat less focused on personal development. The only outstanding personal development opportunities appear in the form of peer interactions, which help to develop the support structures that critics like Bates argue are not available to microenterprise owners.

Distinguishing Characteristics Among Training Programs

Certainly the services a program offers are critical to the success of its participants and, thereby, the program itself. Because of the broad nature of this study and the unique nature of microenterprise programs, the information reported on the survey instrument does not provide the kind of detail that
would allow us to gauge the relative “success” of the responding programs or even the extent to which different opportunities are offered or emphasized. Nonetheless, the information gleaned from the survey does provide the opportunity to examine a little bit more broadly some of our basic assumptions about the microenterprise field.

Focus: Welfare Recipients

We are concerned, for example, about methods of helping welfare recipients to transition into self-sufficiency. As best we can, we would like to see what specialized services the 37 percent of programs that claim to target welfare recipients are or are not offering. The only training and TA services (included on our survey) which we would expect to be tailored to welfare recipients are the personal development services, including communications/personal effectiveness, self-esteem building, and peer support, exchange, networking, and goal setting. 97 percent of trainers targeting welfare recipients offer these services, considerably higher than the 77 percent among training programs as a whole. Yet, as illustrated below, the data indicate that these programs are actually serving only slightly more welfare participants on average than is standard for the training program group. This would seem to suggest that, while helpful, personal development services and a stated focus on targeting welfare recipients, are not strong indicators of welfare recipient participation. If we split out the services individually, the result is a bit different, but none of the personal development services corresponds to a dramatic increase in welfare recipient participation.

Another factor we would expect to influence welfare recipient participation in training programs is the existence of a mentoring program, which usually entails partnering participants with more experienced businesspersons who provide guidance and assistance. Among welfare-targeting programs, nearly half provide mentoring opportunities to their participants. These programs, however, do not gain

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Training programs Reporting welfare target

<table>
<thead>
<tr>
<th>Services offered:</th>
<th>Training programs</th>
<th>Trainers reporting welfare target</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of programs offering service</td>
<td>% welfare recipients (avg.)</td>
<td>% of programs offering service</td>
</tr>
<tr>
<td>Personal development</td>
<td>67%</td>
<td>20%</td>
</tr>
<tr>
<td>a) Communications/personal effectiveness</td>
<td>73%</td>
<td>18%</td>
</tr>
<tr>
<td>b) Self-esteem building</td>
<td>40%</td>
<td>23%</td>
</tr>
<tr>
<td>c) Peer support, exchange, networking...</td>
<td>79%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Fig. 3.1 - Personal development services offered by programs, in aggregate and broken down by service (lines a, b, and c). The table provides the percentage of programs offering personal development services from the training program group and from the set of trainers reporting that they target welfare recipients.

---

23 Training programs reporting that they target welfare participants averaged 26 percent welfare participants in FY97, while training programs as a whole averaged 20 percent.
welfare participants proportionally. They serve only 5 percent more welfare recipients than training programs in general (25%). Evidently, mentoring is not a significant contributor to welfare recipient participation.

Finally, we look at programs offering child care and transportation. Among training programs as a whole, 18 percent offer child care and 18 percent offer transportation, with considerable overlap between the two sets. In the set of programs offering child care or transportation or both, 75 percent target welfare recipients. These welfare-targeting programs serve, on average, 31 percent welfare recipients, 5 percent higher than the training group’s average. They also serve very high proportions of low-income participants (86% on average) than the group. In the set of training programs offering self-esteem building, child care, and transportation, welfare recipients rise to an average of 33 percent of program participation (40 percent among programs reporting that they target welfare recipients).

**Focus: Women**

Looking at the top 25 percent of training programs, when ranked according to percent women served, we see a very focused subgroup. Each of these programs serves more than 82 percent women, but they also report relatively high proportions of minorities, low-income participants, and (within the low-income group) individuals living below the poverty line, as illustrated by the table below. This subset of programs places a higher value than the training group as a whole on “reaching the most economically disadvantaged clientele,” and the emphasis is borne out in the results.

<table>
<thead>
<tr>
<th>Average percentage of FY97 participation</th>
<th>Training group (w/o women-focused programs)</th>
<th>Women-focused training programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income</td>
<td>55%</td>
<td>71%</td>
</tr>
<tr>
<td>--Subset: Below poverty line</td>
<td>30%</td>
<td>57%</td>
</tr>
<tr>
<td>Welfare</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Minority</td>
<td>40%</td>
<td>69%</td>
</tr>
<tr>
<td>Priority ranking of &quot;reaching the most economically disadvantaged clientele&quot;</td>
<td>3.64/5</td>
<td>4.43/5</td>
</tr>
</tbody>
</table>

*Fig. 3.2 - Target groups represented in FY97 participation in training programs (minus women-focused trainers) and women-focused training programs.*

Clearly, the women-focused training subgroup is doing something different to attract the population it serves. Figures 3.2 and 3.3 show that the women-focused training subgroup is achieving its goal of serving economically disadvantaged clientele in part by offering a different mix of services than the training group as a whole. The women-focused subgroup tends to focus more on financial management and record keeping, marketing/advertising, and self-esteem building, and less on market identification/feasibility and peer support, exchange, networking, and goal setting.
Training and TA services offered:  

<table>
<thead>
<tr>
<th>Training and TA services offered:</th>
<th>% of training group (w/o women-focused programs)</th>
<th>% of women-focused training programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business planning</td>
<td>91%</td>
<td>93%</td>
</tr>
<tr>
<td>Financial management/record keeping</td>
<td>88%</td>
<td>93%</td>
</tr>
<tr>
<td>Marketing/advertising</td>
<td>86%</td>
<td>93%</td>
</tr>
<tr>
<td>Market identification/feasibility</td>
<td>84%</td>
<td>79%</td>
</tr>
<tr>
<td>Communications/personal effectiveness</td>
<td>63%</td>
<td>64%</td>
</tr>
<tr>
<td>Peer support, exchange, networking...</td>
<td>80%</td>
<td>64%</td>
</tr>
<tr>
<td>Mentoring</td>
<td>48%</td>
<td>50%</td>
</tr>
<tr>
<td>Self-esteem building</td>
<td>38%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Fig. 3.3 – The breakdown of training and TA services offered by the training program group (minus women-focused trainers) and by the women-focused trainers.

Participant-Staff Ratios: Two Hypotheses

Training programs average 57 participants to each full time staff member, which is identical to the industry average. The result is a bit surprising, since we might expect lending programs to be more focused on one-on-one technical assistance with borrowers and therefore have lower numbers of participants relative to staff. This yields two interesting hypotheses: First, training and TA services offered by training programs are similar (in terms of demand on staff) to those offered by lending programs. Second, programs on the whole seem to reflect a standard ratio of participants to staff.

To address the first hypothesis, we would like to know about the internal balance between training and TA in training programs relative to that in lending programs. That is, how many participants are training programs serving with training services and how many with TA services, and how do these compare to the same figures for the industry as a whole? Unfortunately, data are not available to serve as indicators for this. The survey asked programs to report the amount of training and TA services they had provided to participants, but programs responding to the survey were, almost without exception, not able to supply the information. The available data can tell us only what training and TA services are offered (see discussion above and below), not the role of those services within the program.

To address the second hypothesis, we would like to know how the ratio of participants to staff changes with program type and size. On the whole, it is clear that there is no fundamental difference between staffing numbers of training and lending programs. As the table below illustrates, programs take advantage of economies of scale, at least in terms of staffing. Very small programs serve around 20 participants per staff member, while very large programs serve well over 100. A likely explanation for the increase of participant-staff ratios with program size is that large programs are providing training services to a relatively high proportion of participants, while small programs (especially lenders) are focusing on technical assistance, which will naturally yield lower participant-staff ratios.
Average Participant-Staff Ratios of Microenterprise Programs

Fig. 3.4 – Average participant-staff ratios of microenterprise trainers and lenders.

By showing that participant-staff ratios increase with program size, this table suggests what we already know intuitively (and empirically) about microlenders: that as lending programs grow, their training population grows at a faster rate than their borrowing population. Although we certainly anticipated this, the trend of lenders compared to that of trainers is interesting. In the smallest programs, the average participant-staff ratio is lower for lenders than for trainers, probably a reflection of the need for lending program staff to work one-on-one with borrowing participants. As average program size grows and borrowing rates decline, the lenders' participant-staff ratio remains at about the same level as the trainers' ratio, until we reach the largest program group.

If we allow the assumption that the balance between training and TA has a direct effect on participant-staff ratios, then we have a piece of evidence for our first hypothesis: Except at the level of the largest programs, trainers and lenders are offering similar balances of training and TA. Among the largest programs, the lenders are actually reaching many more participants per staff member. Based on borrowing rates and program demographics, there is evidence, discussed in Chapter 6 that the largest programs are actually bifurcated, with very small lending divisions (on average, 8 percent of participants) and relatively large training divisions.

Participant Demographics: Trainers compared to the industry average

In fiscal year 1997, the training programs served, on average, 59 percent low-income participants and 46 percent ethnic or racial minorities. Each of these is somewhat lower than the industry average (64 percent and 53 percent, respectively). These figures are interesting. When asked to rank the importance
of "reaching the most economically disadvantaged clientele," training programs assigned an average value of 4.08 out of 5 (with 5 being "high priority" and 1 being "low priority"), while the industry average was 3.96. This difference in prioritization is moderate, but perplexing in light of the fact that the training programs are actually serving, on average, smaller proportions of low-income participants.

Furthermore, there is a geographic aberration in the minority figures: Programs responding to the survey were asked to identify their geographic service area as rural, urban, or suburban. About half of all respondents reported some combination of the three, while 24 percent called their area exclusively rural and 25 percent exclusively urban. Among training programs, respondents were more likely to identify their service area as exclusively urban (28%) than exclusively rural (21%). If we assume that urban areas are more likely than rural areas to contain minority communities, this is interesting. It reveals to us that training programs as a group, although slightly more urban than the industry as a whole, are actually serving slightly fewer minority participants on average and less than expected given their balance of rural and urban locations.

The picture, then, is unusual: Training programs rank serving the poor higher than the industry as a whole does, and they are located geographically such that they should be serving as many or more minority participants than the industry. Yet, they are not serving low-income or minority participants in as high proportions as the industry as a whole. (Note that "the industry," includes all microenterprise programs, including those discussed in Chapter VI, who do not aim to serve poor or minority target groups at all.) In an effort to understand this result, it makes sense to look at the urban and rural programs as sub-groups.

Urban training program group

The exclusively urban programs represent 28 percent of training programs. They serve, on average, 61 percent low-income and 82 percent minority participants. They rank serving the most economically disadvantaged participants with an average of 3.48 out of five, which is actually quite low given industry averages. This suggests that the urban training programs, while serving approximately the same proportions of low-income participants as other training programs, are doing so as a secondary effect of a focus on serving ethnic and racial minorities.

24 The ranges in this table are set up to incorporate a reasonable sample size. The increasingly broad ranges indicate a decreasing frequency of programs.
25 A difference of 0.12 in this case is actually a fairly wide spread. Very few programs ranked this priority with a 1 or 2, so the averages for all groups tend to hover between 3.5 and 4.8.
Rural training program group

The exclusively rural programs represent 21 percent of training programs. They serve, on average, 60 percent low-income participants. It is surprising that the rural programs are not serving higher proportions of low-income participants, since rural programs report that they are more focused on "reaching the most economically disadvantaged clientele" than are urban programs (the average ranking among rural trainers is 3.8). The low average proportion of minorities served by this group (16%) is remarkable. It reflects a significant difference in the demographic make-up of low-income communities served in by training programs in urban and rural areas.

This is an important result if we are concerned about serving minority communities in rural areas. The rural training programs, serving comparatively few minority participants, are at the extreme end of the industry in terms of minority participation, but rural programs as a whole are actually quite low as well. Exclusively rural programs in the industry report an average of 27 percent minority participants, well below the industry average of 53 percent. It is clear, then, and ought to be noted, that microenterprise programs in general, and training programs in particular, are not serving rural minority populations in very high proportions at all.

Public- and Private-Sector Training Programs

Public- and private-sector training programs differ from one another in noticeable ways in their approach to training participants. Public programs represent 21 percent of training programs and private programs represent 79 percent. Public programs thus comprise a larger proportion of training programs than of programs overall (12 percent of programs and 9 percent of lenders are public). Of the two, public programs have a much higher participant-staff ratio. They average 80 participants per staff member, while private programs average 50 participants per staff member. Public programs also serve many more participants on average than private programs (506 per year versus 180 per year). This difference is not explainable by age, however, since public programs are, on average, less than a year older than private programs. The difference may be attributable to a focus on training rather than TA, but this seems unlikely. As the table below illustrates, the scales of public programs tip much more commonly towards TA (with 32 percent offering TA only), which implies fewer participants per staff member. As a result, absent the possibility discussed below, the explanation for the higher participation and lower participant-staff ratios of public programs is unclear.

\(^{26}\) The results for other programs serving rural areas were not significantly higher. Among all programs reporting a rural service area (exclusively or non-exclusively), the average percentage of minority participants was 37 percent. Programs in this group not reporting any urban areas in their geographic service area average 29 percent.
The nature of the populations served by public and private programs may present a viable explanation for the differences in their participation. In terms of the demographics of their participants, public-sector programs are less focused than private sector programs on serving particular target groups. As the table below illustrates, a considerably larger proportion of private-sector programs report that they target low-income and minority participants, and the private-sector programs rank “serving the most economically disadvantaged clientele” a full point higher, on average, than their public counterparts.

<table>
<thead>
<tr>
<th>Target populations of public- and private-sector microenterprise trainers</th>
<th>Public-sector</th>
<th>Private-sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported target on low-income</td>
<td>56%</td>
<td>84%</td>
</tr>
<tr>
<td>Reported target on minority</td>
<td>44%</td>
<td>69%</td>
</tr>
<tr>
<td>Avg. priority on &quot;reaching the most economically disadvantaged clientele&quot;</td>
<td>3.00</td>
<td>3.98</td>
</tr>
<tr>
<td>Avg. % low-income served</td>
<td>38%</td>
<td>64%</td>
</tr>
<tr>
<td>Avg. % minorities served</td>
<td>38%</td>
<td>49%</td>
</tr>
<tr>
<td>Avg. % welfare recipients served</td>
<td>10%</td>
<td>22%</td>
</tr>
</tbody>
</table>

This table also shows the percentage of participants represented by different target groups. Proportionally, the public-sector trainers serve fewer minority and low-income participants, and considerably fewer welfare recipients, than private-sector trainers. These results are consistent with the apparent goals of the programs, as described above, and may explain why public programs are able to serve more participants with fewer staff. If we assume that economically disadvantaged individuals need more intensive attention than the average participant, then we can identify the possibility that public sector programs are serving less resource-intensive clients than private sector programs.

**Summary of Findings**

This chapter reveals several major facets of the training program group. We find, for example, that training programs are more focused on business than personal development. With respect to target groups, we find that programs offering self-esteem building, child care, and transportation serve twice as many welfare recipients, on average, as the training group as a whole. We also find that women-targeted
programs are offering more comprehensive training and TA services in both business and personal development, and are reaching higher proportions of low-income, below poverty, and minority participants. Also important are the findings on participant demographics: Training programs report a higher average priority on “serving the most economically disadvantaged clientele,” but actually average fewer low-income participants than the industry. The data lead us to the conclusion that the microenterprise industry in general, and training programs in particular, are not serving very high percentages of minorities in rural areas. Finally, this chapter looks at the differences between public- and private-sector training programs. The public-sector programs serve more participants annually, and more participants per staff member, than the private-sector programs, presumably because the former are less focused on serving specific, resource-intensive target groups.
Chapter IV
Program Groups: Low-Income Lenders

The fundamental purpose of microenterprise assistance in this country and around the world has historically been to provide business resources to economically disadvantaged people, primarily through microloans. It is actually quite difficult to determine which programs still see this as their primary purpose. The field serves, on average, 64 percent low-income participants, and the lending field serves 65 percent. A vast majority of lending programs (87 percent) report that they target low-income individuals, but this group serves, on average, only 66 percent low-income participants. One possible metric is whether or not the program mentions “low-income” or “poverty” in its mission statement. 24 percent of programs fall in this category, but at 78 percent low-income participants, their average is still surprisingly low. Another metric is how the respondent ranked “serving the most economically disadvantaged participants” as a priority: 30 percent of programs gave this priority a 5 (meaning, “very important”), but their average for low-income participation was only 66 percent.

Since we are most interested in what services correlate with low-income participation, it makes sense to look not at what programs aim for, but what they actually achieve. (It is important and unfortunate that there is not a stronger correlation between the two.) To this end, for purposes of this research, the low-income lenders program group consists of the programs in the top quarter of lending programs when ranked according to percentage of low-income participants served. The 37 programs in this group each serve greater than 90.4 percent low-income participants. 95 percent offer training and/or TA, either through their own program or through partnerships with other organizations. A small subset of the low-income lending group (15 percent) actually serves 100 percent low-income participants. These programs are discussed in detail toward the end of this chapter.

Program Size and Participant-Staff Ratios

On average, low-income lenders served 123 participants in fiscal year 1997. This is considerably lower than the industry average of 217, presumably owing to the more individualized services required by low-income participants, and perhaps because low-income participants are more difficult to attract. The participants served by low-income lenders represent 8 percent of 1997 participants and 23 percent of low-income participants. Among the low-income lending group, the average age of the programs is about six years, roughly equal to the industry average. Low-income lending programs demonstrate an interesting

27 As explained in Chapter II, the term “low-income” refers collectively to low-income individuals and individuals living below the poverty line.
phenomenon: programs with below fifty participants in FY97 averaged 3.76 years old. Programs with more than fifty participants did not exhibit a pattern as program size increased, but hovered around the group average. This seems to indicate that low-income programs do not increase participation with age.

Low-income lenders average 48 participants per staff member. This is slightly lower than the industry average of 57. It is logical that low-income entrepreneurs would require more attention than average from program staff. Indeed, the programs serving the least low-income participants (i.e. the bottom 25 percent of programs when ranked according to percentage low-income participants) average 88 participants per staff member. This has important implications for program cost. As discussed in Chapter VII, low-income lenders will have higher than average per participant costs because their participants are more likely to require intense services than are participants of programs serving less disadvantaged communities.

Borrowing rates support this finding and reveal another important aspect of program cost. When ranked by their borrowing rate (FY97 borrowers divided by total FY97 participants), the top half of low-income lenders serve, on average, 46 percent borrowers and 38 participants per staff member. The bottom half serves, on average, 4 percent borrowers and 58 participants per staff member. As might be expected, programs with higher borrowing rates have lower participant-staff ratios, because borrowers (in low-income programs in particular) require more attention from staff than training participants. The surprising number that emerges here is the average borrowing rate for the less lending-focused half of low-income programs. At an average of 4 percent borrowers, these programs are not doing much lending at all. It is a natural conclusion, then, that their per participant costs will be lower and their participant-staff ratios higher.

Participant Demographics

In fiscal year 1997, the low-income programs served, on average, 98 percent low-income participants (recall that this group includes only programs serving more than 90.4 percent low-income participants), 51 percent ethnic or racial minorities, and 63 percent women. When asked to rank the importance of “reaching the most economically disadvantaged clientele,” these programs ranked the priority higher (4.24), on average, than any other program group. This focus is borne out in their demographic data. The table below shows how the low-income lenders compare to the industry averages for these measures.

---

28 Almost 90 percent provide training and/or TA in-house. 5 percent provide these services through partnerships.
29 Recall that, unfortunately, demographics for borrowers specifically were not requested on the survey.
One interesting aspect of the data in this table is the column for percentage of minority participants. The low-income lenders serve, on average, a good 10 percent fewer minority participants than the field as a whole. Since we might expect a large proportion of minority participants to be from economically disadvantaged communities, this result is surprising. It suggests that some other group of programs is not only serving high percentages of minority participants who are not low-income, but high enough percentages that they pull the industry’s minority average up significantly. This group is discussed in detail in Chapter V.

Looking at younger low-income programs in contrast to older programs (younger or older than four years), we see slight, but suggestive, differences in terms of demographics. Proportionally, the younger programs serve fewer welfare recipients and participants living below the poverty line than the older programs. This difference is illustrated in the table below.

<table>
<thead>
<tr>
<th>Low-income lending programs</th>
<th>4 years and younger</th>
<th>Older than 4 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>% low-income</td>
<td>97%</td>
<td>99%</td>
</tr>
<tr>
<td>% below poverty</td>
<td>41%</td>
<td>56%</td>
</tr>
<tr>
<td>% welfare</td>
<td>14%</td>
<td>27%</td>
</tr>
<tr>
<td>% minority</td>
<td>49%</td>
<td>52%</td>
</tr>
<tr>
<td>% women</td>
<td>58%</td>
<td>67%</td>
</tr>
</tbody>
</table>

To some extent, this may be explainable by participant tracking difficulties: it is generally easier for a program staff member to determine if a participant is female or from a minority group than it is to determine (i.e. ask) if the participant is on welfare or if their annual income puts them below the poverty line. The older programs, we might hypothesize, have had longer to develop good tracking systems for this purpose, but the only metric we have for this hypothesis is response rates. 67 percent of younger programs and 75 percent of older programs were able to supply data both for participants below poverty and for participants on welfare. 89 percent of younger programs and 75 percent of older programs were able to supply data both for female and for minority participation. Although the response rate did not change for older programs, the significant jump in the younger group suggests that there is, in fact, a
difference in data collection abilities of younger and older programs, one that may be affecting their reporting of participant demographics.

Still, the apparent difference in participant demographics between the programs is worth noting. It suggests that the younger low-income programs are less focused on, or less adept at, serving the poor than are older programs. This is supported by the values programs assigned to the priority “reaching the most economically disadvantaged clientele”: among the younger group, the average was 4.13, while the older group averaged 4.53.

Lending Services of Low-Income Programs

Low-income programs served 1179 borrowers in fiscal year 1997. On average, across the subset, they served the same proportion of borrowers as the industry. Low-income programs offered both individual and group/peer lending, with individual lending slightly less common (76 percent versus 84 percent of programs) and group lending slightly more common (30 percent versus 21 percent) than among lending programs as a whole. The average individual loan size for the low-income group is $6,953, and is noticeably smaller than the industry’s $10,733. The average group loan size, however, is a bit larger: $2,172 for the low-income programs compared to $1,811 for the industry. Some explanations for these figures will be explored later in this chapter.

Although the group lending programs in the low-income lending group are too few to break down, we can look at the individual lending programs according to their average loan size in search of some insights about the relationship between lending and program demographics. When ranked according to average loan size, individual lending programs fall clearly into two categories, with the breaking point at $5,000. The table below illustrates that the two subgroups do not differ in their reported data on minorities and low-income participants, but borrowing rates, female participants, and participants on welfare do vary significantly.

<table>
<thead>
<tr>
<th>Low-income lending programs</th>
<th>Average loan size &lt; $5,000</th>
<th>Average loan size &gt; $5,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing rate</td>
<td>33%</td>
<td>49%</td>
</tr>
<tr>
<td>% minority</td>
<td>45%</td>
<td>43%</td>
</tr>
<tr>
<td>% low-income</td>
<td>98%</td>
<td>97%</td>
</tr>
<tr>
<td>% below poverty</td>
<td>46%</td>
<td>43%</td>
</tr>
<tr>
<td>% welfare</td>
<td>20%</td>
<td>8%</td>
</tr>
<tr>
<td>% women</td>
<td>68%</td>
<td>51%</td>
</tr>
</tbody>
</table>

*Fig. 4.3 – Demographics of low-income lending programs split by large and small average loan size.*
Of the two subgroups, the smaller loan size subgroup serves considerably higher proportions of welfare recipients, while the larger loan size subgroup serves higher proportions of borrowers. This hints at a fact that is revealed in the discussion (below) of the welfare-focused subgroup: programs serving many welfare recipients tend to have lower borrowing rates than the industry average.

**Distinguishing Characteristics of Low-Income Lending Programs**

*Focus: Welfare Recipients*

Much has been said about the potential of microenterprise programs to assist welfare recipients in their transition to the workplace. Lisa Servon’s research shows that microenterprise programs can provide important opportunities for welfare recipients to expand their skill base and provide income to their family, and she even suggests that self-employment is “the best option for some welfare recipients.” She is quick to point out, however, that self-employment works for only a small subset of welfare recipients, and can actually be thwarted by local “workfare” requirements. These requirements are not the only barrier to success for the welfare targeting lenders, however: they are also faced with high per participant costs and low borrowing rates. In light of this, it is important to understand the nature of the welfare-focused programs.

As might be expected, low-income lenders serve among the highest proportions of welfare recipients in the industry. They work with 20 percent welfare recipients on average, compared to the industry’s 15 percent and lenders’ 14 percent. (The training program group also serves 20 percent welfare recipients.) Oddly, among programs serving more than 25 percent welfare recipients, only half fall into the low-income program group. This is probably because they are offering, within a more general microenterprise program, a special program that draws welfare recipients. We do not have this information available, so the best we can do is look at these welfare-focused lenders as a subgroup, whether or not each program actually falls into the low-income category.

One important question we want the answer to is, what is the nature of services offered by welfare-focused programs relative to those offered by the industry in general? Because of the closed-ended nature of the survey questions, it is difficult to determine the degree to which (or manner in which) specific services are offered. We can, however, look at certain services to see how common they are in welfare-focused programs relative to other programs. In particular, we would expect (as we did in the training program group) that welfare-focused lenders concentrate more on personal development services

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30 Recall that for purposes of this study, all data given for “the industry,” when in reference to lending or borrowers only, refers to the set of all programs providing lending services.
than general lenders do. By looking for the frequency of these services, we can get an indication of their
importance to the welfare-focused subgroup. As in the analysis of training programs, the primary
personal development opportunities examined here are communications and personal effectiveness, peer
support, exchange, networking, and goal setting, and self-esteem building. Each of these, of course, is
part of business creation, but they are the most personal of the services discussed on the survey, and
therefore the best gauge of the information we are seeking.

When asked about “peer support, exchange, networking, and goal setting,” 83 percent of welfare-
focused lenders, compared to 68 percent of low-income lenders, responded that they provide these
opportunities. In the industry as a whole, 42 percent of lenders (and 51 percent of low-income lenders)
offer self-esteem building, while the number rises to 65 percent for welfare-focused lenders. Welfare-
focused lenders also do considerably more work on communications and personal effectiveness than is
standard, with 83 percent providing those services, compared to 62 percent among low-income lenders.
These differences are dramatic, surprising since the personal development services did not seem to
correspond to high welfare recipient participation in the training program group. Nonetheless, there is a
clear correlation between the provision of personal development opportunities and welfare recipient
participation in lending programs.

In terms of lending, the welfare-focused programs have some interesting qualities. For example,
group lending is much more common: where 21 percent of the lending industry offers group lending
opportunities, fully 48 percent do among welfare-focused programs. This suggests to us that group
lending is a strategy that is relatively accessible to welfare recipients. The average group loan size,
$2,988, is considerably higher than the industry average ($1,817); since participants must generally begin
with small loans and work up to larger amounts, this suggests that these programs, like the low-income
lending subgroup, are retaining borrowers in the group lending circles longer, on average, than the
industry as a whole.

Servon reports that this can be important to keeping program costs down. The borrowing rate
among welfare-focused lenders is quite low at an average of 26 percent. This is intuitive, since welfare
recipients are less likely to be in a position to borrow money, but is important because of the resulting
effect on program costs. Welfare-focused programs, unlikely to lend to more than one in four
participants, can keep program costs down, she explains, by taking advantage of the relatively
autonomous and “decentralized” nature of the group lending mechanism. This argument is not
confirmed or refuted by the data, which suggest that the average participant-staff ratio for group-only
low-income lenders is essentially the same as that for the low-income lending group as a whole.

33 Welfare-focused lenders represent a disproportionately high percentage of the group-only lending subgroup.
Focus: 100 Percent Low-Income Programs

There are 22 lending programs that work only with low-income participants; of these, 6 also fall into the welfare-focused lenders category discussed above. Within the 100 percent low-income subgroup, the average individual loan size is $6,099, which is lower than the low-income group average, and the average group loan size is $2,575, which is higher than average for the low-income group. While individual borrowing averages are unremarkable, the 100 percent low-income group-only lenders have a very high borrowing rate of 65 percent. This is considerably higher than the group lenders’ average (40%), the low-income group lenders’ average (56%), and the welfare-focused group lenders’ average (25%).

The 100 percent low-income programs display an interesting geographic distribution. As illustrated by the table below, the microenterprise industry in this country is more commonly urban than rural. But the programs serving exclusively low-income participants are more commonly rural than urban.

<table>
<thead>
<tr>
<th>Percentage of programs:</th>
<th>Service area is rural only</th>
<th>Service area is part rural</th>
<th>Service area is urban only</th>
<th>Service area is part urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>24%</td>
<td>59%</td>
<td>25%</td>
<td>72%</td>
</tr>
<tr>
<td>Lenders</td>
<td>24%</td>
<td>60%</td>
<td>25%</td>
<td>73%</td>
</tr>
<tr>
<td>Low-income lenders</td>
<td>27%</td>
<td>70%</td>
<td>19%</td>
<td>73%</td>
</tr>
<tr>
<td>100% low-income lenders</td>
<td>36%</td>
<td>73%</td>
<td>18%</td>
<td>64%</td>
</tr>
</tbody>
</table>

This is enlightening, because it prompts us to take a closer look at the 100 percent low-income programs. When we do, we find that these programs serve, on average, 38 percent minorities. When we divide the subgroup into programs whose service areas are entirely or in part rural and those whose service areas are entirely or in part urban, we see that the rural programs serve 31 percent minorities and the urban programs serve 50 percent minorities. Looking at the geographic extremes of this subgroup, the programs whose service areas are entirely rural serve 18 percent minorities and the programs serving entirely urban areas serve 73 percent minorities. These figures (and the comparable figures for the entire low-income program group) suggest that programs focused on serving low-income participants are not often serving minorities in rural areas of this country, either because they are not successful at attracting minority participants or because they are located in predominantly white communities. Based on the locations of the rural programs in the 100 percent low-income subgroup, the latter is most likely true.
Summary of Findings

This chapter addresses characteristics of and trends within the low-income lending program group. These programs tend to be smaller than the industry average, and do not seem to increase their participation as they age. They are split roughly between those with relatively high borrowing rates, and those who do almost no lending at all, a fact which, along with relatively low participant-staff ratios, is important to measurements of program cost. This chapter also points out an important facet of low-income lending: that these programs are not serving high percentages of minorities. As the next chapter will discuss, this is a very important response to critics of the microenterprise field. This chapter also elaborates on the appeal of the group lending mechanism for low-income individuals, and highlights programs focusing on welfare recipients and programs serving 100 percent low-income participants. The comparison underscores an important fact: the low-income lending group (like the training group) is not serving high proportions of minorities in rural areas. Presumably, there is a need for microcredit in rural minority communities, low-income and otherwise, so this might be an important new frontier for both funders and practitioners.
Chapter V
Program Groups: Minority-Focused Lenders

With 72 percent of microenterprise programs reporting that they target ethnic or racial minorities, it is clear that this demographic group plays an important role in the microenterprise field’s self-definition, but what has not been clear so far is how that target is manifested in the actual performance of programs. We know that the industry’s programs serve, on average, 53 percent minorities. It is interesting, however, that only 35 percent of total participants served by the industry in FY1997 were minorities. This suggests that there is either a subset of smaller programs serving very high proportions of minorities, or a subset of larger programs serving very low proportions of minorities. As introduced in Chapter IV, our suspicion is that the former is true.

This suspicion is supported by the numbers of minority participants served by large and small programs. In the largest 10 and 25 percent of programs, the total of minority participants served hovers just over 30 percent of total participation. In the smallest 10 and 25 percent of programs, the total of minority participants served hovers around 50% of total participation. This twenty point spread tells us something, but not as much as we might think, about the demographics of large and small programs. This chapter will explore this and other issues in the context of minority-focused programs.

With the industry almost as focused on serving minorities as it is on serving low-income entrepreneurs, the truly minority-focused programs are difficult to distinguish. Lenders, as commonly as the industry itself, report that they target minority populations, and yet there is a range among these minority targeting lenders of 0 to 100 percent minority participants, and an average of just 55 percent.

Some better measure, then, is required, so as with the low-income program group, we are compelled to look at the lending industry’s top 25 percent of minority-serving programs. These 35 programs serve greater than 80 percent minority participants, and all offer training or technical assistance, either through their own program or through partnerships with other agencies. They served 1755 borrowers and 6336 non-borrowers in FY1997. The group includes 29 (83%) individual lending programs and 11 (31%) group lenders. Individual lending occurs in approximately the same proportion as in the industry, but group lending is more common in this group. A later section f this chapter will explore the minority-focused group lenders in detail.

Program Size and Participant-Staff Ratios

On average, minority lenders served 181 participants in fiscal year 1997, which is comparable to the industry average. In FY1997, minority lenders served 12 percent of the participants served by the
microenterprise industry, but 30 percent of the industry’s minority participants. The average age of programs in the minority lending group is 5.8 years, which is one year younger than the industry average.

With program size roughly equal, on average, to that of the industry, minority lenders average 35 participants per staff member, significantly lower than both the industry average of 53 and the low-income programs’ 48. This suggests that programs focused on serving minorities, although not serving as high proportions of low-income participants as low-income programs, are still providing proportionally higher numbers of staff to meet the needs of their participants. If these were some of the smallest programs in the industry, we might hypothesize that the relative size of these programs does not permit them to benefit from economies of scale as larger programs do. This is an unlikely explanation, however, as the programs in this group are larger, on average, than those in the low-income group.

When ranked by their borrowing rate, the top half of minority lenders serve greater than 15 percent borrowers and, on average, 78 percent. The bottom half serve less than 15 percent borrowers and average 3 percent. Much more so than even the low-income group, this group’s lending patterns are bifurcated, with very lending-focused and very training-focused subgroups. Within the minority lending group, however, we do not see the differences in participant-staff ratios that we saw in the low-income group. Minority lenders tend to hover right around 35, the average for this measure, whether they do a great deal of lending or not.

The interesting effect for this group is the variation of participant-staff ratios against percent minority participants. Within the minority lending group, the top half of programs in terms of minority participation (greater than 96 percent minority) served 29 participants per staff; the bottom half served 42. Evidently, the demographic make up of the program’s population, much more than borrowing rate, is a very important factor in staffing decisions. Whether because of education levels, cultural or lingual differences, or other participant needs, the minority-focused programs are compelled to bring on more staff per participant than any other program group.

One final point on participant-staff ratios: the minority lending programs offering group lending but not individual lending (i.e. group-only minority lenders) have, at an average of 22, the lowest participant staff-ratio in the industry. The group-only lenders in the industry as a whole have an average of 39 participants per staff member, which rises to 44 when minority lenders are excluded. This is important to the sustainability of programs. Apparently, group lending programs (and minority-focused group lending, in particular) tend to be far more staff resource-intensive than individual lending programs. As discussed later in this chapter, this is in no way a reproach of the group lending strategy, but is an
important aspect of program cost, and should be considered with respect to program design, implementation, and evaluation.

Participant Demographics

In fiscal year 1997, the minority-focused programs served, on average, 94 percent minority participants, 55 percent low-income participants, 17 percent welfare recipients, and 61 percent women. When asked to rank the importance of “reaching the most economically disadvantaged clientele,” these programs ranked the priority with an average of 3.91 out of 5, which is slightly lower than the industry average. The table below illustrates how the minority programs compare to the industry’s averages. Note that the low-income figure suggests that there is not significant overlap between these and the low-income lenders. This is important to any consideration of Timothy Bates’ critique of “minority business development programs,” which is grounded in the argument that minority lenders are “choosing the wrong target: loan assistance for low-income minorities running firms in ghetto areas.” In fact, minority lenders, while more urban than the industry as a whole, are not serving low-income individuals with any more frequency than the industry itself.

<table>
<thead>
<tr>
<th>Percentage of programs that are exclusively urban</th>
<th>Minority lenders</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority on serving economically disadvantaged clientele</td>
<td>3.91</td>
<td>3.96</td>
</tr>
<tr>
<td>% minority</td>
<td>94%</td>
<td>53%</td>
</tr>
<tr>
<td>% low-income</td>
<td>55%</td>
<td>64%</td>
</tr>
<tr>
<td>% welfare</td>
<td>17%</td>
<td>15%</td>
</tr>
<tr>
<td>% women</td>
<td>61%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Fig. 5.1 - Averages of demographics and priorities of minority lenders compared to the industry as a whole.

In general, there are not significant differences between the older and younger minority programs, except that the older programs (greater than four years old) serve fewer low-income participants, on average, than the younger programs. This is consistent with the fact that younger programs’ prioritization of reaching the most economically disadvantaged clientele is somewhat higher (4.07 vs. 3.82). Interestingly, older programs serve higher proportions of welfare recipients (20%) than younger programs (14%).

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35 This runs counter to Servon’s argument, discussed in Chapter IV, that programs can cut back program costs by employing the group lending mechanism.
36 The survey requested participant demographic data from the programs, but did not request demographics for borrowers specifically. In addition, only one set of demographics was collected from programs offering both group and individual lending. The resulting data set is far less detailed than we might like, but it was the opinion of practitioners consulting with the survey design team that programs on the whole did not have this information broken down into subgroups. Judging from the significant number of programs not able to provide demographics at all, this assumption was correct.
37 Bates, 4.
There is some indication of demographic differences between group and individual lending programs in the minority lending group and in the industry as a whole. As illustrated by the table below, programs offering group lending average considerably higher figures for women, low-income participants, and welfare recipients. The higher proportions of welfare recipients served by group lenders may indicate an explanation (or part of one) for why older programs serve more welfare recipients, on average, than younger programs, since eight of the eleven group lenders are in the older half of minority lending programs.

<table>
<thead>
<tr>
<th>Minority Lending Programs</th>
<th>Individual Lenders</th>
<th>Group Lenders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority on serving economically disadvantaged clientele</td>
<td>3.79</td>
<td>4.36</td>
</tr>
<tr>
<td>% low-income</td>
<td>52%</td>
<td>66%</td>
</tr>
<tr>
<td>% below poverty</td>
<td>33%</td>
<td>37%</td>
</tr>
<tr>
<td>% welfare</td>
<td>16%</td>
<td>21%</td>
</tr>
<tr>
<td>% women</td>
<td>59%</td>
<td>68%</td>
</tr>
</tbody>
</table>

*Fig. 5.2 – Minority individual lenders compared to minority group lenders. The two subgroups are not mutually exclusive. Five programs offer both forms of lending.*

Lending Services of Minority-Focused Programs

Among participants served by minority lenders in fiscal year 1997, 37 percent, on average, borrowed funds from the program. This is roughly equivalent to the industry average. But if we look instead at the total borrowers served by the minority group (1755) as a percent of the total participants served by the group (6336), the figure (28%) is considerably higher than the comparable figure for the lending industry as a whole (14%). In other words, while individual minority focused programs serve, on average, the same proportion of borrowers as the industry, they are (relatively speaking) serving higher numbers collectively. This suggests that the larger minority-focused lenders have higher borrowing rates than larger lenders in general, a proposal that is confirmed by the relatively high borrowing rate of the larger half of minority lenders compared to the larger half of lenders in general (38% vs. 20%).

The average individual loan size for the minority lending group is $10,874, just over $100 higher than the industry average, and considerably higher than the low-income group average. This offers support for the idea that the demographic groups served by minority lending programs turn more commonly to these programs for funds, and seek funds in somewhat greater quantities, than do other demographic groups. If we look at the natural break in minority lenders’ individual loan size averages (above or below $8,000), we get a better idea of what these figures mean. Programs with higher individual loan sizes average 40 percent low-income participants and 4 percent borrowers. Programs with smaller loan sizes average 60 percent low-income participants and 45 percent borrowers. So while the
minority community, on average, is borrowing more often and in higher quantities than the industry's participants as a whole, there is a distinction between those programs doing a great deal of lending and those lending a great deal of money. The former group is much more focused on economically disadvantaged communities than the latter.

<table>
<thead>
<tr>
<th></th>
<th>Average loan size &lt; $8,000</th>
<th>Average loan size &gt; $8,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Borrowing rate</td>
<td>4%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Fig. 5.3 – Low-income participation and borrowing rates of the minority lending group split by average loan size.

Group lending is much more common among minority programs than in the industry as a whole. As is true across the industry, the average group loan size in minority-focused programs, at $1,564, is much smaller than the average individual loan size. This happens because group lending is often a beginning activity for participants, many of whom will eventually move on to the independence and greater credit availability of the individual lending program. As will be discussed later in this chapter, the group lenders in the minority-focused program group serve well over the industry average of low-income participants, welfare-recipients, and women.

Distinguishing Characteristics of Minority-Focused Lending Programs

Two small subgroups exist in the minority lending group. They are: group-only minority lenders (6 programs), and minority lenders who lend only to minorities (15 programs).

Focus: Group-only minority lenders

Lenders offering group lending only represent 17 percent of the minority lending group, but only 9 percent of the lending industry as a whole. In other words, almost a third of group-only lenders fall into the minority-focused program group. With this information, and the knowledge that almost 80 percent of group-only programs report that they target minorities, we might be inclined to say that the group lending strategy is particularly minority-focused. Looking to the minority group lenders for confirmation of this suspicion is ineffectual, because we already know, by definition, that they serve high proportions of minority participants. Looking at the group lending industry as a whole, however, is more useful. The average proportion of minority participants served by group-only programs is 67 percent – higher than the industry average (56%). As illustrated by the chart below, minority participation seems to correlate with lending opportunities in general, and with group lending activity in particular.
<table>
<thead>
<tr>
<th>Type of lending</th>
<th>% minority</th>
</tr>
</thead>
<tbody>
<tr>
<td>No lending</td>
<td>46%</td>
</tr>
<tr>
<td>Individual lending only</td>
<td>52%</td>
</tr>
<tr>
<td>Both individual and group lending</td>
<td>62%</td>
</tr>
<tr>
<td>Group lending only</td>
<td>67%</td>
</tr>
</tbody>
</table>

Fig. 5.4 – Minority participation in microenterprise programs grouped by lending mechanism.

Minority group lenders serve 69 percent low-income participants. This is slightly higher than the industry average (65%), but is not higher than the industry average for group-only lenders. Minority group lenders average 19 percent welfare recipients, which is 5 percent higher than the industry average, but no higher than the group-only lenders as a whole. This shows, again, that the minority-focused lenders are truly distinct from the low-income lenders.

**Focus: 100 percent minority lenders**

This group works only with minority participants, and has a very interesting profile. The group has an average participant-staff ratio of 24, which is strikingly low, and interesting because the group serves 55% low income participants, which is no higher than the industry average. The group also does not serve a significantly higher proportion of women or of welfare recipients than the industry as a whole. This group is also atypical of minority programs, and programs in general, because of its average loan size. While the minority lenders’ average individual loan size is $10,874, the 100 percent minority subgroup, at $6,129, is truly “micro” – well below the industry average, and even below the low-income program group average. Loans in this subgroup begin, on average, more than $1,000 lower than the industry standard.

Though the subgroup is split between very training-intensive and very lending-intensive programs, the combination of elements describes a set of programs that serve participants who are not especially low income, but who are all ethnic or racial minorities, live almost exclusively in urban areas, receive much more individualized attention than is standard in the industry, and borrow relatively small amounts of capital. The overall message from the minority lending group in general, and the 100 percent minority subgroup in particular, is that there is a small set of programs in the microenterprise field that are focused primarily (and in some cases exclusively) on developing entrepreneurship in minority and refugee communities.

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38 Outlier omitted.
39 Outlier omitted.
Public and Private Minority Lending Programs

Minority lending programs are almost exclusively private-sector organizations, with only one of the 35 in the public sector. As the table below demonstrates, the minority lending program group is much more commonly funded by private organizations than the industry as a whole: well over half of these programs (57 percent) receive more than a quarter of their operations budget from the private-sector (foundations or other private contributors). In the industry as a whole, this is true for under 40 percent. For programs receiving over half of their funding from the private-sector, minority-focused programs come in at 46 percent, and the industry at 26 percent.

<table>
<thead>
<tr>
<th>Percentage of minority lenders</th>
<th>Percentage of the industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programs with more than 25% private funding</td>
<td>57%</td>
</tr>
<tr>
<td>Programs with more than 50% private funding</td>
<td>46%</td>
</tr>
</tbody>
</table>

Fig. 5.5 – Prevalence of private funding in operating budgets of minority lenders and the industry.

This effect is important inasmuch as it reflects the ability (or inability) of programs to meet the aims of their funders. Among minority-focused programs, the primary public funders are the US Department of Housing and Urban Development (HUD), the Department of Health and Human Services (HHS), and the Small Business Administration. These agencies provide numerous funding streams (with varying purposes) for microenterprise assistance; therefore, although we know the general source of programs’ funds, we cannot determine the extent to which they are reaching their funders’ goals, because we do which funds they draw from and which specific goals they are expected to reach. This complication only occurs at this level of analysis. A case-based analysis, like Margaret Johnson’s, could incorporate this measure.

Summary of Findings

This chapter explores the nature of the minority-focused lending program group. It reveals that while these programs are very commonly urban and engage participants who are more staff resource-intensive than is standard in the industry, they are not serving higher proportions of low-income individuals or welfare recipients than the industry as a whole. Moreover, their participant-staff ratios do not change materially with borrowing rates, and there is a clear strategic differential that produces two programmatic subgroups: one of programs with high borrowing rates and low loan sizes, and one of programs with low borrowing rates and high loan sizes. Finally, the chapter outlines a few key details illuminated by the group-only minority lenders (namely that minority participation correlates with group lending activity) and the 100 percent minority lenders, who report truly “micro” loan sizes. The last
section of the chapter offers a brief discussion of public- and private-sector funding of minority-focused lending programs.
Chapter VI
Program Groups: Economic Development Lenders

The purpose for including an economic development lending program group was to accurately identify and describe the set of programs lending larger amounts of money to microenterprises with a strict focus on business, rather than personal, development. The existence of this group was obvious during the data entry process, but actually isolating the variables by which the group could be distinguished was a difficult task. After careful consideration, the most suitable metric seemed to be average individual loan size. High average loan values would presumably indicate greater degrees of financial stability and entrepreneurial readiness among participants, just as low average loan values suggested the opposite in the case of low-income lenders. Programs lending to financially stable entrepreneurs are obviously materially different from programs aiming to bring their participants out of poverty, so the high average loan values seem to be a useful proxy.

This category includes programs with an average individual loan size greater than $15,000. The $15,000 amount was chosen as the cut off point because it has long been considered the upper limit of initial lending to microenterprises, and also because it is the lower limit of the top quarter of lenders when ranked according to average individual loan size. The group includes 35 lenders, all of whom provide individual lending opportunities, and only two of whom provide group lending. More than a quarter of these programs do not offer training or technical assistance on site, compared to just 11 percent among lenders as a whole, and only 14 percent offer self esteem building, compared to 42 percent across the industry. Moreover, at an average of 3.06, these programs ranked the priority “reaching the most economically disadvantaged clientele” lower by far than any other program group. Clearly, the economic development group is less focused on training, personal development, and poverty alleviation than the industry as a whole.

Program Size and Participant-Staff Ratios

With an average of 187 participants in fiscal year 1997, the economic development lenders are 11 percent smaller than the lending industry average of 206. However, among the programs in this group who lend to 100 percent of their participants (this subgroup comprises the top quarter when ranked according to borrowing rates), the average size was 10 participants, fully 86 percent smaller than the average among all 100 percent lending programs (69). This suggests that an interesting story exists for this subgroup, one which will be discussed later in this chapter.

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40 As mentioned in Chapter II, this is beginning to change.
Economic development lenders average 39 participants to each staff member, considerably lower than the industry average of 57 participants per staff member. Although this is largely attributable to program size (since programs experience economies of scale with regard to staffing), the difference in average program size between the economic development group and lenders as a whole is only 11 percent, whereas the difference in average participant-staff ratio is 35 percent. To some extent, there is likely to be another explanation. As explained below, economic development lenders do 23 percent less training than lending programs as a whole. This, combined with the individualized attention requisite for larger loan sizes, probably explains a significant portion of the difference in average participant-staff ratio between the group and the lending industry.

**Participant Demographics**

Compared to the industry as a whole, the economic development lenders stand out in a subtle, but noticeable, way. The table below compares average demographic figures for this group of programs to those of the industry as a whole. It shows that economic development lenders serve lower percentages of women, low-income participants, participants living below the poverty line, and welfare recipients than the industry as a whole, but comparable percentages of minorities.

<table>
<thead>
<tr>
<th>Avg. % of FY97 participation</th>
<th>Economic Development Lenders</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>42%</td>
<td>60%</td>
</tr>
<tr>
<td>Minorities</td>
<td>56%</td>
<td>53%</td>
</tr>
<tr>
<td>Low-income</td>
<td>50%</td>
<td>64%</td>
</tr>
<tr>
<td>Below poverty</td>
<td>18%</td>
<td>32%</td>
</tr>
<tr>
<td>Welfare recipients</td>
<td>6%</td>
<td>15%</td>
</tr>
</tbody>
</table>

*Fig. 6.1 - The demographics of participation in economic development programs and the microenterprise industry.*

The demographic breakdowns for this group are interesting both for their noticeable difference from the industry means and for their surprising nearness to the industry means. The programs are clearly targeting their services at a different, more experienced population than is the industry as a whole, but their participant populations, while qualitatively distinct, are not overwhelmingly so. Economic development lenders still serve large proportions of economically disadvantaged participants. (The program group represents 12 percent of the industry’s programs and serves 8 percent of the industry’s low-income participants.)
Training Services

The economic development program group is considerably less focused on providing training services than are lenders in general. More than a quarter of this group does not provide training or technical assistance services on site (compared to 11 percent among all lenders); only 43 percent provide training (compared to 66 percent among all lenders) and 69 percent offer technical assistance (compared to 84 percent among all lenders).

As stated above, the services that are offered by this group tend to be straightforward business training and technical assistance (e.g. planning, marketing, financial management), rather than personal development opportunities like communications, peer support, and self esteem building. The table below details some of the more and less common offerings. It illustrates the economic development lenders' lesser focus on training and TA relative to lenders as a whole, and affirms a relative de-emphasis on personal development services.

<table>
<thead>
<tr>
<th>Service</th>
<th>Economic Development Lenders</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business planning</td>
<td>74%</td>
<td>85%</td>
</tr>
<tr>
<td>Financial management</td>
<td>69%</td>
<td>83%</td>
</tr>
<tr>
<td>Peer support</td>
<td>40%</td>
<td>66%</td>
</tr>
<tr>
<td>Computer/equipment training</td>
<td>31%</td>
<td>34%</td>
</tr>
<tr>
<td>Mentoring</td>
<td>17%</td>
<td>38%</td>
</tr>
<tr>
<td>Self-esteem</td>
<td>14%</td>
<td>42%</td>
</tr>
</tbody>
</table>

Fig. 6.2 - Training and TA services offered by economic development lenders compared to those offered by the industry as a whole.

Lending Services of Economic Development Programs

Economic development lenders have higher borrowing rates (46 percent) than the industry average (38 percent), but their average loan volume in 1997 was less than half that of the industry. This is due in some part to the fact that economic development lenders tend to be smaller than lenders in general, as discussed above. It is also important, however, that the largest programs in the group are doing very little lending relative to similarly sized programs among lenders as a whole (which would bring down average loan volume but not necessarily borrowing rates). Economic development lenders serving more than 100 participants in 1997 had an average borrowing rate of 13 percent, compared to 21 percent among all lenders with more than 100 participants.

The average loan size in the economic development program group is $25,103\(^{41}\), and the average minimum loan amount provided by the group is $6,023. This low end is more than double the industry's low end average of $2,466 ($1,485 without the economic development programs), which supports the

\(^{41}\) Recall that this group is defined by average loan size.
claim that these programs are serving more advanced entrepreneurs. This is logical, as well, because of
the age profile of businesses served by economic development programs. Like the industry,
approximately one quarter of businesses served by economic development programs are under twelve
months old at program intake. Unlike the industry, which splits exactly evenly between businesses more
than twelve months old (38%) and businesses created after program intake (38%), the economic
development programs, on average, serve many more of the former (53%) and many less of the latter
(22%). High loan sizes, of course, are to some extent explainable by the greater maturity of businesses
served by economic development programs, but the intersection of large loans with low-income
demographics is perplexing.

Here, of course, we would very much like to compare the demographic profile of the borrowers in
this program group to that of others in the industry. Unfortunately, as discussed in Chapter II, this
information is not available. What we do have is demographic information for program participants as a
whole, and so we can say the following: Programs with more than 50 percent low-income participants
have a smaller average loan size, start at lower loan values, and achieve higher borrowing rates than
programs with less than 50 percent low-income participants. As the table below illustrates, the
differences between programs may be linked to their demographic make up, and/or the opposite may be
ture.

<table>
<thead>
<tr>
<th>Averages among economic development lenders</th>
<th>Lenders with &gt;50% low-income participants</th>
<th>Lenders with &lt;50% low-income participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average loan size</td>
<td>$21,837</td>
<td>$31,122</td>
</tr>
<tr>
<td>Low end of loan size range</td>
<td>$4,335</td>
<td>$7,169</td>
</tr>
<tr>
<td>Borrowing rate</td>
<td>56%</td>
<td>30%</td>
</tr>
<tr>
<td>Program size</td>
<td>179</td>
<td>312</td>
</tr>
</tbody>
</table>

*Fig. 6.3 - Averages among economic development lenders serving more than half low-income participants compared to those serving less than half low-income participants.*

It may be the case that economic development lenders are splitting their programs into two parts,
with one aimed at low-income participants and one not. This seems unlikely, given the high average low
end of loan values and the near non-existence of group lending opportunities. To test this, we can
examine the low end of loan sizes offered by economic development lenders who serve more than 50
percent low-income participants. The average low end of loans offered by these programs is $4335. This
is almost $2000 lower than the economic development group average, but over $1800 higher than the
industry average and $2500 higher than the average for lenders with similar demographics. It therefore
does seem unlikely that programs are split in this way.

What seems more likely is that microenterprise programs, and economic development programs
especially, are growing over time (older programs do tend to be considerably larger than younger

- 51 -
programs), and then splitting themselves internally into training- and lending-focused parts, with the training part focused on low-income populations. This maintains both loan values and low-income participation, an adaptation that is both intuitive and, unfortunately, largely invisible within this data set. It is, however, borne out in the literature. If we hypothesize that the economic development programs implement this sort of internal division to a greater extreme than the lending industry as a whole, then their loan averages and demographics are easier to reconcile. We can also make sense of how borrowing rates and average loan sizes vary inversely with one another, and how borrowing rates decrease and loan sizes increase over time.

Distinguishing Characteristics of Economic Development Lenders

In an effort to understand this better, the following two sections compare subgroups of programs against one another. The first section looks at small and large economic development lenders, and the second section compares economic development lenders who lend to 100 percent of their participants to the set of all programs doing this.

Focus: Small vs. Large Economic Development Programs

Economic development lenders divide easily into two groups according to program size, with programs serving less than fifty participants in the small group, and programs serving greater than fifty participants in the large group. The small programs serve higher proportions of low-income participants, participants below poverty, and borrowers than the older programs, but their average loan size ($22,605) is less than $5,000 lower than that of the large programs ($27,207). This is surprising since small programs served 59 percent low-income participants and 36 percent participants below poverty, compared to large programs’ 35 percent low-income and 7 percent below poverty.

We are interested in whether or not programs are split into training- and lending-focused parts, and we are struck by the fact that small programs serve many more low-income participants (proportionally) than large programs but have similar average loan sizes. One factor important to this equation is borrowing rates: the small programs lend, on average, to 81 percent of their participants, while the large programs lend to just 18% of their participants, and the borrower to staff member ratios of the subgroups are virtually the same. These numbers tell us something else, too: they tell us that while large programs might be lending to none of their low-income participants (since they serve 35 percent low-

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43 Only 64 percent of the small programs and 63 percent of the large programs provide data for low-income and below poverty participation. If the third of programs not responding to this question did not respond because their low-income participation is low, this would skew the data and exaggerate participation of these groups. Amy Kays at the Aspen Institute suggests that it is as likely that the programs not providing data are not required by their funders to collect the information and so were simply unable to provide it.
income and lend to only 18 percent of their total participants), small programs are almost certainly lending to a fairly high proportion of low-income participants, since their borrowers and low-income participants, on average, sum to well over 100 percent of the program participation. Indeed, when examined individually, all but one of the small economic development programs reported numbers that confirmed a necessary overlap between low-income participants and borrowers, and none of the large programs did.

So while we cannot know the demographics of borrowing populations from this data set, we know that at least some portion of the borrowers served by small programs are, in fact, low-income, and we know that we do not know the same for large programs. Interestingly, the small programs seem no more focused on personal development than their larger counterparts. To the contrary, only 7 percent of small programs offered self esteem building, compared to 16 percent of large programs; and where only 7 percent again of small programs offered communications and personal effectiveness training and TA, fully 47 percent of large programs do. What seems to be evident is confirmation that programs are starting out small with some loans to low-income borrowers and then discovering, as the program grows, that low-income borrowers need training more than they need credit.

It is curious, in light of this finding, that smaller economic development lenders actually rank the priority of serving the poor lower than the large programs do, and well below the industry average. The small programs rank this priority with an average of 2.71 out of 5, while the large programs average 3.28 out of five. The industry average for this measure is 3.77. The hypothesis that large programs split their services into general and low-income targeted subprograms would explain why these programs rank the priority higher than their participation demographics would predict; but the very low average priority ranking of the small programs is unexpected.

**Focus: 100 Percent Lending Economic Development Programs**

This subgroup of programs lending to 100 percent of their participants consists of only ten programs serving, on average, fewer than ten participants per year. With so small a sample, we cannot make too many broad statements, but we can look at this subgroup of programs against the subgroup of all programs in the industry lending to 100 percent of their participants. As the table below illustrates, the two groups are quite different.
The economic development programs provide much larger loans, on average, to their borrowers than do the 100 percent lenders as a whole. They average 20 percent fewer low-income participants, but actually have slightly higher participation by individuals living below the poverty line. This is surprising, since the average low end of lending in the economic development subgroup is $12,650, which we would expect to be well out of the reasonable starting range of individuals living in poverty, and which stands in contrast to the $200 low end of 100 percent lenders as a whole.

Furthermore, the 100 percent lending economic development subgroup offers only minimal training and TA, and almost no personal development services. Only 40 percent offer training or TA at all, and just 10 percent offer personal development services, considerably less than the 68 percent and 28 percent, respectively, of the 100 percent lending group. This is concordant with the fact that the economic development subgroup puts a much lower average priority on “reaching the most economically disadvantaged clientele” (2.7 compared to 3.43 among 100 percent lenders as a whole). Both facts, however, are surprising because the economic development subgroup lends to significant proportions of low-income participants. The best possible explanation is offered by participant-staff ratios: 100 percent lenders in the economic development group average 7 participants to each staff member, compared to 14 among 100 percent lenders as a whole. It seems that respondents are underestimating their services, and that borrowers from the economic development programs are getting twice as much individualized attention as borrowers from the 100 percent lenders as a whole.

In sum, although this group is too small to be a significant player in the field, there is reason to believe that a small subset of programs exists that is providing large loans and some business training to entrepreneurs, and that this subset is serving unexpectedly high proportions of low-income borrowers without an expressed desire to do so.

44 Outlier removed.
Summary of Findings

The economic development lending program group is interesting in how it de-emphasizes training and technical assistance, and especially personal development, relative to the rest of the industry. The programs in this group tend to be smaller and participant-staff ratios lower, both of which are probably related to the average program size and borrowing rates within the group. Economic development lenders clearly do not target specific populations to the extent that the industry does, but they serve surprising numbers of low-income participants given their high average loan sizes. This leads us to conclude that the programs are probably splitting internally into training- and lending-focused divisions, with the low-income populations more concentrated in the training aspect. In determining this, however, we come to understand that there is a necessary overlap between low-income participants and borrowers in the smaller programs that does not exist in the larger programs. This is clearly a point for future research.

Another important finding in this chapter is that economic development lenders that lend to 100 percent of their participants have large average loan sizes but still lend to sizable percentages of low-income individuals. The sample size for this subgroup is very small, but the finding is worthy of consideration.
Chapter VII
Implications for Microenterprise Policy and Future Research

This paper uses survey data to analyze four major program groups within the US microenterprise field: trainers, low-income lenders, minority-focused lenders, and economic development lenders. These groups (diagrammed below) are deductive outgrowths of researchers’ collective interpretations of the field’s breakdown, in part because this is the first opportunity the field has had to test this broad understanding with data from a large sample, and in part because the survey from which the groups are constructed was itself an outgrowth of this vision. The program groups are, therefore, subjectively designed in every respect, but they represent and clarify the field’s self-definition, which is the purpose of this study.

![Diagram of US Microenterprise Field]

*Fig. 8.1 – The structure of major program groups and subgroups examined in this paper.*

The analysis, conducted through this lens, reveals many findings that, while provisional, are important indicators of the state of the microenterprise field in the US. They point to a branching that has appeared as programs explore new applications of the microenterprise strategy.
Applicability of this Analysis for Microenterprise Policy in the US

The differences between program groups outlined in this paper confirm the diversity of the US microenterprise field. Because the field is so young in this country, it is very difficult to gauge the success of the strategy at this point. Lisa Servon observes, “the wide variety of positions that programs take makes it extremely difficult for funders – public or private – to evaluate and compare [them].” This is because, aside from the relative scarcity of data for analysis, it is increasingly obvious that the field has not only evolved since coming to the US, but has branched as well, such that there are many different kinds of “microenterprise” programs operating under the same name. This phenomenon is plainly illustrated by the data differentials discussed in this paper. To aggregate these distinct approaches, for the purpose of description, comparison or evaluation, produces an inaccurate picture and inevitably does the field a disservice.

What this study adds to the microenterprise literature is an understanding of some basic trends in program performance. We discover, for example, that there is a material difference, and not much overlap, between programs focused on serving low-income individuals and programs focused on serving minorities. We observe a split in the low-income lending group between programs making many loans and those making almost none, and a similar split in the minority lending group. We reveal that, as we might have expected, the economic development lenders as a group de-emphasize training and TA, especially personal development services, and we find that the trainers, as we might not have expected, do the same. For funders of microenterprise programs, and probably for the program staff themselves, these are important findings. They lend a measure of transparency to an otherwise murky pool and enable funders to think in greater detail about the goals they are trying to achieve.

One important facet of this increased clarity is a better understanding of the lending aspect of microenterprise, which is far less common across the field than we originally suspected. Two considerations are important in this regard: first, what are the reasons behind low borrowing rates in a given program group or sub-group, and second, are these reasons incompatible with the funder’s mission? That is, is microcredit an essential aspect of microenterprise assistance? The answer to this question depends on the goal. Lisa Servon writes.

*Credit is the distinguishing characteristic of programs, but it is far from the most important thing they do. The label, however, has stuck. The reasons are various, including the fact that funders, policy makers, and potential clients all are attracted by the credit aspect of programs. The focus on credit is apparent, not actual: the presumptions that go along with the label have value in that they literally help to sustain...

Servon, 1997, 177.
Program directors who want to stay in business would be unwise to actively dispel the myth.\textsuperscript{46}

Servon’s implication is that programs are maintaining a (to some extent, dishonest) microlending façade in order to protect their funding streams. This may, in fact, be the case, but it seems as likely that programs have not yet given up on the concept of microcredit, and are experimenting with means for delivering the service, namely by training their participants to better manage their businesses and, thereby, their future loans. Miriam Walden of the Women’s Initiative for Self-Employment explains how this has come to be for her program: “We haven’t gone out seeking folks that were already in a position to borrow... Clearly [Women’s Initiative] has chosen to work with a group of people who... require assistance in preparing their ability to argue for a loan and their ability to repay it. So that means you have to take on the training challenge in order to do it.”\textsuperscript{47}

The microenterprise landscape in the US is obviously still its formative stages, but the general lesson from this study and its predecessors is that there is, in fact, a place for microenterprise assistance in this country, it simply looks different than we expected. Lisa Servon’s work, Margaret Johnson’s typology, and the SELP studies document how programs experimenting with microcredit have discovered that among many entrepreneurial populations, demand for information is far greater than demand for credit. As a result, a new kind of program, the training program, has developed, and borrowing rates of many lending programs across the industry are quite low. By all appearances, this is not a deviation so much as an adjustment. By walking the lending line, the programs are demonstrating flexibility: they provide credit opportunities according to the microenterprise tradition, but they also make available the training that their participants clearly desire.

Funders (and practitioners) of microenterprise have legitimate concerns about this trend but, as mentioned above, the real question at hand is what effect the trend has on the ability or inability of programs to meet the goals stipulated by their funding streams. If the best way to serve low-income entrepreneurs is to provide extensive training to build capacity before offering credit, then is a low borrowing rate a negative result? Similarly, if a program’s stated goal is to support minority entrepreneurs in a given area, and if this goal is consistent with the mandate of its funders, then is it important that the program report high borrowing rates or serve high proportions of low-income individuals? The field of microenterprise in this country has evolved and branched such that poverty alleviation, while important, is no longer the primary component.

\textsuperscript{46} Ibid., 175.
\textsuperscript{47} Quoted in Servon, 1998a, 121.
Recommendations for Future Research

Although the SELP studies were successful in revealing the most comprehensive wisdom available on the successes and failures of a set of microenterprise programs, the Aspen Institute is continuing its exploration of the field in the form of research and grantmaking through its Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD). This new endeavor begins with studies on the effectiveness of training and TA and the development of new loan products for low-income entrepreneurs. Separate programs at Aspen are working on the development of performance measures for microenterprise programs and studying programs’ efforts to facilitate entrepreneurs’ access to markets. This paper confirms the existence of several additional points that remain unexplored.

Given the diversification of the field, the time has come for critical research (more case-based than this study) on what microenterprise assistance can and cannot do. In reading the reported mission statements of the respondents, I found programs reporting their intent to teach entrepreneurial skills to artists, to encourage unity in a troubled community, to provide empowerment and support to women, or to provide what amounts to skills training to displaced workers. None of these reflects the origin of microenterprise as a poverty alleviation strategy, but each seems viable in its own right. The field would benefit from a case-based study of its constituent parts that reveals the strengths – and weaknesses – of this strategy that aims to challenge so many of society’s ills.

For further examination at the macro level, the Aspen Institute should seize the opportunity to refine the survey referenced in this paper and redistribute it in the summer of 2000 in order to improve general understanding of the practice and gain more cogent information on the field as a whole. The survey could be made much stronger by:

- Defining terms more clearly. The field is desperate for some common definitions, and no study will be reliable until these are provided.
- Indicating where and how numbers should sum. Too many surveys were problematic because of arithmetic mistakes; for example, where the sum of borrowers and non-borrowers should always equal the sum of men and women (i.e. total participation), it did not on many surveys.
- Collecting borrower demographics in addition to participant demographics. Most programs seemed able to provide borrower demographics (some could offer only borrower demographics), which would provide a better understanding of populations that borrow versus populations that train.
- Collecting better information on programs’ goals. Mission statements, by nature, give us only the broadest picture of a program’s true purpose and priorities. Section G of the survey.

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which outlines program goals and priorities, should be revamped to provide better indications of programs’ perceptions of their own design.

None of these is an unmanageable task, and each will exponentially increase our broad understanding of the field.

**Conclusion**

The jury is still out on microenterprise, but the case is complicated because the facts, the evidence, and even the defendants continue to change. The simple reality is, if microenterprise programs are going to survive as viable economic and community development strategy, they need to convince themselves and their funders that they are making progress toward their stated goals, whatever they may be. Programs focused on local economic development should not be criticized for failing to serve the very poor, but should be evaluated on job creation and business development; likewise, programs focused on poverty alleviation should not be criticized for failing to generate high borrowing rates, but should be judged on measures of individual growth and development. In any (and every) case, microenterprise practitioners must be able to demonstrate that they are doing what they claim to be doing, and herein lies the challenge. Programs not only have difficulty tracking the participant information to do this, they also, in many cases, are not sure what they are claiming to be, since funders’ demands, participants’ demands, and the availability of staff resources are rarely in alignment. Continued research that clarifies these mutable constraints is critical to the advancement of the field.

At the industry level, microenterprise programs in the United States are microcredit programs, entrepreneurial training programs, job training programs, welfare-to-work programs, minority and refugee business support programs, poverty alleviation programs, economic development programs, community development programs and, perhaps above all, personal development programs. Such responsibilities, when the subject of so much attention from so many sources, should not be taken lightly or written off as a development fad. To the contrary, programs require adequate resources not just to make microenterprise happen, but to make it work.
Appendix A

Survey for the

1998 DIRECTORY OF
U.S. MICROENTERPRISE PROGRAMS

Compiled and Edited by:

The Self-Employment Learning Project (SELP),
in collaboration with
The Association for Enterprise Opportunity (AEO)

PLEASE RETURN ALL PAGES OF THIS SURVEY
VIA MAIL OR FAX AS SOON AS POSSIBLE,

BUT NO LATER THAN

JULY 31, 1998

To:
Jenn Langer
Self-Employment Learning Project
The Aspen Institute
1333 New Hampshire Avenue, NW
Suite 1070
Washington, DC 20036

FAX: 202-467-0790
EMAIL: jenn.langer@aspeninst.org

Your help is greatly appreciated. By taking time to fill out this survey, your organization ensures its place in the 1998 Directory. The more complete and accurate your answers are, the better the 1998 Directory will reflect the U.S. microenterprise field. Please provide as much information as possible, leaving those questions blank which do not apply to your organization. Please return all pages of this survey. If you need assistance, please do not hesitate to call Jenn Langer (202-833-7447) at the Aspen Institute. Thank you again for your help and cooperation.
Type of microenterprise assistance program. For the purposes of this survey, your organization or program must be a public or non-profit institution, fall into at least one of the following four categories, and be located in the U.S. or a U.S. Territory. Please select the category(ies) which best describes your program. Check all that apply.

☐ Practitioner program: A program providing service directly to microentrepreneurs. Check one or more boxes as applicable:
  ☐ Loans and/or financial assistance.
  Yes, complete sections A, B, D, & G.
  ☐ Training. Defined as classroom-type instruction for groups of microentrepreneurs.
  Yes, complete sections A, C, D, & G.
  ☐ Technical assistance. Defined as one-on-one counseling with microentrepreneurs.
  Yes, complete sections A, C, D, & G.

☐ Intermediary support program: An intermediary program providing service to microenterprise programs rather than to microentrepreneurs. Check both boxes if applicable.
  ☐ Program development, technical assistance, training, research, policy advocacy, practitioner clearinghouse, or other evaluation support.
  Yes, complete sections A, F, & G.

☐ Program funding agency (public): Government agency which provides assistance in grants or loans to practitioners or to intermediary support programs.
  Yes, complete sections A, E, & G.

☐ Program funding agency (private): Corporation, foundation or other entity which provides assistance in grants or loans to practitioners or to intermediary support programs.
  Yes, complete sections A, E, & G.

Please Return All Pages of This Survey
A. PROGRAM PROFILE
All respondents must complete this section.

Please type or print legibly with black ink on this form.

1. Name of program or organization:

2. Name of microenterprise development program:

3. Program Contact (e.g. Director):
   First Name: ___________________________ Last Name: ___________________________
   Customer/Client Inquiries Contact:
   First Name: ___________________________ Last Name: ___________________________

4. Program Address:
   ___________________________ State or Territory: ___________ ZIP Code: ___________

5. Phone: (_____)______-_______ Fax: (_____)______-_______

6. E-mail: ___________________________ (Please use lower case unless upper case is required)

7. Website: ___________________________ (Please use lower case unless upper case is required)

8. Is your organization a member of the Association for Enterprise Opportunity (AEO)?
   ☐ Yes ☐ No
   If you are unsure of your AEO membership status, or would like to become a member, please call 312-357-0277.

9. Are you a member of a state-wide or regional microenterprise association? ☐ Yes ☐ No
   Name of Association: ___________________________

10. What is your program’s legal status?
    ☐ Public ☐ Private, non-profit ☐ Private, for profit

   STOP: Please continue this survey only if your program is public or private, non-profit. If you have any questions about this, please feel free to contact SELP at 202-833-7447.

11. Microenterprise mission statement or program objectives in one or two sentences (if you are a funder, please describe your funding goals or strategies):

12. Target population (please check all that apply):
    ☐ Women ☐ TANF Recipients ☐ Immigrants ☐ Unemployed
    ☐ Low-Income ☐ Ethnic or Racial Minorities ☐ Other: ___________________________

13. Geographic area served (please be as specific as possible; include county names, if applicable):

14. Service area is (please check all that apply):
    ☐ Rural ☐ Urban ☐ Suburban

Please Return All Pages of This Survey
16. Year of microenterprise program start: __________

17. Number of current paid microenterprise program staff (in full-time equivalents): ________________

18. Number of current volunteer microenterprise program staff (in full-time equivalents): ________________

19. Annual operating budget for microenterprise program (FY1997): ________________________________

20. Sources of funding for operations budget (please check all that apply and indicate category as a percent of total operating funds in the space provided; percentages should total to 100):

   __% Federal Government Sources
   ☐ HUD ☐ HHS
   ☐ SBA ☐ CDFI
   ☐ DOL ☐ CDBG
   ☐ Other

   +___% State Government Sources

   +___% Local Government Sources

   +___% Foundations

   +___% Private

   +___% Earned Income

   100%

B. LENDING PROGRAMS

Please complete this section only if your program actively provides loans to microentrepreneurs.

Please type or print legibly in black ink on this form.

Unless otherwise indicated, please answer the following questions for your program’s 1997 fiscal year. Please provide your FY1997 start and end dates:

month / year to month / year

1. Loan capital fund as of December 31, 1997: $________________________

2. Sources of funding for loan capital fund (please check all that apply and indicate category as a percent of total operating funds in the space provided; percentages should total to 100):

   __% Federal Government Sources
   ☐ HUD ☐ HHS ☐ DOL
   ☐ SBA ☐ CDFI ☐ CDBG
   ☐ Other

   +___% State Government Sources

   +___% Local Government Sources

   +___% Foundations

   +___% Private

   +___% Earned Income

   100%
3. Loan information. Complete either a.) or b.), depending on whether you make individual loans or group loans. Please provide information for FY1997 unless otherwise indicated. If you make both types of loans, please complete both a.) and b.).

a.) Q Loan financing for individual borrowers (group lending, see below)

Start year of individual lending program: 

Range of loan sizes in FY1997 (from smallest to largest): $ to $ 

Average loan size: 

Range of loan terms (in months from shortest to longest): 

Average loan term (in months): 

Average interest rate: %

Total number of loans disbursed since program individual lending program start: 

Total number of borrowers since individual lending program start: 

Total number of loans disbursed in FY1997: 

Total number of borrowers in FY1997: 

Total dollar value of loans disbursed since individual lending program start: 

Total dollar value of loans disbursed in FY1997: 

Do you require collateral for individual loans?  

b.) Q Loan financing for group or peer lending

Start year of group lending program: 

Cumulative number of groups formed: 

Number of groups operating in FY1997: 

Range of loan sizes in FY1997 (from smallest to largest): $ to $ 

Average loan size to individual borrowers in a group: 

Range of loan terms (in months from shortest to longest): 

Average loan term (in number of months): 

Average interest rate: %

Total number of loans disbursed since group lending program start: 

Total number of borrowers since group lending program start: 

Total number of loans disbursed in FY1997: 

Total number of borrowers in FY1997: 

Total dollar value of loans disbursed since group lending program start: 

Total dollar value of loans disbursed in FY1997: 

Do you require collateral for group loans?  

4. Do you partner with other agencies that provide microenterprise training to your borrowers?  

Please Return All Pages of this Survey
C. TECHNICAL ASSISTANCE AND TRAINING SERVICES
Please complete this section only if your program provides technical assistance, training services, or other types of non-financial assistance to entrepreneurs.

Please type or print in black ink on this form.

1. Services provided. Please check those boxes which apply to your program:
   a.) □ Business Technical Assistance (defined as one-on-one counseling with microentrepreneurs):

   Total approximate number of one-on-one counseling hours provided to all participants in FY1997: __________
   Average one-on-one counseling hours provided to each participant in FY1997: __________
   □ Business planning
   □ Financial management/record keeping
   □ Industry/sector-based consulting Sector(s): __________________________
   □ Market identification/feasibility
   □ Marketing/advertising
   □ Peer support/exchange/networking/goal setting
   □ Mentoring
   □ Other: __________________________

   b.) □ Business Training (defined as classroom-type instruction for groups of microentrepreneurs):

   Total approximate number of classroom-type instruction hours provided to all participants in FY1997: __________
   Average classroom-type instruction hours provided to each participant in FY1997: __________
   Subject of Included in a multiple topic workshop
   Subject
   □ single topic workshop
   □ Business planning
   □ Financial management/record keeping
   □ Industry/sector-based consulting Sector(s): __________________________
   □ Market identification/feasibility
   □ Marketing/advertising
   □ Communications/personal effectiveness
   □ Peer support/exchange/networking/goal setting
   □ Other: __________________________

   c.) □ Other support services and training
   □ Computer/equipment training
   □ Referrals to other agencies
   □ Advocacy/policy
   □ Communications/personal effectiveness
   □ Interpretation of local ordinances and federal regulations
   □ Legal advice
   □ Self-esteem building
   □ Child care
   □ Transportation
   □ Savings, asset development, and personal finance activities
   □ Case management (coordinating with other agencies)
   □ Entrepreneurial screening and assessment
   □ Special program to help entrepreneurs access markets
   □ Structured evaluation and/or monitoring system (please describe briefly): __________________________

Please Return All Pages of This Survey
2. Sources of funding for training and technical assistance (please check all that apply and indicate category as a percent of total operating funds in the space provided; percentages should total to 100):

- % Federal Government Sources
  - HUD
  - HHS
  - DOL
  - SBA
  - CDFI
  - CDBG*
  - Other

*We understand that you may receive CDBG funds through your state or local government. Please include all CDBG funds as Federal Government Sources.

- % State Government Sources

- % Local Government Sources

- % Foundations

- % Private

- % Earned Income

100%

3. In order to provide training or technical assistance to your participants, do you collaborate with, or have partnerships with other local institutions?  

- No  
- Yes

(Please check all that apply):

- Community Colleges
- Commercial Financial Institutions
- Churches
- Small Business Development Centers (SBDCs)
- Trade Associations
- Chambers of Commerce
- Employment and training organizations
- Other:

4. Where do you hold your classes or counseling services? (Please check all that apply.)

- At program site
- Community College
- Church
- Small Business Development Centers (SBDCs)
- Commercial Financial Institution
- School
- Employment and training organizations
- Community Center
- Other community organizations
- Other:

5. If you also operate a loan program, approximately what percent of your participants are borrowers? ____%

6. Do you charge a fee for training or technical assistance services?  

- No  
- Yes. On average, how much? $________

  If Yes, who pays the fees?  

- Participant
- Other:

7. Have you implemented any of the following techniques to increase the effectiveness of your technical assistance and/or training programs?  

- No  
- Yes

Please check all that apply:

- Grouping participants together for training or technical assistance
- Sharing costs with a partner who provides some services
- Using peer groups or other microentrepreneurs to provide services to each other
- Using volunteer trainers or technical advisers
- Screening potential trainees before program entry
- Other:

Please Return All Pages of This Survey
D. PARTICIPANTS SERVED

Please complete this section only if your program provides either loans or technical assistance directly to entrepreneurs.

Please type or print in black ink on this form.

1. Total number of participants served since program start. (A participant is defined as an individual who has received an intensive service or who has an active, outstanding loan):
   a.) Borrowers: ___ ___ ___ ___
   b.) Non-borrowers: + ___ ___ ___ ___
   c.) Total # of participants since program start: ___ ___ ___ ___

2. Number of participants served in FY1997:
   a.) Borrowers: ___ ___ ___ ___
   b.) Non-borrowers: + ___ ___ ___ ___
   c.) Total # of participants in FY1997: ___ ___ ___ ___

3. Number of businesses served in FY1997
   a.) Total number of new businesses assisted in FY1997 (defined as created after program intake): ___ ___ ___ ___
   b.) Total number of start-up businesses assisted in FY1997 (defined as operating, but less than twelve months old at program intake): + ___ ___ ___ ___
   c.) Total number of ongoing businesses assisted in FY1997 (defined as more than twelve months old at program intake): + ___ ___ ___ ___
   d.) Total number of businesses assisted in FY1997 (sum of a, b, and c): ___ ___ ___ ___

4. Of businesses served in FY1997, approximate percent that were:
   ____% Agriculture
   + ____% Services
   + ____% Food production and processing
   + ____% Non-food manufacturing and processing
   + ____% Retail
   + ____% Wholesale
   + ____% Other
   =________ 100%

5. Of your entire clientele served in FY1997, please report the number of participants by category below. Some clients may fall into more than one category (estimate if actual figures are unavailable).

   Number of participants served in FY1997 who were:
   a. AFDC or TANF recipients: ___ ___ ___ ___
   b. Below the poverty line*:
      *please indicate the definition of poverty used (e.g. 100% of HHS guidelines, 50% of local area median income, etc.): ___ ___ ___ ___

Please Return All Pages of This Survey
c. Low income (above poverty line yet below 80% of local median household income): ___

d. Women: ___

e. Men: ___

f. Unemployed ___
g. Members of a minority racial or ethnic group ___

E. FUNDERS
Please complete this section only if your organization serves as a funder to other microenterprise development programs. Please answer for your microenterprise funding only.

Please type or print in black ink on this form.

1. Estimate the percentage of your awards that are: Grants: ___% Loans: ___% 

2. Estimate the percentage of your awards that go to:
   Intermediary support programs: ___% 
   Individual practitioner programs: ___% 

3. Approximate size of annual grant fund for microenterprise activities: $ ___ 

4. Approximate size of average grant for microenterprise activities: $ ___ 

4a. Approximate size of average loan for microenterprise activities: $ ___ 

5. What year did you begin funding microenterprise activities? ___ 

6a. Total estimated cumulative dollar amount of grants disbursed for microenterprise activities since then: $ ___ 

6b. Total estimated cumulative dollar amount of loans disbursed for microenterprise activities since then: $ ___ 

7a. Number of grants for microenterprise activities awarded in FY1997: ___ 

7b. Number of loans awarded for microenterprise activities in FY1997: ___ 

8a. Total estimated dollar amount of grants dispersed for microenterprise program activities in FY1997: $ ___ 

8b. Total estimated dollar amount of loans dispersed for microenterprise program activities in FY1997: $ ___ 

9. Do you anticipate making microenterprise program grants or loans in: 
   FY1999 ☐ Yes ☐ No 
   FY2000 ☐ Yes ☐ No 

10. Do you fund program evaluation? ☐ Yes ☐ No 

Please Return All Pages of This Survey
F. INTERMEDIARY SUPPORT SERVICES

Please complete this section only if your organization provides non-financial assistance to microenterprise programs.

1. Please check the services that your organization provides:
   - Program design
   - Program trouble-shooting
   - Program evaluation
   - Information clearinghouse
   - Advocacy/policy
   - Networking or trade association
   - Training curriculum development
   - Program staff training
   - Other: ____________________________

G. PROGRAM GOALS AND CHALLENGES

Please type or print in black ink on this form.

1. Please prioritize the following goals for your program by rating them "1, 2, 3." Number one should mean that this is a primary goal for your program. If you are a funder or an intermediary, please rate according to the importance you believe they hold for the microenterprise field as a whole.

- Job creation/ business development
- Poverty alleviation/ Individual income increase
- Community economic development

2. Please carefully consider each of the following issue areas and rate each according to the level of priority your program puts on it. Please circle the number that best represents the issue's importance to your program. The number 5 represents issues which are "of the utmost priority" to the program, and number 1 represents issues which are "of very low priority" to the program. If you are a funder or an intermediary, rate these issues according to the importance you believe they hold for the microenterprise field as a whole.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Low Priority</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>High Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Diversifying and broadening funding</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Programmatic sustainability</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Establishing programmatic links with commercial financial institutions</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Establishing programmatic links with local/state agencies</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Assisting participants to access commercial financial institutions</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. Controlling delinquency and default rates</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>g. Providing more advanced technical assistance and training to microbusinesses so they can grow</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>h. Influencing policy changes on behalf of microentrepreneurs</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Reaching the most economically disadvantaged clientele</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>j. Maintaining contact with participants</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. List major program achievements in 1997/98: ____________________________

Please Return All Pages of This Survey
4. Future program directions or planned activities for your program:

☐ Increasing revenues from fees
☐ Expanding services to participants
☐ Expanding services to non-English speakers
☐ Expanding markets for microenterprises
☐ Improving staff development
☐ Expanding to reach more participants
☐ Increasing variety of training
☐ Industry/sector-based program
☐ Mentoring program
☐ Collaborating with other programs
☐ Collaborating with commercial financial institutions
☐ Evaluation and research
☐ Targeted assessment of participants
☐ Other: _______________________

5. List any foreseeable obstacles or barriers towards your program's growth in the future:

☐ Funding
☐ Targeting/outreach
☐ Hiring or retaining staff/personnel
☐ Market/business expertise or knowledge
☐ Other: _______________________

6. In which of the following directions do you expect your microenterprise assistance activities to proceed in the future?

- Lending:
  ☐ Increase
  ☐ Decrease
  ☐ Stay the same

- Training:
  ☐ Increase
  ☐ Decrease
  ☐ Stay the same

- Technical Assistance:
  ☐ Increase
  ☐ Decrease
  ☐ Stay the same

7. Person(s) completing questionnaire: ______________________________

Thank you very much for your help!

Your complimentary copy of the 1998 Directory will be shipped to you by the end of the year.

Please Return All Pages of This Survey
Appendix B

<table>
<thead>
<tr>
<th></th>
<th>Industry (n = 281)</th>
<th>Training Programs (n = 78)</th>
<th>Lending Programs (n = 203)</th>
<th>Low-Income Lenders (n = 37)</th>
<th>Minority Lenders (n = 35)</th>
<th>Economic Development Lenders (n = 35)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. # participants</td>
<td>217</td>
<td>247</td>
<td>206</td>
<td>123</td>
<td>181</td>
<td>187</td>
</tr>
<tr>
<td>Avg. participant-staff ratio</td>
<td>57</td>
<td>57</td>
<td>59</td>
<td>48</td>
<td>35</td>
<td>39</td>
</tr>
<tr>
<td>Avg. priority on reaching the most economically disadvantaged clientele</td>
<td>3.96</td>
<td>4.08</td>
<td>3.77</td>
<td>4.24</td>
<td>3.91</td>
<td>3.06</td>
</tr>
<tr>
<td>Avg. % low-income</td>
<td>64%</td>
<td>59%</td>
<td>65%</td>
<td>98%*</td>
<td>55%</td>
<td>50%</td>
</tr>
<tr>
<td>Avg. % below poverty</td>
<td>32%</td>
<td>36%</td>
<td>33%</td>
<td>47%</td>
<td>33%</td>
<td>18%</td>
</tr>
<tr>
<td>Avg. % welfare</td>
<td>15%</td>
<td>20%</td>
<td>14%</td>
<td>20%</td>
<td>17%</td>
<td>6%</td>
</tr>
<tr>
<td>Avg. % minorities</td>
<td>53%</td>
<td>46%</td>
<td>56%</td>
<td>51%</td>
<td>94%*</td>
<td>56%</td>
</tr>
<tr>
<td>Avg. % women</td>
<td>60%</td>
<td>66%</td>
<td>52%</td>
<td>63%</td>
<td>61%</td>
<td>42%</td>
</tr>
<tr>
<td>Avg. borrowing rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg. individual loan size avg.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg. group loan size avg.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% offering group lending</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% exclusively rural</td>
<td>24%</td>
<td>21%</td>
<td>24%</td>
<td>27%</td>
<td>11%</td>
<td>17%</td>
</tr>
<tr>
<td>% exclusively urban</td>
<td>25%</td>
<td>28%</td>
<td>25%</td>
<td>19%</td>
<td>43%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Table represents the US microenterprise industry, including training programs, lending programs, and the three lending program groups. Data are from the 1997 fiscal year. (* indicates a figure that is influenced by the terms used to define the group.)
Bibliography


