

FIELD

Microenterprise Fund For Innovation, Effectiveness, Learning and Dissemination



Opening Opportunities, Building Ownership: Fulfilling the Promise of Microenterprise in the United States

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Market Size in the United States

- 21 million microenterprises in the United States, responsible for 17.4% of all employment
- Large and growing informal economy, estimated at 10% GDP
- **10 million individuals** who experience barriers to credit and business development services: women, persons of color, ethnic minorities, those having difficulty accessing traditional sources of credit, the disabled, etc.



Downsizing

Emerging niche markets

Outsourcing

Declining rural economies

Loss of “middle class” jobs

Balancing work and family

Why Microenterprise?

More contingency work

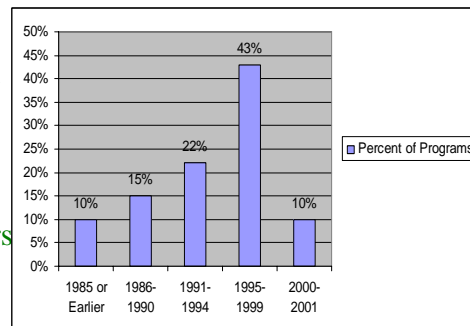
Changes in the safety net

Growth in immigration

An aging population

Key Facts About the US Industry

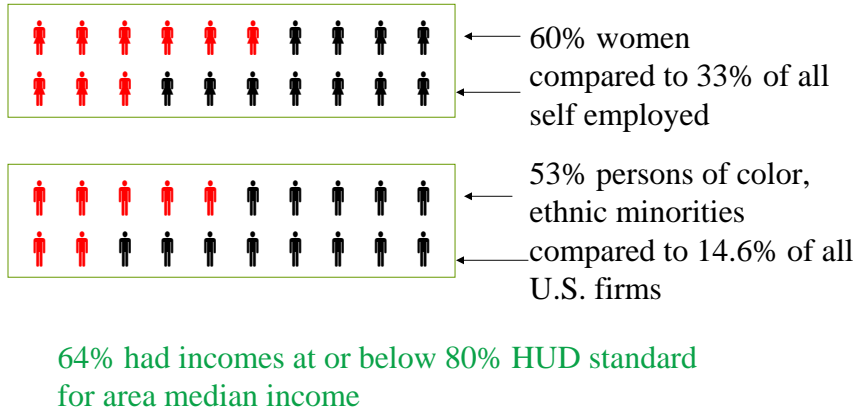
- > 500 service providers
- 175,000 – 250,000 served annually (as of 2002)
- \$114.3 million in outstanding loans to 13,231 microentrepreneurs



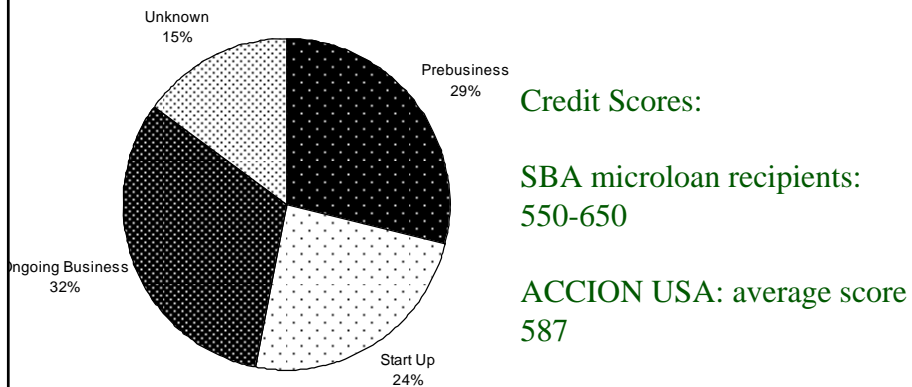
Organizations: Stand alone; Human Service; Finance-led;
Place-based community economic development



Microenterprise market

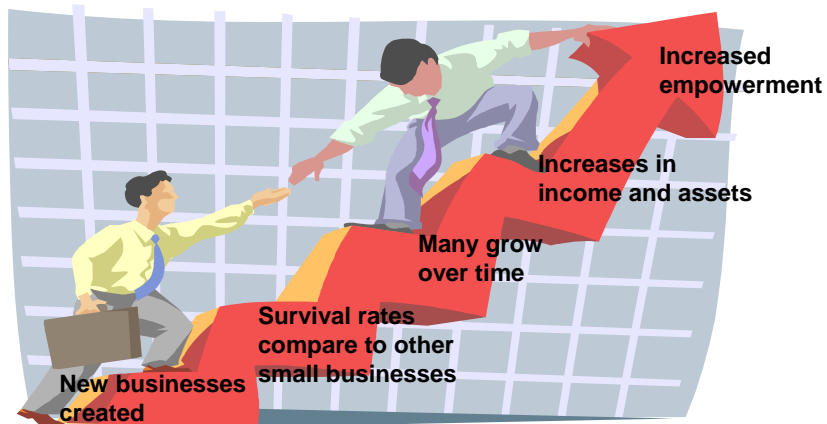


Microenterprise market



Outcomes Experienced by Microentrepreneurs

Job creation by high performers



Credit Program Effectiveness

Microenterprise lenders have, over time, learned that it is possible to manage the risk in their portfolios effectively

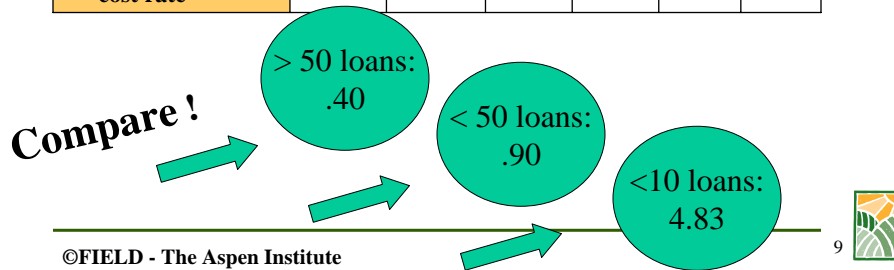
	N=8	N=33	N=45	N=56	N=56	N=45
	1998	1999	2000	2001	2002	2003
Median portfolio at risk	14%	11%	10%	12%	13%	11%
Median restructured loan rate	13%	7%	5%	6%	7%	9%
Median loan loss rate	7.6%	4%	4.8%	5%	4%	7%

In addition, of 45 reporting MT members in 2003—
 13 had PAR <6%
 20 has RLR <4%
 21 had LLR <4%

Credit Program Efficiency

Microenterprise lenders have also made important strides in efficiency; however large scale lenders are significantly more efficient

	1998	1999	2000	2001	2002	2003
	N=8	N=33	N=43	N=49	N=51	N=43
Median operational cost rate	2.33	1.88	0.81	0.75	0.58	0.42



Cost Recovery

Large and growing credit-led programs have been most successful in achieving substantial levels of cost recovery, although some smaller institutions have also demonstrated strong progress.

Recovery of credit expenses by credit-led programs:

Avg: 47%

Med: 43%

Top performers: >60%

Training cost recovery:

Avg: 6%

Med: 4%

Total program cost recovery:

Avg: 16%

Med: 14%

Top performers: 28-64%

Cost Efficiency

MicroTest data over the last four years reveals that the annual costs of service are relatively modest and in line with other workforce development costs

Microenterprise programs		
	Per Participant	Per Client
Average	\$1,346	\$2,416
Median	\$ 881	\$ 1,750
Other Workforce Development programs		
SEA	\$ 471-\$ 4,706	
Sectoral	\$ 2,900 - \$ 7,911	
Social businesses	\$ 1, 567 - \$ 3,345	
Transitional jobs programs	\$ 2,011 - \$14, 406	



Cost- Effectiveness

**For 10 programs.
Median length of program
Participation: 2.3 years**

FIELD estimates suggest that the benefits of these microenterprise programs outweigh the costs.

Average change in Owners' draw	\$ 4,808
Average change in wages paid (est)	\$ 4,352
Total change	\$ 9, 340
Cost per business outcome	\$ 6,744 - \$6,916
Initial economic return	40%



Training and Technical Assistance

MicroTest data reveals that microenterprise programs have been successful in helping entrepreneurs complete key business planning steps that are associated with business outcomes.

MicroTest Training Program Measures	1998	1999	2000	2001	2002	2003
Average Training Completion Rate	72%	77%	78%	81%	78%	78%
Median Training Completion Rate	70%	74%	79%	86%	82%	83%
n=	13	32	33	42	43	47
Average Business Plan Completion Rate	67%	72%	58%	59%	71%	67%
Median Business Plan Completion Rate	63%	75%	57%	64%	80%	71%
n=	13	25	28	31	34	40

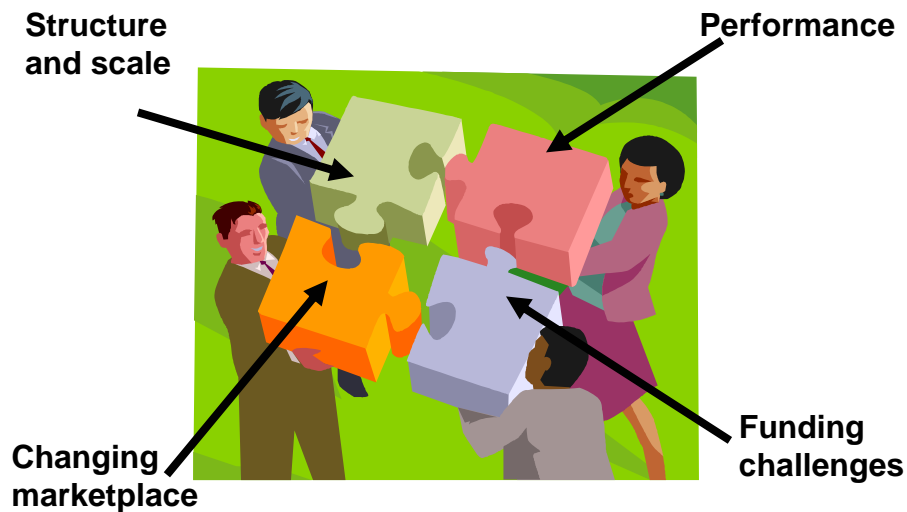
Low income targeted programs—median training completion: 85%; median business plan completion: 67%

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Key Challenges Facing the Field



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Eight Directions—Four Components of a Forward Looking Agenda

1. Adapting to a Changing Market
 - Market Research
 - Product Development
 - Increased use of technology
 - Repositioning the field
2. Broad Based Quality Improvement
 - Performance measurement and standards
3. Building Better Business Models
 - Restructure for Scale
 - New approaches to sustainability
4. Policy Matters



For More Information

www.fieldus.org

