



Microenterprise Finance

- Serves start-up and small businesses with one to five employees
- Combines training/technical assistance with lending
- Targets groups historically denied access to credit and TA: low-income, minorities, women
- Provides small loans: \$500 to \$35,000
- Staff intensive programs due to small transactions and more intensive entrepreneurial assistance
- Broader goals than traditional ED programs: poverty alleviation and human development
- Three models: peer group lending, individual lending, training/technical assistance
 - Decline in peer group lending: now used by < 10%
- Approach mushroomed in past 25 years with foundation and federal government support



Program Characteristics

- 850 programs in 2014 (Aspen FIELD)
- 2014 Micro Tracker data (142 programs)
 - 99% provide training/TA: 62% supply microloans
- Average program: 1,024 individuals/609 clients
 - 714 loans/year (n=80)
 - \$2.7 million loan portfolio (n=68); 4% loan losses
- Median programs smaller: 112 clients; 24 loans; \$763,000 portfolio
- Clients: women (72%); people of color (81%) and low/moderate income (68%)
- Average operating costs: \$1.49 million/year
 - \$2,360/individual and \$4,526/client
- Average 23% cost recovery rate; 33% for lenders



Heavily Grant Dependent

[Figure 8: Microenterprise program operating income sources](#) from The Aspen Institute Data Highlights has been removed due to copyright restrictions.



Focus on TA and Training

Figure 13: Business development services offered
from The Aspen Institute Data Highlights has been
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Majority of programs within a CDFI or CDC

- In Boston:
 - CDC-based programs at JPNDC and DBEDC
 - Accion stand-alone MEP organization

[Figure 10: Organization type](#) from The Aspen Institute Data Highlights has been removed due to copyright restrictions.



Program Outcomes

- Studies report mixed outcomes:
 - Some show positive impacts with income gains lifting a large share of participants out of poverty
 - Others show modest job impacts and income gains
 - Most effective programs have job impacts on the scale of small RLFS: 100 to 200 per year
 - Many businesses are self-employment that supplement labor market income
- Differing views of economic impact
 - Efficient business development or supporting non-traded business with little net impact?



2013 Client Outcomes

- Data from 17 programs and 1,156 clients
- 888 firms: 63% FT; 35% PT/seasonal
- 51% had employees beyond owner with average of 1.9; \$9,600 median annual wages

[Table 1: Revenues and draw for businesses](#) from The Aspen Institute Data Highlights has been removed due to copyright restrictions.



Michigan and Detroit Programs

- Microenterprise Network of Michigan:
 - 29 MDOs in Michigan; 2012 survey of 22
- 10 provide loans; 13 training; 20 TA
- Varied targeting
 - Population: Incarcerated, disabled, youth
 - Industry: food, daycare, high tech, etc.
- Half have offices in metro Detroit
- Six of 10 lenders are in metro Detroit
- 2012 law: \$4 million in state funding for MEPs over three years



Detroit Programs and Resources

1. Small Business Detroit Microloan Program: city and CEED partnership funded by Casino Business Development Fund
2. Kiva Detroit: Knight Foundation funded; with Accion
3. Prosper US Detroit: Entrepreneur Training, Technical Assistance and Micro-lending
4. Detroit Micro-enterprise Fund
5. Opportunity Resource Fund loans for the start up or expansion of a small business
6. ACCESS Growth Center: Home-based childcare program for Refugee Women
7. Generation E Institute: youth entrepreneurial education
8. Invest Detroit First Step micro-investment program
9. Other training and TA program serve microenterprises



MEP Design & Operating Challenges

- Choosing the appropriate model and service mix
 - Trends toward individual lending model and expanded services that assist clients overtime
- Reaching and involving historically isolated groups
 - Special outreach via “enterprise agents”, partnerships, and social, community and business networks
- Managing the lending and servicing process
 - Formal lending policies and processes
 - Standards and evaluation tools that fit start-up, informal and low-income entrepreneurs: business plan, character
- Delivering diverse training & TA services
 - Address range of clients and specialized business needs; evolve over time as entrepreneurs develop
- Securing adequate and sustained operating funds
 - MEPs depend heavily on government funding (26%) followed by foundations and donors(37%)



Best Practices

- Aspen Institute FIELD Project (www.fieldus.org)
- Training
 - Pre-training assessment of readiness to start a business
 - Emphasize financial skills and real-world assignments
 - Specialized short modules to develop skills, address industry issues and provide flexibility
- Technical Assistance
 - Help to business start and succeed after training with regular contact over a one to two-year period
 - Coaching and guidance in assessing appropriate assistance (guided choice approach)
 - Growth-oriented services to help firm access markets: industry knowledge; relationship & capacity building
- New Business Models: Viet-Aid Day Care cooperative
- Integrated Approach: Neighborhood ED Center
- Lending: Accion's customized credit scoring model



Sevron's View of the Field

- What does she see as the key challenges facing microenterprise programs?
- What changes does she propose?
- Do you agree?
- How do they fit the challenges faced by Lawrence Working Capital?



Quote from AEO Report:

“If the microenterprise development industry was a single business, then it could be characterized as having low market penetration, high costs, increasing competition, inadequate expenditures in R&D and technology, and promising but insufficient returns on investment”

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