

Supporting Entrepreneurs

Preliminary Findings from
Accion & Opportunity Fund
Small Business Lending
Impact Study

January 2017



ACCION

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research



January 2017

Dear Partners, Friends and Supporters:

For more than 20 years, mission-based lenders like Accion and Opportunity Fund have worked alongside small business owners to provide pathways to success. We are constantly inspired by the stories of the individuals we work with who have transformed their lives by starting, sustaining, or growing a business. At the same time, we are increasingly aware of the importance of demonstrating through research that there is a significant return on the investments made by government agencies, philanthropic organizations and corporations in our work. The client stories we tell go a great distance in making real the critical impact our work has; but multiple anecdotes do not data make.

We have historically measured our effectiveness in achieving our mission through an examination of the numbers of loans we provided and the health of the portfolios we manage. Over time and with the help of partners like FIELD at the Aspen Institute, we have been able to add a broader set of metrics to understand the outcomes of our daily efforts. They include measures around improved finances for the business and business owner, job creation, business survival, and most recently, the quality of jobs created by micro-enterprises.

These evaluation efforts have been instrumental in illustrating the value of our work in quantitative terms. However, we have been limited in our study of the holistic, longer-term impacts of small business lending and business advising – particularly those impacts that cannot be captured through numbers alone. With this need identified, we came together in 2015 to launch an evaluation effort that was years in the making.

Moving from an assessment of outcomes to impact raises the level of rigor we bring to understanding our work, the products and services we provide, and our ability to respond to today's needs in a rapidly evolving marketplace. Given the broad geographic, demographic and occupational diversity of our lending footprint, through this study we are in a unique position to gain insights that are relevant to the U.S. small business lending industry as a whole. We hope that the baseline findings contained in this initial report will contribute to a deeper understanding of the impact we are making – as well as the unanswered questions that merit further exploration.

Sincerely,

Gina Harman, CEO, Accion U.S. Network

Eric Weaver, CEO, Opportunity Fund

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Photos of Accion and Opportunity Fund clients are shown throughout the report. These clients may not be participants in the study.



Executive Summary

As two of the nation's leading nonprofit small business lenders, Accion, The US Network (Accion) and Opportunity Fund help entrepreneurs thrive by providing affordable capital and support services so they can start a new business endeavor or grow an existing enterprise.

Accion and Opportunity Fund came together to develop a first-of-its-kind national longitudinal study of the impact of small business loans in the United States. With lead funding from The W.K. Kellogg Foundation, JPMorgan Chase Foundation, and with support from S&P Global, the study aims to uncover the qualitative impacts of lending on individuals, their businesses, and their broader communities. This study, conducted by Harder+Company Community Research, builds on the body of previous evaluation work that showed small businesses that receive loans create and retain jobs, increase revenue, and have high business survival rates. Following a cohort of more than 500 borrowers across the country, this study examines how business owners define success and how access to finance improves their entrepreneurial goals, financial health, and quality of life. By focusing on the longer-term impacts of small business lending while examining variations due to business type, geography, and other factors, the study will help deepen our understanding of how mission-based business lending impacts individuals, families, and communities.

This report includes preliminary findings collected during this first phase of the study. While entrepreneurs reported perceived and actual impact to date, these changes will be tracked over time to examine the ways in which they are or are not sustained, and how these changes compare

Overview of Study Methods

- Entrepreneurs were invited to participate in the study.
- More than 500 borrowers completed an online or telephone survey that examined their personal and business goals, financial management practices, and plans for the future.
- Nearly 200 of those borrowers also participated in in-depth interviews to explore borrowers' experiences, their financial practices, and quality of life measures not captured in typical tracking efforts.
- Interviews allowed an opportunity to track a cohort of borrowers in 10 specific metropolitan areas to provide insight regarding borrower experiences throughout lending markets.
- The research team will follow-up with these borrowers in 2017 through surveys and interviews to examine the extent to which changes are sustained over time.

across and within lending regions.

Preliminary National and Regional Findings

Study participants represent a diverse group of entrepreneurs. They include entrepreneurs from 27 different states and Puerto Rico. They come from a variety of business industries, from transportation and warehousing to arts and entertainment. Preliminary findings show impact across six major evaluation domains, which are defined in the study.



ACHIEVING SUCCESS

Entrepreneurs defined success in various ways and indicated that lending services have allowed them to realize their individual goals, whether they be focused on the success of their business or their family's future. For many entrepreneurs, their immediate focus is financial stability. As one Chicago business owner described, "Financially, I just really want to see the company stand on its own. Sometimes, I've had to go without a salary or use my own personal finances in order to make things work." For most entrepreneurs, initial success gives them a positive outlook about achieving their overall goals in the future. The majority of entrepreneurs predicted an increase in business profits and sales in the following six months (81% and 83% respectively). The next phase of the study will track how entrepreneurs achieve their long-term goals for their businesses and their families and how they change or adjust their goals over time.



BUSINESS GROWTH AND VIABILITY

After receiving a loan, business owners were able to expand or sustain their business. A majority of businesses reported increased sales and increased profits over the last six months. Loans ensure that entrepreneurs have the equipment or supplies they need to expand their business. A total of 59% of business owners stated that the loan had a significant impact on their ability to purchase new equipment, such as software, computers, or vehicles. Business owners are very positive about their business futures and expect to see their sales and profits grow. A business owner in Tucson said, "I'm profitable. I'm not rich, but I'm profitable and [the loan] allowed me to do that. I couldn't have done that without a shot of capital." Follow-up surveys and interviews will continue to track this growth and how entrepreneurs adjust to fluctuations in sales or profits.



QUALITY OF LIFE

Entrepreneurs reported feeling greater control over how they spend their time, and greater flexibility over their schedules, which allows them to spend more time with family. However, most reported working long hours to start up or sustain their business. As one entrepreneur in San Diego noted, "Now that I have my own business and I'm my own boss, it's a lot better than working for somebody that's trying to tell you what to do all the time. I feel like I'm actually able to make myself successful versus making someone else's business successful." About a quarter (28%) of the entrepreneurs spend 60 hours or more per week on their business and a little over one third (34%) reported that they have another job besides their small business. The study will track these trends, and it will examine how entrepreneurs

achieve their goals and balance work and personal aspirations.



FINANCIAL HEALTH

While lending services have improved overall financial security for borrowers, many are still struggling to address financial obstacles and prepare for long-term opportunities. While business profits increased for over 50% of Accion and Opportunity Fund borrowers, household savings increased for roughly a third. Additionally, only a third of entrepreneurs have taken steps to prepare for financial emergencies (e.g., by maintaining savings, creating a business plan, or relying on family). Further, many business owners said they would need to cut salaries, use credit cards, or borrow from family and friends to weather financial problems. This does not come as a surprise; according to a recent Gallup Poll, about half of Americans (48%) believe they do not have enough money on hand to "make a major purchase, such as a car, appliance or furniture, or pay for a significant home repair" if they needed to.¹ A business owner in Los Angeles described how many entrepreneurs across the country feel: "I would like to say [I feel prepared for an unexpected business expense], but the answer truthfully is no. It's a huge concern as a business owner, that something could just happen one day and it could really, really damage us as a young business."



FINANCIAL PRACTICES

Borrowers indicated they have begun to implement changes in financial practices after receiving lending services. Business owners who receive additional support services reported being positively impacted by those services and feeling supported in strengthening their business practices. In Denver, an entrepreneur shared, "Before I didn't track anything and I kind of had to figure out what works for me the best . . . they [Accion] helped steer me towards doing something a little more formal." Nearly half of entrepreneurs (46%) track their finances using financial software, such as QuickBooks, Quicken, and Sage 50. How these practices change over time to meet the challenges entrepreneurs face will be an area of focus as the study continues.



RELATIONSHIPS AND NETWORKS

The study shows some early indications of the ways borrowers' relationships and personal networks changed after receiving lending services. Ultimately, the study seeks to measure involvement in community strengthening efforts as businesses grow and thrive. An early indication of this change is the creation of jobs. Nearly half of entrepreneurs in the study reported that their loan allowed them to hire additional staff. A borrower from New York shared, "When we got the loan I think I probably had six or seven employees. Now we're up to twenty." Follow-up data collection will further explore how the businesses that Accion and Opportunity Fund support contribute to other local businesses, help hire and retain employees, and contribute to the growth of their local neighborhoods.

The map on the following page depicts key regional preliminary findings and top industries of those participating in the study for each region.

¹ <http://www.gallup.com/poll/188009/half-americans-unprepared-sudden-financial-need.aspx>

Los Angeles & Bay Area, California entrepreneurs reported

- Less daily stress and improved self-confidence
- Progress towards personal and business goals, including hiring more employees
- Feeling optimistic about their future, but not feeling prepared for unexpected business expenses
- Lack of formal business plans to track progress
- Valuing saving and investing, but not able to do it yet
- Being focused on achieving short-term goals only

Top industries



Illinois and Northwest Indiana entrepreneurs reported

- Feeling optimistic about the future
- Goals of growing and improving their businesses
- Facing challenges in accomplishing their goals (e.g., access to additional capital, cash flow, and reaching customers)
- Supporting their local business community and networks
- Increase in financial security and self-reliance
- Improved financial practices and well-being

Top industries



San Diego, California entrepreneurs reported

- Expansions in products, services, and equipment
- Goals to improve their financial stability and grow or expand their businesses
- Challenges in making progress on their goals (e.g., accessing additional capital, cash flow)
- Valuing saving and investing, but not being able to do it yet
- Struggling in developing and adhering to financial plans
- Challenges in tracking their finances.

Top industries



Southwest and Rocky Mountains entrepreneurs reported

- Less stress over financial matters
- Improved confidence they can accomplish their goals
- Capacity to track business finances, expand business, and handle financial emergencies
- Making progress towards their business growth and self-sufficiency goals

Top industries



East (Florida, Massachusetts, New Jersey, and New York) entrepreneurs reported

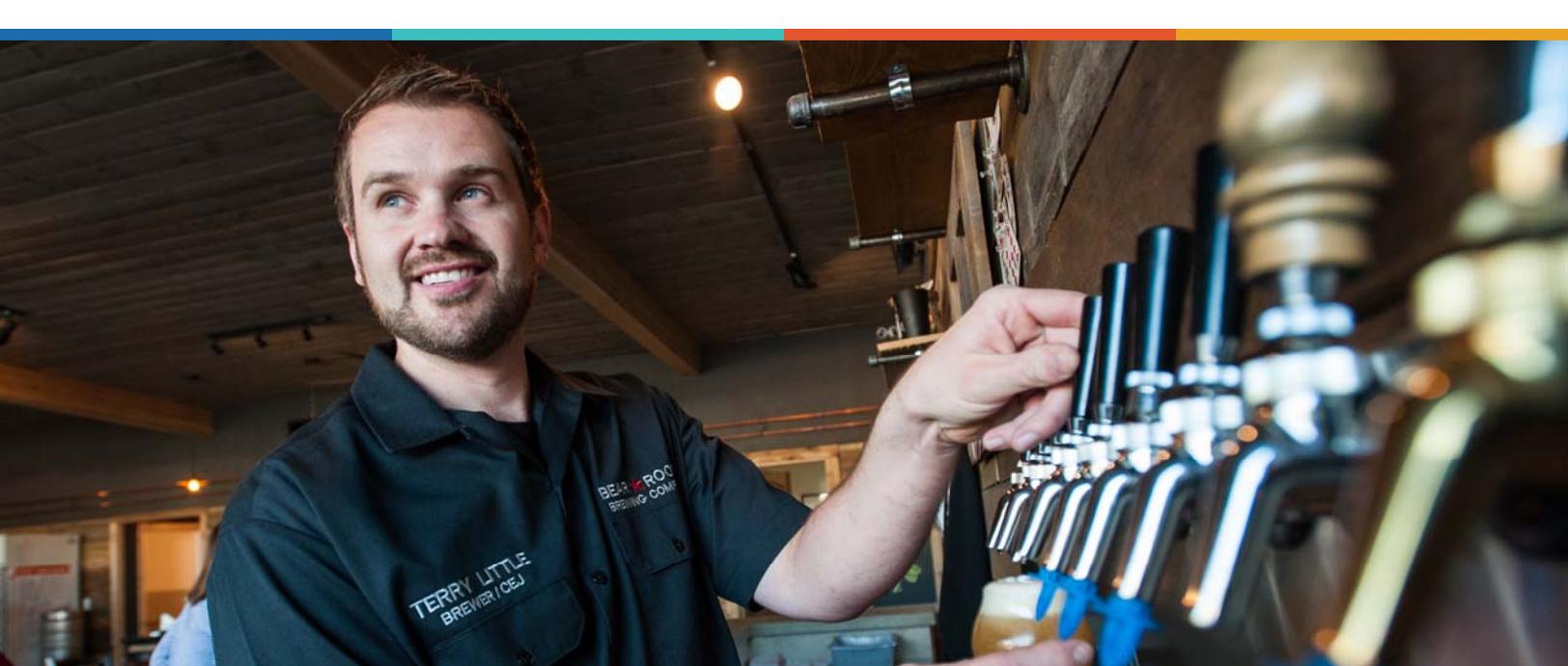
- Diversifying products and services, renovating their businesses, and buying new equipment
- Business growth and increase in revenue
- Goal of expanding their business
- Significant financial challenges in expanding businesses
- Improvements in quality of life, including feeling less stressed
- Significant hurdles in handling unexpected costs

Top industries



Industries: Administrative and Support and Waste Management and Remediation Services; Construction; Information; Manufacturing; Professional, Scientific, and Technical Services; Retail Trade; Transportation and Warehousing

The categories utilized throughout the report to identify businesses industries reflect the names of the North American Industry Classification System (NAICS). NAICS industry names are the standard that Federal agencies use when classifying business establishments and may not be the common name used by entrepreneurs



Preliminary National Findings

Introduction

Small businesses are a critical component of the United States economy, especially today as the economy continues to recover from the Great Recession.² Fortunately, the small business sector is growing rapidly. There are over 28 million small businesses in the United States, a 49% increase since 1982.³ These businesses account for over 50% of all U.S. sales and provide about 50% of all U.S. jobs.⁴

While the number of small businesses has grown in recent years, survival rates have remained low. The latest U.S. Small Business Administration data show that small businesses have, on average, an 80% survival rate during their first year of operation, but that survival rate decreases to about 50% in the fifth year.⁵ One of the primary reasons

About Accion & Opportunity Fund:

Four Accion member organizations headquartered in cities throughout the United States form the largest nonprofit micro and small business lender in the country. Since 1991, the organizations now part of the Accion US Network have provided more than 57,000 loans totaling \$491 million. In 2015, 42% of the businesses Accion financed were women-owned and 65% were minority-owned. The businesses Accion supports have a 97% survival rate. Learn more at us.accion.org.

Opportunity Fund advances the economic well-being of working people by helping them earn, save, and invest in their future. As California's largest nonprofit lender, Opportunity Fund has provided over 9,000 loans totaling \$194 million to entrepreneurs across California since 1994. The vast majority of funded businesses are minority-owned (88%), of which 30% are owned by women. Loans provided have been repaid at a 99% rate and Opportunity Fund-supported businesses have a 95% survival rate. Learn more at opportunityfund.org.

² Kennickell, Arthur B., Myron L. Kwast, and Jonathan Pogach (2015). "Small Businesses and Small Business Finance During the Financial Crisis and the Great Recession: New Evidence From the Survey of Consumer Finances," Finance and Economics Discussion Series 2015-039. Washington, DC: Board of Governors of the Federal Reserve System, <http://dx.doi.org/10.17016/FEDS.2015.039>.

³ Prior to 2016, the U.S. Small Business Administration defined small businesses in wholesale, trade, and retail industries as having less than 100 employees. In January 2016, the Small Business Administration [increased small business size standards](#), affecting businesses in 46 industries. It is important to note that most Accion and Opportunity Fund borrowers are micro-businesses, typically with five or fewer employees.

⁴ Small Business Administration – Office of Advocacy, United States Small Business Profile (2016) https://www.sba.gov/sites/default/files/advocacy/all_profiles_04_07_16_0.pdf

⁵ Business Employment Dynamics, Bureau of Labor Statistics (2016).

small businesses fail is because they lack the necessary capital to survive, much less grow and thrive. Small business loans help business owners get the capital they need to start or grow their business.

As two of the nation's leading nonprofit small business lenders, Accion, The U.S. Network and Opportunity Fund help entrepreneurs thrive by providing affordable capital and support services so that they can start new business endeavors or grow existing enterprises. To track the impact of this work, Accion and Opportunity Fund evaluate a range of outcome indicators of borrower success, including repayment rates, business survival, and job creation and retention. The results of this work have shown that small businesses that receive small business loans create and retain jobs, increase revenue, and have high survival rates. However, beyond this ongoing evaluation work, there has been limited study of the holistic, long-term impacts of small business lending on entrepreneurs and their households, their businesses, and their communities in the United States.

In response, Accion and Opportunity Fund partnered with Harder+Company Community Research to launch in 2015 a first-of-its-kind national impact evaluation project, which complements existing evaluation methods by collecting data on a variety of important indicators over a two-year timeframe. Examining borrowers' experiences across these two organizations has created an extensive data set that can provide key insights for nonprofit business lending nationwide. These insights in turn provide a deeper understanding of customer needs and aspirations, bringing to focus the more immediate and demanding issues business owners identify as critical to their success. The ultimate goal of the study, then, is not only to improve small business product and service offerings, but also to influence the way responsible small business lending is perceived among policy makers and investors.

This study focuses on the extent to which borrowers' experiences change two to three years after receiving a loan, both at the individual and the household level, and examines the operational well-being and financial stability of borrowers' businesses. The work also explores how borrowers define success and whether or not they are achieving their personal and business goals.

The essential questions to be answered in this research are:

1

To what extent do borrowers move toward greater financial security (both real and perceived) after receiving a business loan?

2

To what extent is small business lending associated with catalyzing positive change for individual borrowers, their businesses, and their communities?

3

To what extent do a borrower's personal relationships and engagement with their community change after receipt of a business loan?

Background

Community Development Financial Institutions (CDFIs) in the United States provide credit and financial services to underserved markets and populations, including those often left out of formal lending institutions, such as women and ethnic minorities.⁶ These small loans support entrepreneurs who cannot qualify for a traditional small business loan, either because they lack the traditional collateral or documentation,⁷ or because of poor credit history, because of low capital needs, or because the business is just starting out.⁸ These programs first began in the 1970s but expanded throughout the 1990s to the present as recognition of microfinance as an economic development policy increased.⁹ In the US, the creation of the CDFI Fund in 1994 (a government program that provides funding to individual CDFIs and their partners) and the revised Community Reinvestment Act (CRA) regulations in 1995 which explicitly recognize loans and investments in CDFIs as a qualified CRA activity helped propel the growth of CDFIs.¹⁰

While there is some research examining microfinance¹¹ programs, most studies are focused in developing countries and vary in terms of level of rigor and results. In the United States, The Aspen Institute's Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD) has played a primary role in capturing and reporting trends in the microfinance and microenterprise field through its US Microenterprise Census and EntrepreneurTracker Outcomes Survey. The 2014 Microenterprise Census trends indicate that there has been substantial growth in CDFIs' microloan portfolios, in the number of people assisted, and in the operating income of microenterprise programs.¹² The majority of clients (>70% on average) receiving services from the 142 microenterprise programs reporting data are women, people of color, and/or individuals living at or below the U.S. Department of Housing and Urban Development (HUD) median income for their location.¹³

Across the United States, microenterprise programs assist entrepreneurs seeking to start or grow an existing business. The Entrepreneur Tracker Survey shows that nearly all businesses were still operating a year after receiving services and about a third had increased their revenues since receiving a small business loan. Furthermore, more than half of the businesses surveyed also provided jobs for other paid workers.¹⁴ Additional microenterprise characteristics are shared as context throughout the report. Additionally, there is evidence that microbusinesses support an average of 2.9 jobs and that many of these jobs pay at or above \$10 per hour and offer skill development and training.¹⁵ However, there is still limited research that explores how small businesses grow and change after they receive

⁶ Swack, M., Hangen, E., & Northrup, J. (2014). *CDFIs Stepping into the Breach: An Impact Evaluation-Summary Report*. New Hampshire: The Carsey School of Public Policy University of New Hampshire.

⁷ By some estimates, 8–10% of the 11 million undocumented immigrants in the US are entrepreneurs.

⁸ <http://www.cdfi.org/about-cdfis/what-are-cdfis/>

⁹ Opportunity Fund. (2011). *Microlending in the United States: A Timeline History, 1973–2011*. San Jose, CA.

¹⁰ <http://www.cdfi.org/about-cdfis/what-are-cdfis/>

¹¹ The terms *microfinance* and *microcredit* are often used interchangeably in the literature, especially in relationship work done in developing countries, but it's important to highlight the difference between the two. Microcredit refers to small loans generally, whereas microfinance is appropriate when organizations supplement loans with financial education.

¹² FIELD. (2015). *U.S. Microenterprise Census Highlights, 2014*. Aspen Institute. <http://fieldus.org/Publications/CensusHighlightsFY2014.pdf>

¹³ Ibid.

¹⁴ FIELD. (2016). *EntrepreneurTracker Client Outcomes Survey Highlights, 2014*. Aspen Institute. <http://fieldus.org/Publications/ClientOutcomesHighlights2014.pdf>

¹⁵ Klein, Joyce. (2014). "Not Just Jobs: The Good Jobs of Microbusiness." Aspen Institute, <https://www.aspeninstitute.org/blog-posts/not-just-jobs-the-good-jobs-of-microbusiness/>

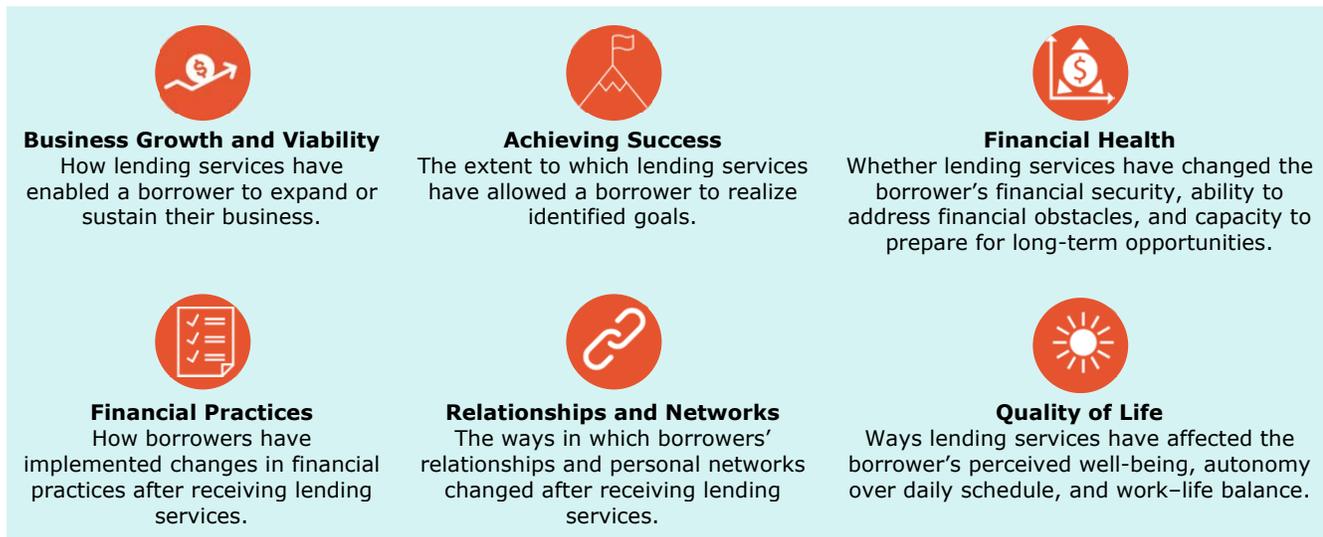
and pay off their loan, how entrepreneurs define and achieve their goals, and how these changes might strengthen local communities.

Evaluation Framework

This evaluation study uses a longitudinal, mixed-methods, multi-case study approach in which data are collected systematically within geographical regions that Accion and Opportunity Fund serve most deeply to create a comprehensive, national dataset. This report assesses the changes among borrowers and their businesses that can be attributed to receiving a loan at three levels of analysis: the individual borrower, the business, and the community. The report examines common associations that may be attributed to receiving a loan. It does not seek to establish a cause-and-effect relationship between receiving a loan and a particular outcome, but it does explore experienced associations that occurred over the course of three years as a result of receiving a loan.

In particular, the report explores six major evaluation domains, or overarching focus areas. Exhibit 1 defines these domains and the extent to which each is explored in the study. The domains incorporate the ways that loans contribute to changes in business owner financial practices and stability, and the influence these loans have on a borrower’s perceived quality of life and impact within that community. Defining these domains consistently across the study’s levels of analysis ensures that qualitative and quantitative data—and data collected across the study’s five geographical regions—can be examined systematically.

Exhibit 1. Evaluation Domains



Some of these domains can be operationalized at all three levels of analysis, while others pertain specifically to households and individuals, businesses, or communities.

Methods

In order to obtain the most comprehensive and detailed understanding of the mid-term impact of small business loans, the study employs a mixed-methods approach to data collection, using both quantitative and qualitative data elements.

While Accion and Opportunity Fund support entrepreneurs and businesses from a variety of industries and backgrounds, they share a common desire to succeed. To ensure a sample of borrowers that reflects this diversity, the study employs stratified cohort probability sampling, engaging borrowers that reflect lending in each region on factors such as ethnicity, borrower status (first time or repeat borrowers), and income level. This approach maximizes the ability to generalize findings across each funding region. Detailed borrower demographics can be found in Appendix A.

The following data collection methods are being used in this study.

- 1. Borrower Surveys:** The survey went beyond typical metrics, such as business revenue and number of employees, to measure borrowers' personal and business goals, financial management practices, and plans for the future. Borrowers who received their loan between January 2014 and March 2015 and were in loan repayment were eligible to participate. This time frame was selected to ensure a large enough sample size while also ensuring an appropriate amount of time since loan receipt to observe change. The survey was offered in English and Spanish and was conducted January – May 2016.

Regionally representative samples of loan recipients were invited to complete the survey online or via telephone. Sample sizes and composition varied in accordance with the number of loans granted across Accion and Opportunity Fund member networks (Exhibit 2). While the sample in each lending region was intended to be representative of the region as a whole, each sample represents borrowers across cities and states. The 561 completed surveys represent entrepreneurs across 27 states (Exhibit 3). The complete survey can be found in Appendix B.

- 2. Borrower Interviews:** A smaller cohort of entrepreneurs who completed the survey also participated in in-depth, semi-structured telephone interviews between April and June 2016. The interviews were designed to delve deeper into borrowers' experiences, financial practices, and quality of life measures not typically captured through surveys. Interviewees were sampled using ten Metropolitan Statistical Areas (MSA) as the regional focus. By focusing on ten MSAs interviews provide insight regarding nuances in borrower experiences within each lending member. The interviews were offered in English and Spanish and asked borrowers to reflect on the impact of their microloan on their household and business, and on how the borrower defined success for their business. Borrowers will participate in a follow-up interview in 2017 to track changes in their personal experience and their business over time. The number of interviews completed by metropolitan area is shown below (Exhibit 2). The complete interview protocol can be found in Appendix C.

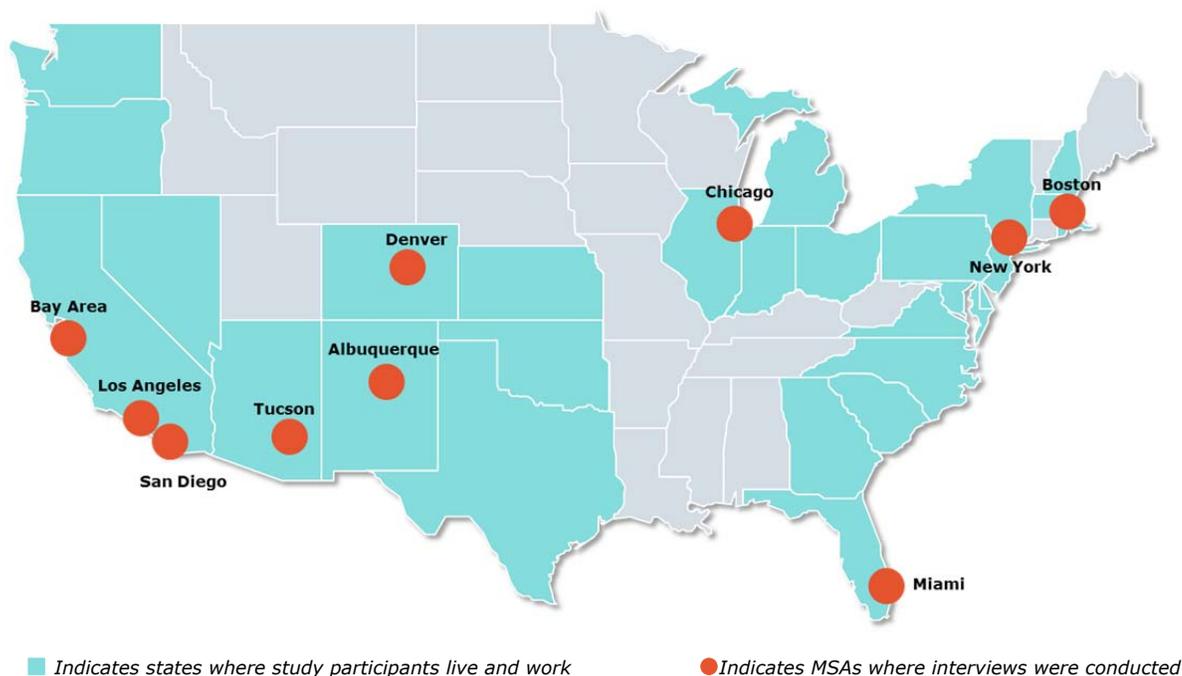
Exhibit 2. Survey and Interview Sampling

Region	Total Eligible Borrowers ¹⁶	Completed Surveys	% of Borrowers Completing Survey	Number of In-Depth Interviews
East (Florida, New Jersey, New York, and Massachusetts)	1,353	157	11.6%	47 Total Boston (8), Miami (19), New York (20)
Illinois and Northwest Indiana	618	93	15.0%	26 Total
Southwest and Rocky Mountains (Arizona, Colorado, Nevada, New Mexico, and Texas)	1,435	149	10.4%	57 Total Albuquerque (22), Denver (26), Tucson (9)
San Diego	294	60	20.4%	27 Total
Los Angeles and Bay Area	1,656	102	6.2%	41 Total Bay Area (20), Los Angeles (21)
Total	5,356	561	10.5%	188

Overview of Study Participants

Study participants are a geographically and demographically diverse group of entrepreneurs. They include entrepreneurs from 27 different states and Puerto Rico (Exhibit 3).

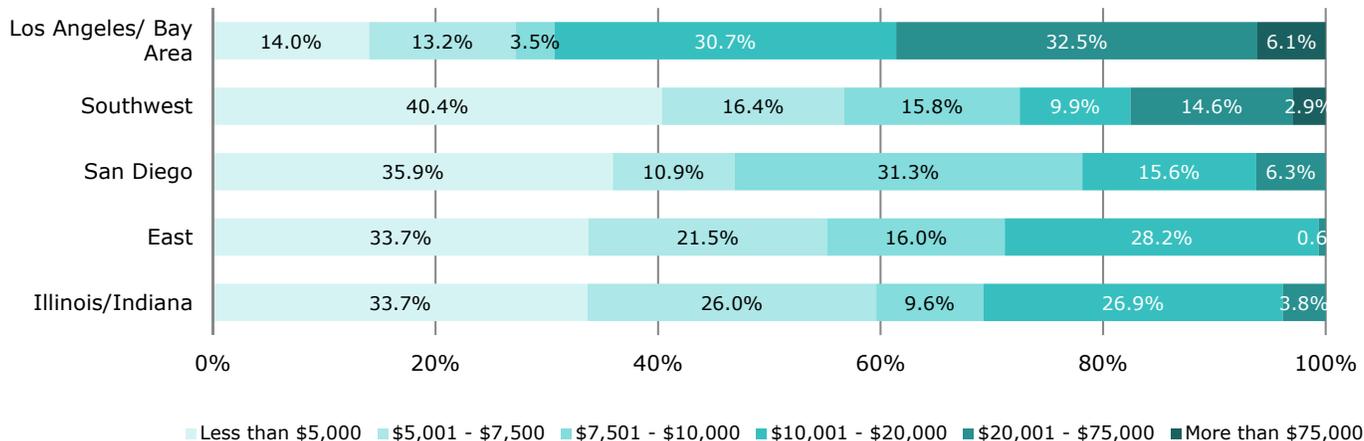
Exhibit 3. Regional Representation of Surveys and Interviews



¹⁶ This includes only borrowers who received a loan between January 2014 and March 2015.

Loan amounts across the national sample varied widely, from \$200 to \$500,000, with most (63.8%) under \$10,000. Each lending member has its own range of loan amounts. Opportunity Fund’s loan range, for example, was \$2,600 to \$100,000, while some Accion loans were for larger amounts (Exhibit 4).

Exhibit 4. Loan Ranges



Entrepreneurs represent a wide range of business industries, from transportation and warehousing to arts and entertainment. There are regional differences when looking at specific industries. For example, over half (55.6%) of transportation and warehousing entrepreneurs are from California while the largest group of retail trade services (33.8%) is from New York, Florida, and California. Those regional differences are explored in each of the regional chapters.

Exhibit 5. Business Industries

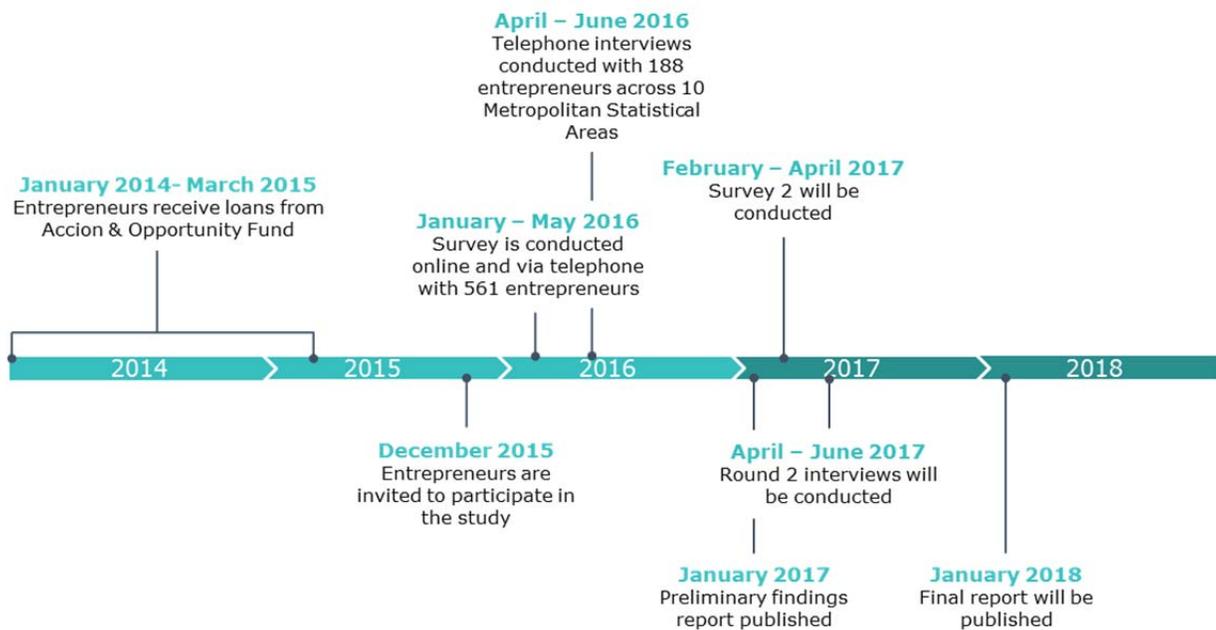
	Retail Trade	15.3%		Wholesale Trade	6.0%
	Administrative and Support and Waste Management and Remediation Services	11.3%		Information	3.8%
	Professional, Scientific, and Technical Services	11.3%		Educational Services	3.2%
	Transportation and Warehousing	10.7%		Arts, Entertainment, and Recreation	3.0%
	Accommodation and Food Services	8.3%		Finance and Insurance	2.2%
	Health Care and Social Assistance	8.7%		Real Estate and Rental and Leasing	2.0%
	Manufacturing	7.4%		Agriculture, Forestry, Fishing and Hunting	0.6%
	Construction	6.2%			

The categories utilized throughout the report to identify businesses industries reflect the names of the North American Industry Classification System (NAICS). NAICS industry names are the standard that Federal agencies use when classifying business establishments and may not be the common name used by entrepreneurs. For example, the category Administrative and Support and Waste Management and Remediation Services refers to businesses primarily engaged in providing support activities for the day-to-day operations of other organizations. Those services include janitorial services, document preparation services, and security services.

How to Read This Report

This report contains an overview of initial findings at the national level. The first aim of this report is to learn how businesses are doing in the short term. The second aim is to establish a baseline against which future assessments of change can be gauged. The report focuses on results from the borrower survey, with high-level findings from the in-depth interviews included to highlight or contextualize key survey findings. While entrepreneurs reported perceived and actual impact to date, these changes will be tracked over time to examine the ways they are or are not sustained, and to examine how these changes compare across and within lending regions.

Exhibit 6. Timeline of Study



The subsequent chapters highlight findings for five distinct regions, including (1) San Diego; (2) Los Angeles and the Bay Area; (3) Illinois and Northwest Indiana; (4) the Southwest and Rocky Mountains (Arizona, Colorado, Nevada, New Mexico, and Texas); and (5) the East (Florida, New York, New Jersey, and Massachusetts). These chapters focus on the in-depth qualitative data obtained through interviews, complemented by survey responses that identify initial similarities or differences in borrowers' experiences across the study sample. Each regional chapter is organized to highlight the most prominent findings; therefore, the order in which information is shared varies from chapter to chapter.

Preliminary Findings by Evaluation Domain

At the time of data collection, 10-28 months had passed since participants had received their loan, enabling these entrepreneurs to reflect on the changes they had experienced since receiving the loan. Most entrepreneurs noted positive changes as a result of Accion and Opportunity Fund lending and related support services. However, many also reported facing challenges in strengthening their financial health and business practices. Key baseline findings across the national sample include the following points.

- Entrepreneurs reported feeling greater control over how they spend their time and greater flexibility over their schedules, which allows them to spend more time with family. However, most reported working long hours to start or sustain their business.
- Entrepreneurs do not always have a place to turn to during financial emergencies (e.g., savings, family, other lending institutions) and most do not have financial plans to support their growth and may not have the capacity to weather financial dips.
- Business owners who receive additional support services reported being highly impacted by them and feeling supported in strengthening their business practices.



ACHIEVING SUCCESS

Entrepreneurs defined the success of their businesses in their own ways. This section explores what success means for entrepreneurs and the business and financial goals they have set for themselves and their families. In addition, we explore what motivates entrepreneurs and the priorities they had at the time they sought and received a loan from Accion or Opportunity Fund. Findings in this area suggest that entrepreneurs are focused on goals related to the success of their business and their family's future. While many entrepreneurs are still in pursuit of these goals, they have seen initial success that gives them a positive outlook for the future.

While we highlight the impact that receiving a loan has had on entrepreneurs' progress towards these goals, it is important to keep in mind that these are baseline findings and will likely change over time. Subsequent changes will be tracked in the next phase of the study.

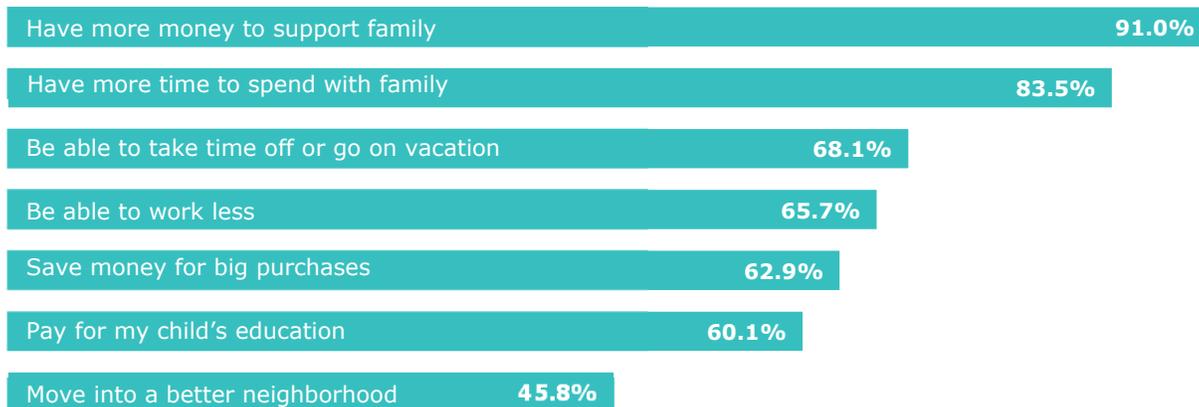
Family plays a major role in entrepreneurs' lives and is often the primary focus for starting a business. While entrepreneurs sought out loans from Accion and Opportunity Fund for many business-related reasons (e.g., to diversify inventory or expand locations), most interviewees spoke about their desire to be profitable enough to support themselves and their families. Entrepreneurs want to maintain or expand their businesses in an effort to be self-sufficient, to meet household needs, and to spend more time with their family. Across all regional markets, interviewees highlighted the important role their family life played in starting a new business.

Interviewees reflected on the many benefits they've seen for themselves and their families since receiving the loan. They reported an increased sense of ownership over time, a better ability to direct their future, an increased capacity to spend

more time with their family, and, ultimately, more income to support their family's needs. Additionally, almost all study participants identified having enough money to support their family as a key priority. Having more time to spend with their family was the top personal priority listed at the time they obtained their most recent loan (Figure 1). These priorities are not necessarily the immediate reason entrepreneurs sought out a loan, but they do reflect personal motivations for strengthening their businesses.

Figure 1: Entrepreneurs most commonly cited their goal to have more money to support their family as a priority.

Percent of entrepreneurs who marked "strongly agree" or "agree" for each goal statement.¹⁷



Across all regions, entrepreneurs also spoke about their desire to leave a legacy to their family. In particular, those with children noted that part of the reason they began their business was to make their children proud and to hand down their business to them in the future. When asked if the loan they received from Opportunity Fund or Accion helped them make progress on their personal goals and priorities, 59% indicated that the loan helped them greatly.

While many entrepreneurs seek ongoing business growth, for many, financial stability is the ultimate goal. Most entrepreneurs start their own business out of a desire to be financially stable, so it comes as no surprise that they want to grow their business in an effort to achieve that goal. Most interviewees spoke of continuing to grow their business by hiring more people, expanding their reach, and adding locations.

Entrepreneurs across all regions defined long-term success differently. Many of them described success as expanding their business and as having continued growth or providing high quality services and products as a key measure of success. However, for many entrepreneurs, the ultimate goal is to develop a self-sustaining business or to reach a level of financial stability that would allow them to step back from the day-to-day operations of the business, either to take time off or to focus on the strategic vision of their trade. This was especially true for interviewees with sole-owned and operated businesses, such as personal care givers, truckers, and house cleaners, who often spoke of their desire to reach a level of stability that would allow them a sufficient income, rather than seeking to continually grow or expand their business.

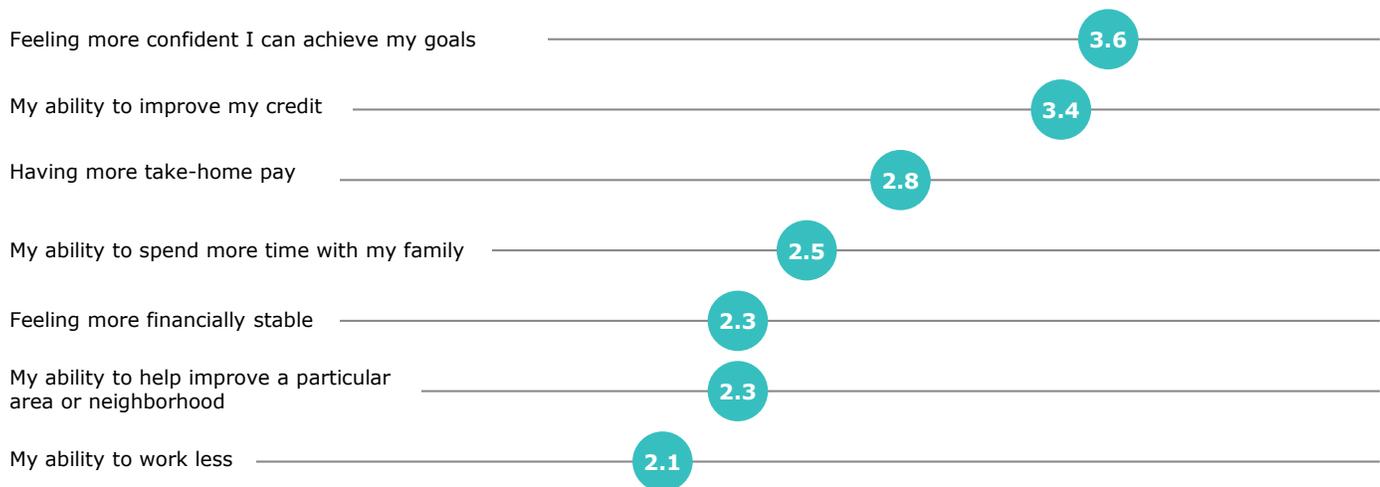
When asked if the loan they received from Opportunity Fund or Accion helped them make progress on their personal goals and priorities, 59% indicated that the loan helped them greatly.

¹⁷ Entrepreneurs could select multiple answers as their goals. Percentages do not add up to 100. See Appendix B for the complete survey.

Small business loans have so far had a positive impact on entrepreneurs' lives and ability to achieve personal goals. When asked to rate the impact of the loan on various aspects of their lives, entrepreneurs reported that their loan has made the most impact on their confidence to achieve their goals and on their ability to improve their credit (Figure 2). Interviewees across all regions noted that they generally feel confident they are on the right track to accomplish their goals, both personally and professionally, while still acknowledging the challenges they may face (e.g., lack of savings, language barriers). In fact, many interviewees shared that before connecting with Accion or Opportunity Fund they had already sought out loans with traditional lending institutions that had turned them down because of poor credit, leaving them feeling defeated, and many shared that they felt Accion and Opportunity Fund were the only institutions that took a risk on them. One Chicago entrepreneur shared, "Accion gave me hope to keep my dreams and goals alive and to continue on creating and giving back."

Figure 2: Average ratings show that loans have so far had the biggest impact on sense of confidence.

Scale was 1-5, with 5 representing "a lot of impact"



Entrepreneurs shared in interviews that they are already seeing progress in their ability to grow their businesses as a result of a boost in confidence and improved credit. Some entrepreneurs indicated that as a result of this growth they find themselves working more than before obtaining the loan. (See the Quality of Life section for more details on how much entrepreneurs are working.)

Overall, entrepreneurs are confident they will attain their business goals.

When asked to predict how their businesses would perform in the next six months, the majority predicted they would increase profit, sales, take-home pay, and personal savings (Figure 3). Many interviewees shared that they hoped to continue growing their businesses and were planning on adding additional locations, diversifying their products and services, or hiring more staff.

Figure 3: Percentage of entrepreneurs that predicted growth for their businesses and their households in the next six months.



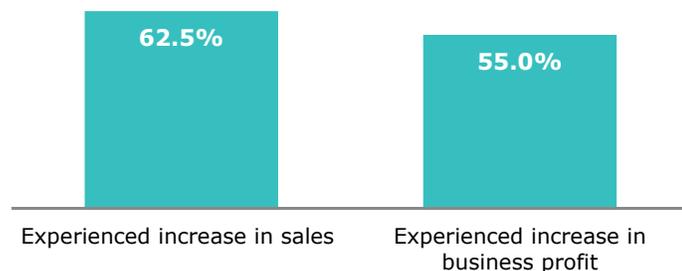
BUSINESS GROWTH AND VIABILITY

This section explores how lending services have enabled entrepreneurs to expand or sustain their businesses. In particular, this section looks at the extent to which businesses have grown since receiving a loan and to what extent borrowers would like to grow their businesses. At this stage, most businesses are growing and entrepreneurs attribute this growth to their loan. This section also provides details regarding the small percentage of entrepreneurs who closed or never started their business.

Small business lending services are positively impacting business growth.

The vast majority of entrepreneurs who sought out a loan from Accion or Opportunity Fund (94.7%) reported still operating their business at the time of the survey—between 10 to 28 months after receiving the loan—and over half also reported experiencing an increase in sales and profit during the six months prior to the survey (Figure 4). These results are consistent with findings from the annual Entrepreneur Tracker outcomes survey the Aspen Institute’s FIELD program conducted.¹⁸

Figure 4: More than half of entrepreneurs experienced growth in the six months prior to data collection



¹⁸ <https://microtracker.org/explore/entrepreneur-data/>

Out of the entrepreneurs who applied for a loan to launch a new business or to purchase an existing business, 87.3% were still in operation at the time of the survey. New businesses were opened primarily in healthcare and social services, restaurants and cafes, or trucking and transit.

Additionally, 96.4% of those who applied for a loan to maintain their business operations were still operating their business at the time of preliminary data collection. For most of these entrepreneurs, an Accion or Opportunity Fund loan helped maintain their business operations during slow periods or provided them with operating capital to make needed improvements and investments in their business. Although it was not a common response, several interviewees felt that the loan was what prevented them from closing entirely, and of those who sought out a loan to maintain or expand their business, about half (46.8%) had been active businesses for more than five years, weathering the initial startup stage, when about half of businesses typically close.¹⁹

Over half of the entrepreneurs also noted that Accion and Opportunity Fund loans have had a significant impact on business growth indicators, such as profit and cash flow (Figure 5). Additionally, 58.7% of participants stated that their loan had a significant impact on their ability to acquire new equipment, including software, computers, and vehicles. In addition, the loan they received allowed entrepreneurs to pay for the maintenance of current equipment. New or upgraded equipment allowed entrepreneurs to expand and improve their services.

Figure 5: Entrepreneurs who indicated Accion and Opportunity Fund had a significant impact on...²⁰



Those individuals who experienced growth in their sales and profits in the six months prior to data collection tended to attribute this growth to their Accion and Opportunity Fund loan at higher rates than those who experienced little or no growth. For example, 64% of businesses that experienced an increase in sales indicated that Accion or Opportunity Fund had a significant impact on their business growth, and among those who experienced an increase in their overall business profit during the same time period, 62.7% stated that Accion and Opportunity Fund had a significant impact in this area.

¹⁹ The latest US Small Business Administration data show that on average small businesses have an 80% survival rate during the first year. That survival rate decreases to about 50% in the fifth year. Source: Business Employment Dynamics, Bureau of Labor Statistics.

²⁰ Based on a five point scale where one indicated "no impact" and five is "a lot of impact." For this data, we classify significant impact as those who marked 4 or 5.

Entrepreneurs have increased their ability to move from a home or virtual space to a rented or owned location. About half of businesses are located in a rented or owned space, including incubators, while the other half are based out of the entrepreneur’s home or are mobile (Table 1). Since receiving their most recent loan, 16.7% of entrepreneurs changed their businesses from home businesses to businesses located in a rented space or one they own. Besides moving into a new space for the first time, many interviewees noted they were able to change or add locations as a result of their financing. Many more interviewees had a goal of expanding their locations in the future, and out of all study participants, 27% agreed that their loan helped them to move, add, or change locations.

Table 1: Location of businesses before most recent loan and at time of survey

	Before most recent loan	At time of survey
Business based out of home or virtual	40.9%	36.0%
Business is mobile	11.0%	11.3%
Business is located in a rented or owned place	48.1%	52.7%

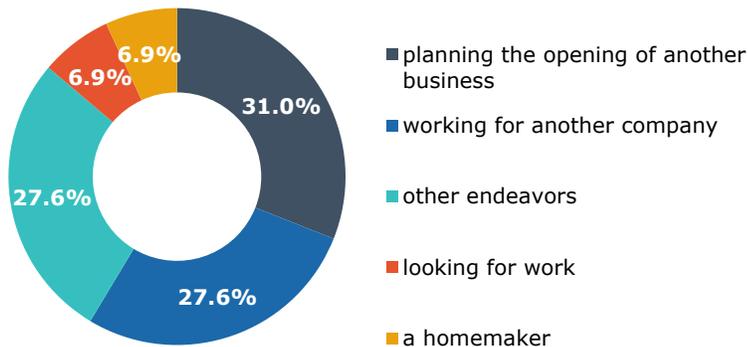
When businesses close, it is most often due to lack of capital. Only 4.1% ($n = 23$) of all survey respondents reported having closed their businesses and 1.2% ($n = 7$) reported not launching their business at all. Of those respondents who closed or never launched their businesses, about half (51.7%) noted their primary reason for closing or never launching their business was lack of capital (Table 2). Individuals who closed or never launched their businesses were asked to rate the influence that additional funding would have had on their decision to remain open. On a scale of one to five, where one indicates no impact and five indicates strong impact, the majority (58.6%) rated this influence a five. Loan amounts are based on what is feasible for the entrepreneur to repay. While entrepreneurs may cite lack of capital as the primary reason for their business failure, businesses that closed may have needed more than a startup loan to successfully start or grow their business. As seen in Table 2, many borrowers also cited additional reasons for closing or never launching their businesses, such as having too much debt, their priorities changed, or their business location was not ideal.

Table 2: Reasons businesses closed or never launched

Reasons
51.7% Needed more capital
17.2% Had too much debt they could not pay
13.8% Priorities changed (e.g., went back to school)
10.3% Business location was not ideal
10.3% The growth of the business happened too fast and could not be supported
10.3% Sold business
<i>*Entrepreneurs could select more than one answer choice.</i>

While these data are revealing, caution is important when drawing conclusions about the cohort of closed businesses because the total number is quite small. Within the group of entrepreneurs who closed or never launched their business, about one third (31%) are planning to open another business (Figure 6). A handful of interviewees reflected on the fluidity of opening multiple businesses, noting that if one venture was not successful, they often sought ways of opening up an entirely different business.

Figure 6: Current activities of borrowers who closed or never launched businesses. About a third of entrepreneurs with closed businesses plan on opening another.



FINANCIAL HEALTH & FINANCIAL PRACTICES

A strong minority of entrepreneurs demonstrated promising financial behaviors, such as saving and formal financial tracking, and most felt that their loans have been helpful in moving them toward financial health and security. However, entrepreneurs still struggle to save for emergencies or retirement or to adhere to financial plans. This body of data demonstrates that while a microloan is powerful in strengthening small businesses, in many ways, small business owners are still vulnerable to financial shocks.

Financial tracking practices are a key aspect of overall financial health, though the overall health of a business is based on more than just the specific financial practices an entrepreneur does or does not use. Along these lines, this section explores how lending services have changed entrepreneurs' financial health and how entrepreneurs have implemented changes in their financial practices. We have grouped together the findings from these evaluation domains because they are closely tied and the data produced similar themes.

Entrepreneurs are experiencing an increase in financial stability. As highlighted in the prior section, more than half of the entrepreneurs (55.8%) indicated their business profits had increased in the six months prior to the survey. A few entrepreneurs expected this increase, as the fall and winter holiday seasons, which occurred just prior to the survey, are their busiest seasons. However, the majority noted that they do not see seasonal business fluctuations, indicating that entrepreneurs may continue to see their businesses grow as the study progresses.

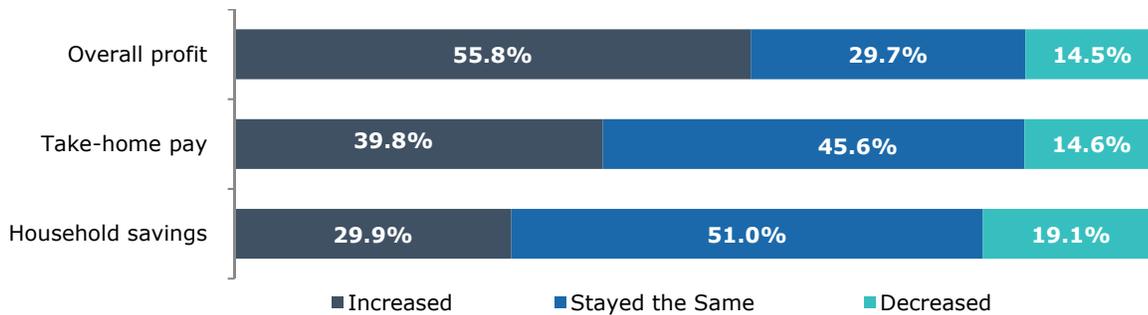
These increases in business profits have allowed entrepreneurs to feel more financially secure and less stressed over their household's wellbeing. Further, during the same time period, about one third (29.9%) of all study participants indicated having an increase in their personal savings, and 39.8% indicated increasing their take-home pay (Figure 7).²¹ However, a small number of

²¹ These findings are correlated: 76.4% of borrowers who reported an increase in their take-home pay also reported an increase in personal savings.

entrepreneurs saw a decrease in their personal savings, take-home pay, and overall profit. A few interviewees noted that small profit drops were expected (e.g., flower shops have lower business during non-holidays), but others noted having unexpected expenses that caused a drop in profitability and, in some cases, required them to dip into their savings.

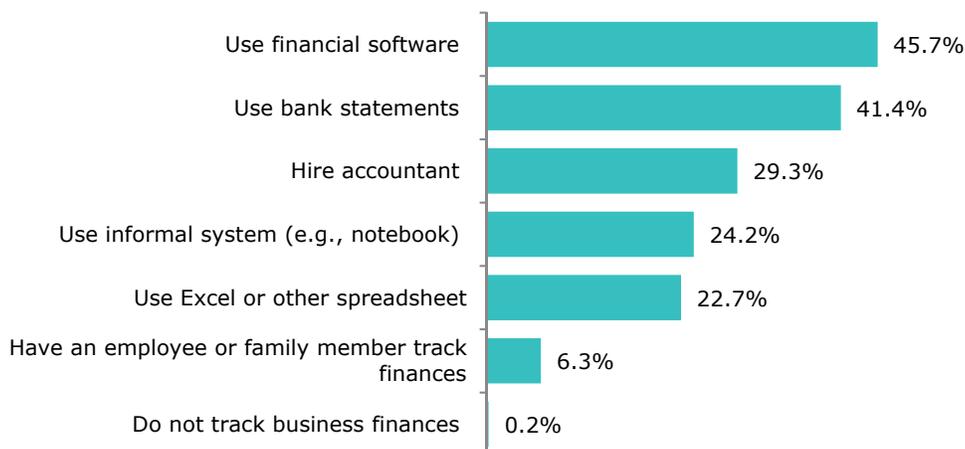
Future data collection will track these trends to understand whether these financial dips are expected or unexpected and how prepared entrepreneurs are to manage them.

Figure 7: Business profit increased for more than half of entrepreneurs 6 months prior to the survey, while household savings only increased for about a third.



Most entrepreneurs track their business finances, and for some, Accion and Opportunity Fund business advising has helped them strengthen these practices. Specifically, all but one entrepreneur (99.8%) indicated that they track their business finances either formally or informally (e.g., with a notebook or checkbook). The most common way to track finances, used by almost half of participants (45.7%), is through the use of financial software, such as QuickBooks, Quicken, and Sage 50 (Figure 8). The frequency with which individuals monitor their business finances also varied greatly, from individuals who review their finances daily to those who review their finances yearly, often with their accountant.

Figure 8: The most common form of financial tracking is through the use of financial software²²



²² Percentages do not add up to 100 as entrepreneurs could select numerous ways in which they track their business finances.

In addition, one third (31%) believed that Accion and Opportunity Fund impacted their ability to improve their financial record keeping. A similar number (33%) indicated that they have changed, at least somewhat, the way they track their business finances as a result of the loan or business advising they received. The biggest change in the way borrowers track their finances is through the incorporation of software programs such as QuickBooks, Quicken, and Sage 50.

About a third of study participants (36.6%) believed that Accion and Opportunity Fund had a significant impact on their ability to project business sales and profits. Interviewees reflected on the changes they've made by highlighting their ability to use formal financial tracking methods to make projections and support their strategic growth. For example, interviewees spoke about how the business advising they've received from loan officers, their participation in various Accion programs that support the growth of small businesses, and the loan application process itself helped them assess and project their business sales and profits.

Despite recognizing the importance of tracking their finances, a small number of interviewees felt that they needed additional expert assistance because many technological tools, such as financial software, are not set up for people unfamiliar with accounting. Another subset of interviewees, mainly those with sole-owned and sole-operated businesses, shared that they did not feel they needed more formal ways of tracking their business finances and that for the size and scope of their work tracking finances through written records, such as notebooks or bank statements, was sufficient.



A third of entrepreneurs have changed, at least somewhat, the way they track their business finances as a result of Accion and Opportunity Fund services.

Despite the significant impact Accion and Opportunity Fund loans have had, entrepreneurs are often unprepared for unexpected business expenses and may not have resources to weather financial dips. About a third (30.9%) of all entrepreneurs indicated that they have taken steps to prepare for a financial emergency, including creating a savings account and establishing a business plan. Many interviewees explained that when faced with an unexpected cost, they resort to cutting salaries, using credit cards, or borrowing from friends and family to address financial emergencies. Entrepreneurs who felt more confident in their ability to handle an unexpected expense stated that they redistribute business funds or use their business savings, emergency funds, and/or personal savings if an unexpected business expense occurred. These findings are similar national trends that show most Americans don't have the means to face unexpected expenses.^{23,24} It is important that future research continue to explore the factors that impact perceived and real financial stability for small businesses, including the ability to weather financial dips.

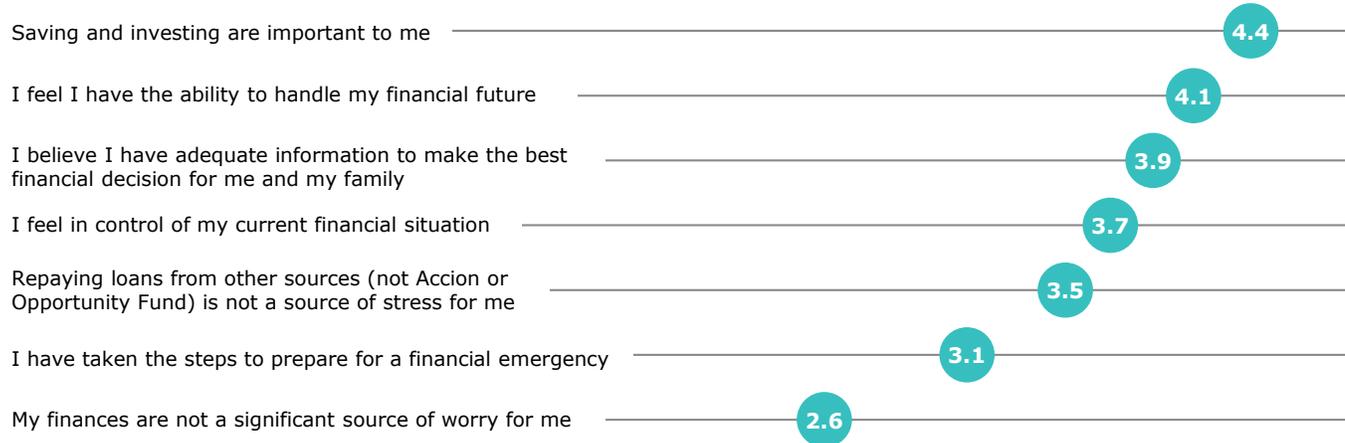
While saving and investing are important to entrepreneurs, many are not doing it. When rating statements about their personal financial welfare, "Saving and investing is important to me" ranked highest among respondents, with an average rating of 4.4 on a 5-point scale (with 5 being "very true"). However, finances continue to be a significant worry for many entrepreneurs (Figure 9), and, as discussed previously, a large number of interviewees spoke of not being prepared for unexpected expenses, both at home and in their business.

Figure 9: Average ratings show that saving and investing are very important to entrepreneurs, but finances continue to be a source of worry for many. Scale was 1–5, with 5 representing "very true"

Loans help business owners weather unexpected expenses

The most common way interviewees said they would handle an unexpected business expense was to take on additional debt. In fact, many interviewees see Accion and Opportunity Fund as their primary resource to help them with such expenses.

About half of those interviewed have obtained multiple loans from Accion or Opportunity Fund. Among these, many noted that one of their loans had been used to help with unexpected expenses, such as repairing equipment, dealing with low profit during a certain time period, or upgrading equipment to meet state or local regulations.



In addition, the majority of entrepreneurs (62.5%) did not have a personal retirement account, which is an indication of long-term savings and financial planning. This is similar to findings other studies of small business owners in the United States reported, which indicate that entrepreneurs are often not engaged in long-term financial planning.²⁵

²³ U.S. Financial Diaries, <http://www.usfinancialdiaries.org/>

²⁴ <http://www.gallup.com/poll/188009/half-americans-unprepared-sudden-financial-need.aspx>

²⁵ A 2014 survey of more than 1,400 small business owners conducted by Guardian Life Insurance found that just over half (52%) of small business owners felt they were "very/fairly well" prepared for retirement. Similarly, a 2011 study of 1,255 business owners conducted by The American College found that among the small business owners surveyed, 77% of the women and 74% of the men had no written plan for retirement.

Entrepreneurs generally struggle in developing and adhering to financial business plans. Almost two-thirds of entrepreneurs (63.2%) had a business financial plan that helps them steer their businesses in the right direction. While some interviewees felt their financial plan is integral to the success of their business, others struggled to adhere to it. This is not an uncommon challenge for small business owners. A recent report on the experience of African American entrepreneurs in the southern United States noted, “This challenge is multifaceted in the sense that the ability to make well-informed financial decisions requires that an entrepreneur keep detailed records of income and expenses and can use those records to create financial statements and conduct analysis on which they might base sound financial decisions. If one piece of that puzzle is missing, it can severely diminish an entrepreneur’s ability to manage through cash flow difficulties and emerge financially intact.”²⁶



QUALITY OF LIFE

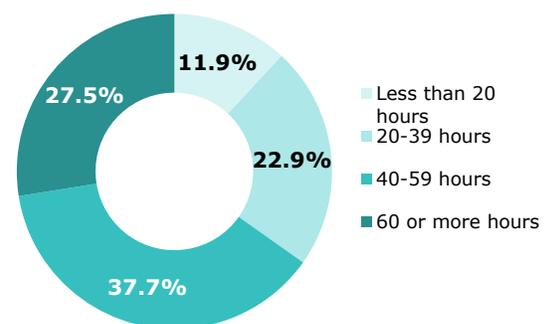
In addition to financial growth, the study explored the extent to which lending services have impacted entrepreneurs’ quality of life. Entrepreneurs indicated an increased sense of personal freedom and control over how they spend their time since receiving Opportunity Fund and Accion financing services. While entrepreneurs work hard, they expressed satisfaction from their businesses and greater flexibility in how they balance work and personal responsibilities.

Entrepreneurs reported feeling less stress and more flexibility with their schedule as a result of their Accion or Opportunity Fund loan. One of the primary changes interviewees shared was the peace of mind they had since receiving the loan from Accion or Opportunity Fund. And most noted that other doors had closed for them before finding out about these lending opportunities. Increased business profits have also enabled some entrepreneurs to feel more financially secure and less stressed over their household’s well-being. An entrepreneur in Chicago shared, “Now we are much more at peace. We are more relaxed. Since they granted us this loan we are happy that we were able to do what we wanted to do. We are less stressed.”

Entrepreneurs work long hours. While a large majority of entrepreneurs (83.5%) indicated that spending more time with their families is an important priority, only 30.2% felt their Accion or Opportunity Fund loan had a significant impact on their ability to do so. About a quarter (27.5%) of the entrepreneurs were spending 60 hours or more per week on their business (Figure 10) and a little over one third (33.8%) reported that they have another job besides their small business. Of those who worked 40 or more hours per week on their small business, 19.5% also had a second job.

Further, there are some regional differences in the amount entrepreneurs are working. For example, Los Angeles and Bay Area entrepreneurs are, on average, working more than entrepreneurs in all other regions.²⁷ While these differences may be related to a number of external factors (e.g., local markets, industry focus), the size of the loans, or other factors, it will be important to better understand these

Figure 10: On average, the majority of entrepreneurs work more than 40 hours per week in their small business



²⁶ Williams, Lauren. (2016). *Unstacking the Deck: Toward Financial Resilience for African-American Entrepreneurs in the South*. Corporation for Enterprise Development (CFED). http://cfed.org/assets/pdfs/Unstacking_the_Deck.pdf

²⁷ Statistically significant; $p < .05$.

regional differences or whether these trends change over time.

While supporting and spending time with family were noted as important priorities, a small group of interviewees indicated they are, in fact, not able to spend more time with family because they are working more as a result of increased activity in their businesses. Most attributed this increased activity directly to the loan they received from Accion or Opportunity Fund. They see this as a natural byproduct of their growing business and anticipate it will not always be the case.

Second job statuses also vary by region. For example, the area with the largest proportion of entrepreneurs who hold a second job includes the Southwest and Rocky Mountains Region, where 43.4% of entrepreneurs hold a second job. The region with the smallest number of second job holders is Opportunity Fund's service area in the San Francisco Bay Area and Los Angeles, where 17.7% of entrepreneurs have a second job. Those entrepreneurs, however, are also more likely to work longer hours in their business. The regional difference related to second job holders may also be a result of the differences in the type of businesses served for each lending institution; in some markets a second source of income is required for startup business loans.

One out of five entrepreneurs working 40 or more hours per week in their small business also holds a second job.



RELATIONSHIPS AND NETWORKS

We know that small businesses depend on others to survive and thrive. This section explores entrepreneurs' relationships and personal networks and how they have changed since receiving the loan. In particular, the section explores the support networks, official or unofficial, that entrepreneurs have used to ensure that their businesses thrive. Ultimately, the study seeks to measure involvement in community-strengthening efforts as businesses grow and thrive. Follow-up data collection with borrowers, family members, and employees will further explore how the businesses that Accion and Opportunity Fund support contribute to other local businesses, help hire and retain employees, and participate in the growth of local neighborhoods.

Entrepreneurs are generating and retaining jobs, and their microloan is helping them do so. The majority of entrepreneurs (76.1%) have people besides themselves working in their businesses. These people include unpaid workers such as family members, interns, volunteers, but also paid employees. Among those with other people working in their business, 64% have paid employees, with an average of six employees and a median of three.

Out of the 76.1% of entrepreneurs who have someone else working in their business, about a third saw an increase in the number of paid employees in the six months prior to data collection. In addition to increasing their ability to hire staff, the loan helped entrepreneurs increase the number of hours their existing employees worked and their ability to retain current employees. Within those who increased their staff size, almost half (45.5%) felt Accion and Opportunity Fund had a significant impact on their ability to do so. Interviewees reflected that their loan helped them feel more financially ready to hire someone. In some cases, hiring other staff allowed entrepreneurs to focus more on the strategic growth of their business as opposed to the daily operations.

Within those who increased their staff in the six months prior to data collection, 45.5% felt their Accion or Opportunity Fund loan had a significant impact on their ability to hire staff.

Small business owners play a large role in contributing to their local economy not only in the goods and services they provide, but also in the wages paid to their employees. On average, entrepreneurs reported that their paid full-time employees

had a median hourly wage of \$15.00 and paid part-time employees had one of \$14.77. However, these numbers do not include the salary entrepreneurs may earn themselves. In general, businesses that Accion and Opportunity Fund support pay their employees higher wages than the local minimum wages. (See the regional chapters for more details.)

In addition to wages, almost half of entrepreneurs with employees (47.4%) offer formal benefits, such as paid sick time, paid vacation time, and health insurance. The most common benefits provided are paid holidays (23.7% of entrepreneurs with employees), paid vacation time (23.3% of entrepreneurs) and paid sick time (20.1% of entrepreneurs).

Entrepreneurs rarely participate in small business groups and networking opportunities. Across the board, few entrepreneurs feel deeply connected to small business groups and associations that provide networking opportunities. Those who are members of small business groups and associations are able to share their business knowledge with other small business owners and community residents, serving as a source of support for those seeking to establish a business. These entrepreneurs noted that business groups and associations have led to business opportunities by increasing awareness, interest, and referrals among members.

Whereas some of the entrepreneurs interviewed who are not affiliated with business groups and associations are considering joining in the future, others have stopped participating due to membership fees, time constraints, or negative experiences.

Entrepreneurs are investing in the local economy. Entrepreneurs use other local business—such as suppliers, automotive shops, hardware stores, flower shops, rental places for events, and printers—to ensure that their own businesses thrive. Some noted that they've built relationships with other small businesses and benefit from this tight-knit network. This is especially evident for those whose businesses are located at a swap meet or other similar shared spaces. However, this is not a common trend across all businesses. For example, the largest industry represented in the survey sample is trucking and warehousing (21.3%), which includes many long-haul truckers who are often away from their local communities. These individuals noted fewer local networks and lower reliance on local businesses, which is expected given the mobile nature of their work.

A small number of interviewees saw their business as providing an important or unique service that their community would not otherwise have. Some interviewees spoke of purposefully locating their business in a community they wanted to support, while others shared that they provide products or services that meet the needs of a particular population (e.g., ethnic or religious communities). About one quarter of entrepreneurs (27.5%) noted that their loan had a significant impact on their ability to improve a particular area or neighborhood, supporting their business profits and therefore their ability to invest in their community.

Looking Ahead

Going beyond existing indicators, this study has begun to explore the broader impact that small business loans have on individual entrepreneurs as well as their households, businesses, and communities. Preliminary findings indicate that small businesses have benefited greatly from loans and related services they received from Accion and Opportunity Fund, but also highlight key challenges to further explore.

Entrepreneurs reported many positive outcomes, including feeling greater control

Entrepreneurs are employing people from their community

The majority of interviewed entrepreneurs, especially those with a physical location, employ directly from their local community. While this is usually more opportunistic than strategic, by hiring people from their community, entrepreneurs are directly impacting the local economy in which they live and work as their employees support their families, shop, and pay taxes.

over their time, experiencing business growth, and making progress towards their personal and business goals. However, entrepreneurs continue to experience challenges in strengthening their financial practices and overall financial health. And, while the majority of entrepreneurs value saving and investing, the majority are not currently doing either. Future data collection will delve deeper to better understand the challenges faced by entrepreneurs.

In addition, most entrepreneurs decided to start or grow their business in order to have enough money to support their family, to have more time to spend with them, and ultimately to work less. Entrepreneurs reported feeling more control and freedom as a result of their loan, affording more flexible schedules and greater autonomy in deciding how to balance family and work time, but continue to work long hours or have multiple jobs. The study will continue to track how entrepreneurs spend their time and the progress they make towards their goals.

Future data collection will focus on tracking how lending services impact the economic security and financial goals of individual entrepreneurs, the commercial viability of the businesses funded by small business loans, and entrepreneurs' engagement in and relationship to their local communities. Follow up reports will explore key questions raised by the first round of data collection. Follow-up data collection will occur in the spring and summer of 2017 and final results are expected to be released in early 2018. 

Preliminary Findings for San Diego

Introduction

Many US businesses are unable to access loans from traditional financial institutions because they are too young, too small, have imperfect credit, or have modest incomes. Accion helps small businesses thrive by providing affordable capital and support services to entrepreneurs who cannot access the credit they need to start or grow their business. As part of this work, Accion evaluates a range of outcome indicators of borrower success, including repayment rates, business survival, repeat borrowers, and job creation and retention. However, these metrics do not provide a deeper understanding of the holistic, longer-term impacts of lending on individuals and their households, small businesses, and communities. As a response to this need, Accion has partnered with Opportunity Fund and Harder+Company Community Research to design and implement a first-of-its-kind national longitudinal evaluation of the impact of their small business lending.

The Small Business Lending Impact Study assesses the mid-term impact (two to three years post-loan) of small business lending on economic security and the financial goals of individual entrepreneurs, the commercial viability of the businesses funded by nonprofit lending institutions, and entrepreneurs' engagement in and relationship to their local communities. The study seeks to identify the associations that may be attributed to receiving an Accion loan. This evaluation is unique because it investigates borrowers' perceived financial security, definitions of success, and personal and business goal attainment, and it does so on national and regional scales.

This is a longitudinal study and data collection will take place over a two-year period.²⁸ This chapter lays out the study's baseline findings for the San Diego region.²⁹ Data were collected in the spring of 2016 through telephone and online surveys and through in-depth telephone interviews with borrowers who received a loan between January 2014 and March 2015.

How to Read this Chapter

This study is comprised of six evaluation domains, developed jointly with stakeholders across Accion and Opportunity Fund. The chapter is organized along these evaluation domains (outlined below) and seeks to answer the following questions:

- **Achieving success:** To what extent have lending services allowed borrowers to realize identified goals?
- **Quality of life:** In what ways have lending services affected entrepreneur's quality of life?
- **Business growth and viability:** How have lending services enabled entrepreneurs to expand or sustain their businesses?
- **Financial health:** How have lending services changed entrepreneur's financial health, both real and perceived?
- **Financial practices:** How have entrepreneurs implemented changes in financial practices?
- **Relationships and networks:** In what ways have entrepreneurs' relationships and personal networks changed?

Evaluation domains have been organized to highlight the most prominent findings and may not appear in the same order as in other regional chapters.

Comparisons to the national findings are shared when significant to highlight variations between San Diego borrowers and the rest of the study participants.

²⁸ Final longitudinal results will be released in early 2018.

²⁹ Accion's regional office supports businesses throughout southern California in four counties, Imperial, Riverside, San Bernardino, and San Diego. Throughout this report we refer to this region as San Diego as most borrowers live or work within San Diego County.

Key Baseline Findings

The first round of data collection was conducted from anywhere between 10 and 28 months after entrepreneurs received an Accion loan. At the time of data collection, most entrepreneurs noted positive impacts as a result of Accion's lending services; however, many also reported challenges in strengthening their financial health and business practices. These impacts and challenges will continue to be tracked throughout the study. Key baseline findings for San Diego entrepreneurs that Accion supported include the following points.

- Accion lending services have enabled many entrepreneurs to launch or sustain their businesses by providing the capital needed to expand products and services, or to purchase new equipment.
- Entrepreneurs have sought to improve their financial stability and grow or expand their businesses. However, many entrepreneurs still face key challenges in accomplishing their goals, such as accessing additional capital and increasing their cash flow.
- While saving and investing are important to entrepreneurs, many lack the tools and ability to do so. Most also struggle with developing and adhering to financial plans, and with tracking their finances.

Overview of Study Participants

By the end of fiscal year 2015, Accion had provided over 26 million dollars in loans to entrepreneurs across Imperial, Riverside, San Bernardino and San Diego counties.³⁰ In total, over 2,400 small businesses had been financed and businesses that employ staff beyond the owner reported creating or sustaining an average of 4.5 jobs. In fiscal year 2015 alone, the average loan size was \$10,400. The businesses Accion supports in this region have a 96% survival rate.³¹

Between January 2014 and March 2015, the period used to sample entrepreneurs for this study, a total of 291 San Diego entrepreneurs received a loan from Accion. Some were first time borrowers, while others had received loans in the past. Within this cohort of entrepreneurs, the majority was non-Hispanic Whites (36.0%) and Latinos or Hispanics (34.0%) and most were low to moderate income groups (61.6%).

The study employed stratified cohort probability sampling, engaging borrowers that reflected key factors such as ethnicity, borrower status (i.e., first time or repeat borrowers), and income level. This approach was designed to maximize the ability to generalize findings in each of the regions participating in the study.

A total of 60 entrepreneurs enrolled in the study and participated in the baseline survey.³² Of those participants, 27 entrepreneurs partook in an additional in-depth interview. While the sample of 60 entrepreneurs is reflective of San Diego's Accion-supported entrepreneurs, the sample was ultimately not large enough to be representative across all sampling domains (i.e., race, income level, and borrower status). For more information about the study methods, please see the

³⁰ This includes loans provided between 1994 and 2015.

³¹ Accion. (2015). *Accion Annual Report – Serving Southern California*. https://e81f4c29023dac0094a0-e08bf841fc53e27d6fd3f87c2ae280ba.ssl.cf5.rackcdn.com/2016/04/2015_annual_report_-FINAL-for-web1.pdf

³² The evaluation team aimed to engage 133 entrepreneurs to reach a level of representation that would allow for predictive analysis at the end of the study. While this number was not reached the sample size allows for meaningful conclusions that represent the targeted population.

Introduction section of this report.

Table A-1 describes the study participants in comparison to the sampling cohort. For a detailed demographic overview of study participants see Appendix A.

Table A-1: Overview of Study Participants in Comparison with Sampling Cohort

	Sampling Cohort	Study participants
Total entrepreneurs	291	60
Median loan size	\$8,500	\$8,000
Top industries ³³	<ul style="list-style-type: none"> • 13% Other³⁴ • 11% Professional, Scientific, and Technical Services • 10% Retail trade 	<ul style="list-style-type: none"> • 18% Retail trade • 18% Manufacturing • 12% Professional, Scientific, and Technical Services
Purpose of most recent loan	<i>Data obtained from survey and not available for sampling cohort.</i>	<ul style="list-style-type: none"> • 22% Expand business operations • 33% Maintain business operations • 33% Launch a new business or purchase existing business

This preliminary report is not intended to measure change over time. Entrepreneurs provided retrospective insights on the impact of their loan 10-28 months after receiving it; the next phase of the study will evaluate the extent to which these impacts are sustained over time.



ACHIEVING SUCCESS

Entrepreneurs defined the success of their business in their own way. This section explores what success means for entrepreneurs and the business and financial goals they have for themselves and their families. In addition, we explore what motivates entrepreneurs and the priorities they had at the time they sought and received a loan from Accion.

Entrepreneurs seek to improve their financial stability and grow or expand their businesses. When asked about their short-term and long-term business goals, several entrepreneurs noted that they would like to pay off or reduce their credit card and loan debts and build up their savings. Furthermore, a large majority of San Diego entrepreneurs indicated that it was very important for them to have money to support their family (Figure A-1). About two-thirds (67%) indicated that it was very important for them to save money for big purchases.

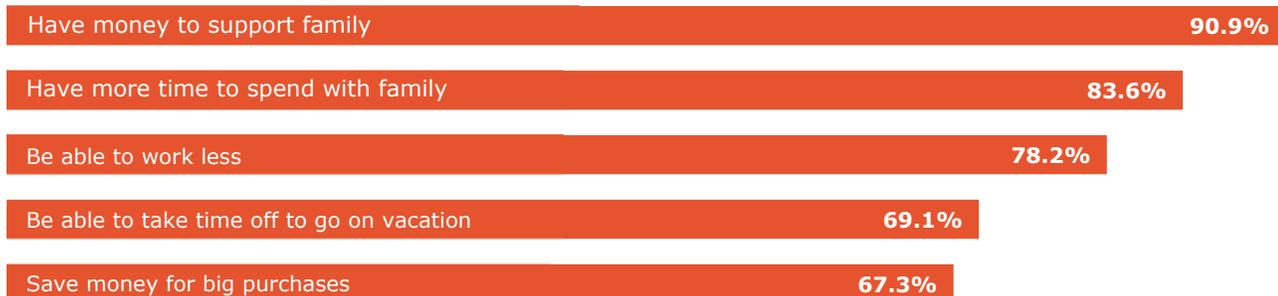
One interviewee shared that a major “goal would be to pay down debt and to rebuild some of the savings that I’ve invested into the company.” Many participants stated that they are also aiming to improve, or in numerous cases, to rebuild their

³³ Industries reflect the names of the North American Industry Classification System (NAICS). NAICS industry names are the standard that Federal agencies use when classifying business establishments.

³⁴ Businesses in this sector are primarily engaged in activities such as equipment and machinery repairing, promoting or administering religious activities, grant making, advocacy, and providing dry-cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.

credit. A few interviewees indicated that receiving an Accion loan is helping to achieve these goals. As one entrepreneur explained, “What Accion San Diego did was to help me start my business’s credit history . . . it helped me obtain loans with other banks.”

Figure A-1: At the time of obtaining their latest loan, entrepreneurs reported wanting to have more money to support their family as a personal priority.



San Diego entrepreneurs seek to grow their businesses to a point where they can take home a salary. Several interviewees shared that they have not yet been able to take money out of their business to pay themselves. An entrepreneur described her progress on her goal to attain a take-home salary: “A medium-term goal would be to get to a point where I can actually pay myself. I’ve taken no money from the business yet. We’re probably about 75% of the way to that goal to be able to support my family and other expenses. I’m still working outside of the business to do that.”

Entrepreneurs described how they would like to grow or expand their businesses, including by opening up more locations, reaching a larger customer base through improved marketing and social media, diversifying or expanding their products and services, and hiring more staff. Several respondents said they are facing challenges to increasing their visibility and reaching customers, while others highlighted the progress they are making in accomplishing this goal (e.g., by reaching out to media partners). However, still others noted that they need additional capital and support to increase their marketing (e.g., by building out their website or increasing their social media presence).

Key challenges in achieving goals include poor credit, lack of steady cash flow, and limited access to capital. After receiving a loan, entrepreneurs are still challenged by lack of steady cash flow and poor credit. Several participants indicated that they have difficulty getting loans from more traditional lenders like banks. For example, some noted difficulties in getting loans because of banks’ unwillingness to invest in new or potentially risky businesses. One entrepreneur described the challenge he has faced in getting a loan from a bank, even with good credit: “I do have cash. I have savings. It’s more of a willingness to lend. It’s not about credit rates. It’s more about credit conditions from the bank. It’s not about my personal credit, it’s just . . . the institutions.”

Respondents also pointed to poor credit and high interest rates as hindrances to acquiring loans. Building or improving credit was the primary reason many sought out a loan from Accion. While entrepreneurs noted improvements in their credit thanks to Accion, several still struggle with accessing the additional capital they need. Follow-up interviews will continue to probe entrepreneurs’ experiences to better understand the opportunities and challenges to accessing additional capital.

As a result of Accion lending services, entrepreneurs expanded their products and services, and bought needed equipment and materials. When asked about changes to their businesses that happened as a result of receiving the loan from Accion, several entrepreneurs said the funding allowed them to purchase more products or serve more customers. One entrepreneur explained that the loan allowed him to buy items in bulk, which in turn cut costs: “We used [the loan] to add more inventory. With our wholesalers, if you buy more, you obviously get a better price, so we were able to cut down some of our costs with purchasing items, like our overhead on some of the items, we’re able to reduce that by buying bigger bulk with the loan.”

Accion loans also helped borrowers improve their businesses through purchases of new equipment, renovation of workspaces, and creation of new marketing campaigns and materials. Further, nearly half (46.9%) of entrepreneurs found the Accion loan impacted their ability to acquire new equipment, such as vehicles and software (Table A-2). Additional vehicles allowed for some businesses to expand and improve their services. For example, one borrower used loan money to purchase an additional truck for an employee, which helped transport more materials and saved time. The creation of marketing tools allowed other business owners to market their services to the community and bring in additional business.

Table A-2: **Entrepreneurs who indicated Accion had a significant impact on...**

Acquiring new equipment	46.9%
Expanding/modifying products or services	49.0%
Cash flow	45.2%
Business profit	34.1%



BUSINESS GROWTH AND VIABILITY

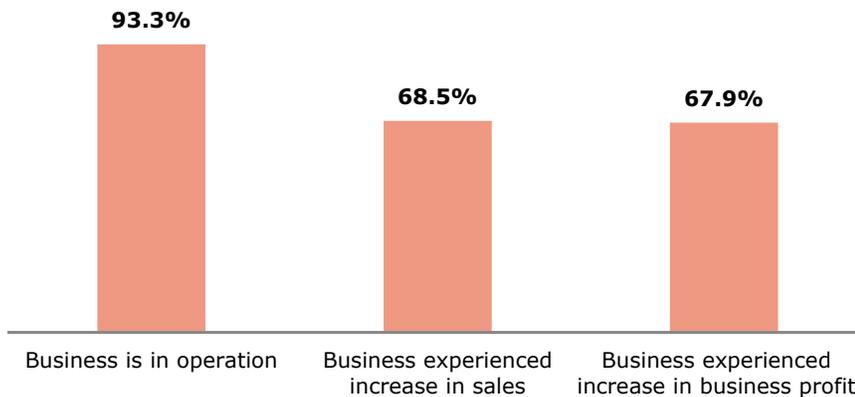
This section explores how lending services enabled entrepreneurs to expand or sustain their businesses. In particular, this section looks at the extent to which businesses have grown since receiving a loan and to what extent borrowers would like to grow their businesses.

Lending services have enabled many entrepreneurs to launch or sustain their businesses. Many of the interviewed entrepreneurs said the biggest impact of the loan was simply giving them access to capital when they needed it. When asked if she would have been able to increase business sales without the loan from Accion, one entrepreneur said, “Yes, I would have. It’s really all on me. Accion just helped me do it quicker. Accion helped me get to where I needed to get now.” The capital allowed entrepreneurs to make the necessary investments or improvements needed to get their businesses to a place of increased sales and profits. One entrepreneur described a few business changes since receiving the loan, including doubling their aquarium space and adding more products.

Other entrepreneurs used the funding to improve or expand their marketing and outreach efforts, many of whom also noted they wouldn’t have been able to invest in marketing had it not been for the loan. Some used the funding as a cash reserve or “cushion” to use when business was slower or for an emergency. An

entrepreneur explained, “The loan is fairly recent. We’re just keeping that in the reserve in case we hit some rough patches.” Others used it to buy more products and equipment or for renovations, which in turn helped increase their sales or productivity. Another entrepreneur explained how the loan allowed for an investment in something that wouldn’t reap immediate benefits: “It’s good to have the cushion. I’ve been more inclined to take . . . I wouldn’t say risk but to spend some money on marketing which will pay dividends in the next month or two.” More than two-thirds of surveyed borrowers indicated both their business sales and business profits had increased in the six months prior to the survey (Figure A-2).

Figure A-2: About 68% of businesses experienced growth in business indicators in the past six months.



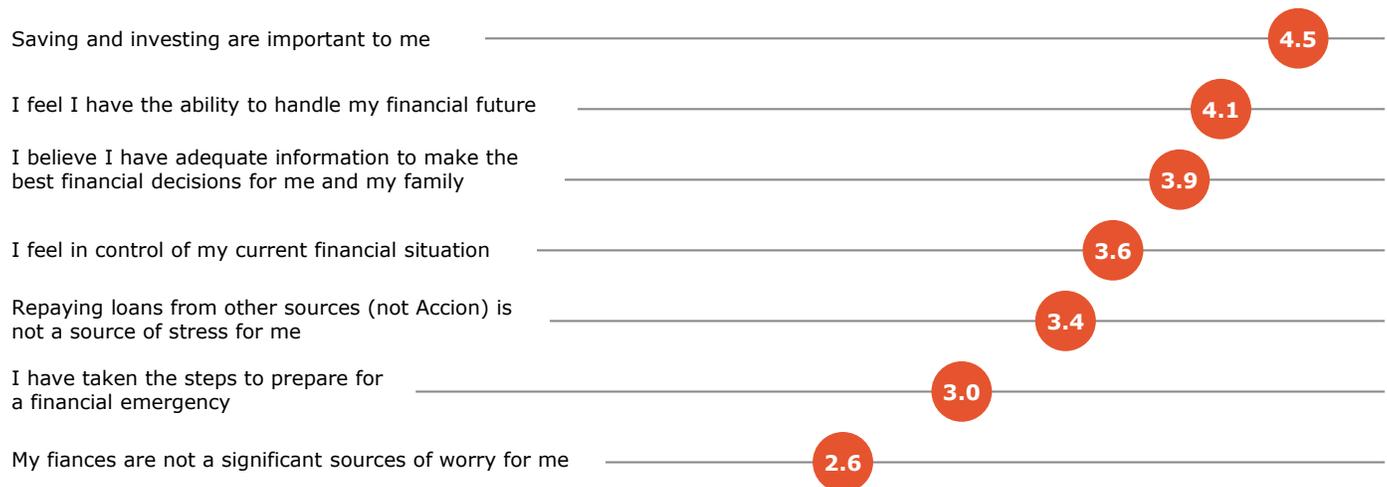
FINANCIAL HEALTH & FINANCIAL PRACTICES

This section explores how lending services changed entrepreneurs’ financial health and how entrepreneurs have implemented changes to their financial practices. We have grouped together these evaluation domains as findings cut across both areas.

While saving and investing are important to entrepreneurs, many lack the tools and ability to do so. When rating statements about their personal financial welfare, saving and investing was ranked as most important. On a 5-point scale, where one meant “not at all true” and five meant “very true,” this statement received the highest average rating of 4.5. Entrepreneurs also indicated that they have the ability to handle their financial future but their personal finances are a source of worry (Figure A-3). Interviewees emphasized poor credit and limited cash flow as primary ongoing challenges.

Figure A-3: Average ratings show that saving and investing are very important to entrepreneurs, but finances continue to be a source of worry for many.

Scale was 1–5, with 5 representing “very true”



San Diego entrepreneurs were proactive in separating their personal and business finances (83.6% of those surveyed hold separate accounts for business and personal use compared to 83.2% nationally). Separating personal and business finances is an important building block in establishing healthy financial practices, especially for those entrepreneurs who noted having poor credit when seeking out a loan from Accion. In general, borrowers who separated their finances also tended to have other investments, such as savings accounts and college savings for their children.

Entrepreneurs do not properly track their finances and struggle developing and adhering to financial business plans. When asked how they track their business finances, most interviewees had either no clear tracking method or described vague or ineffective tracking methods. One entrepreneur stated, “The way I figure it is as long as I have money to pay my bills and buy new merchandise, and as long as I have gas in my car, it’s real simple. As long as I am taking care of my responsibilities and keep money in the checking account.”

More than half of San Diego entrepreneurs (60.4%) reported having a business financial plan, compared to 54.1% nationally. A financial plan helps business owners steer their businesses in the right direction. While some entrepreneurs felt their financial plan was an integral piece of business success, many struggled to adhere to it. Those who struggled in developing or adhering to a financial plan may not be making well-informed decisions about their businesses’ finances (e.g., about pricing goods or services or appropriately budgeting costs).

One in every five surveyed San Diego entrepreneurs (20%) believed that Accion had an impact on their ability to improve their financial record keeping, and a similar number (23.4%) felt that Accion had impacted their ability to project business sales and profits (Figure A-4). Furthermore, few entrepreneurs reported receiving assistance from their loan officers that helped improve their financial practices.

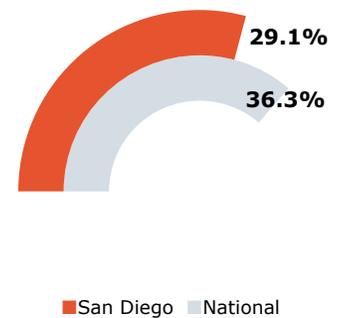
Figure A-4: Accion impacted a small group of entrepreneurs' ability to improve financial record keeping and project business sales and profits



Additionally, only a few of all San Diego entrepreneurs (28.6%) indicated that they have changed, at least somewhat, the way they track their business finances as a result of the loan or business advising.

Many are unprepared for unexpected business expenses and do not have resources to weather financial dips. Interviewees explained that when faced with an unexpected cost they would resort to using a credit card, to seeking a new loan, or to borrowing from friends and family to address the emergency. Several added that they have little to no savings that would help them recover from an unexpected businesses expense. When asked how an unexpected expense would be dealt with, one borrower said, "I would probably do what I don't want to do and have to go and ask family or friends to borrow some money on a short-term basis." However, about a third (29.1%) of all San Diego entrepreneurs have taken steps to prepare for a financial emergency (Figure A-5). For example, some interviewees noted that they have started to set aside personal or business savings should an emergency arise.

Figure A-5: 29% of entrepreneurs have taken steps to prepare for a financial emergency



Entrepreneurs with business savings, emergency funds, and/or personal savings felt more prepared to handle an unexpected expense, should one occur. A smaller subset of interviewees mentioned that Accion helped prepare them for financial emergencies by providing capital that allowed entrepreneurs to add to their cash reserves. One prepared borrower stated, "The loan enabled me to actually have some cash put away." Another interviewee said, "The prime reason behind going for the second Accion loan was to create a little bit of a financial cushion to use in that event."

A few entrepreneurs benefited from Accion’s financial advising. Only a few borrowers reported receiving additional technical assistance from loan officers. However, those that did receive assistance reported improvements in personal and business financial practices. Loan officers have helped clients define goals, have assisted in creating business plans, and have provided entrepreneurs with skills on best financial practices. In addition, some entrepreneurs mentioned attending Accion workshops for business development. One entrepreneur shared his experience with the Accion Academy for Entrepreneurial Success. He noted, “Accion Academy gave me the groundwork to stay on track and get my new business up and running. It gave me materials to fall back on and some of the things I learned I still use to this day.”³⁵ It is important to note that this data primarily reflects entrepreneurs’ recollection and perception of the support services they received and may not be reflective of the full scope of support services offered by loan officers.



RELATIONSHIPS AND NETWORKS

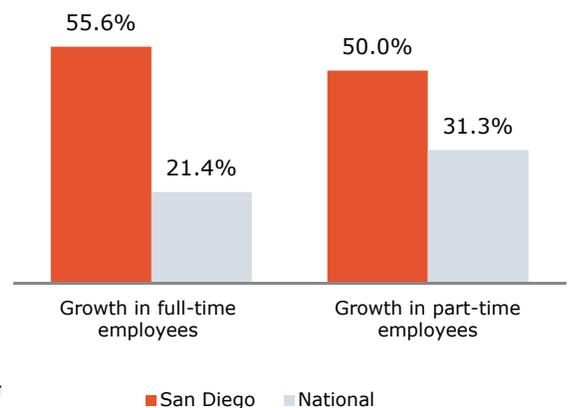
This section describes San Diego entrepreneurs’ current relationships and personal networks and how they have changed since receiving the loan. In particular, this section looks at the extent to which entrepreneurs are hiring and generating jobs, and the ways that entrepreneurs are networking.

San Diego entrepreneurs are generating and retaining jobs. The majority of entrepreneurs (70.9%) had other people besides themselves working in their businesses. These people included family members, employees, interns, and volunteers. Among those with people working in their business, 59% had paid employees. The average number of hired employees was six, with a range from 1 to 28 paid employees.

Entrepreneurs’ families play a major role in their businesses. Nearly half of San Diego entrepreneurs (48.7%) had family members working in their business. Interviewees indicated their family members play a broad range of roles, from children working at their business as additional help, to a family member being a part owner in the business.

Several interviewees indicated the loan helped them hire additional staff, which in turn helped them serve more customers. One entrepreneur stated, “As a result of the loan, I was able to hire an additional supervisor, and when I hired an additional supervisor, I was able to hire more care professionals, and then as I grew the team, I was able to take more patients and more cases.” Among those with people working in their business, about half saw an increase in the number of part-time and full-time employees in the six months prior to the survey (Figure A-6). Of those experiencing growth, 33.4% of entrepreneurs mentioned their Accion loan had an impact on their ability to hire staff. In addition to increasing their ability to hire staff, the loan helped entrepreneurs increase the number of hours their existing employees worked and aided their ability to retain current employees.

Figure A-6: Among entrepreneurs with people in their business, about half increased the number of part-time and full-time employees.



³⁵ The Accion Academy for Entrepreneurial Success (AAES) program is an 8-week series of training and one-on-one business counseling sessions designed to empower individuals to be entrepreneurs. The AAES program takes place prior to obtaining a loan from Accion.

Small business owners play a large role in contributing to local economies, not only by using local goods and services but also through wages paid to their employees, which were generally higher than California's then \$10.00/hour minimum wage. Employee wages for San Diego businesses varied depending on whether the employee was considered part-time or full-time, with full-time employees earning more. Paid full-time employees had a median hourly wage of \$16.00 and an average hourly wage of \$22.90. Paid part-time employees had a median hourly wage of \$13.75 and an average hourly wage of \$14.47. About half of entrepreneurs with employees (47.8%) also offered formal benefits, including health insurance and paid holidays.

San Diego entrepreneurs are networking with small business groups to grow their business. A majority of the borrowers interviewed were part of a local small business or community group. A few said they were involved in several groups. Local small business associations and chambers of commerce were the most mentioned types of groups individuals were involved in. One entrepreneur said they served as a board member for the local city council.

Most respondents said that small business and community groups help them build connections, grow their networks, and raise the visibility of their businesses. An interviewee said the groups and associations he is involved in provide him with "business connectivity." Another stated that being part of the chamber of commerce provided "more advertisement" for her business and that she is able to sell her products at some of their venues. A few mentioned they joined a group to get small business advice and support. One entrepreneur described the services a local women's networking group provides her: "They do different seminars and collaborations with other businesses where you can just sit down and talk to other people about different business things."



QUALITY OF LIFE

This section explores how lending services have affected entrepreneurs' quality of life. In particular, this section explores the extent to which entrepreneurs' sense of freedom and control have changed.

Most entrepreneurs noted no tangible changes related to their quality of life, but most have an increased sense of self-reliance, freedom, and financial stability. Specifically, individuals talked about gaining a sense of ownership and control in starting or maintaining their own businesses. When asked about control or freedom after receiving a loan, one entrepreneur stated, "Yeah, for sure, now that I have my own business and I'm my own boss. It's a lot better than working for somebody that's trying to tell you what to do all the time. I feel like I'm actually able to make myself successful versus making someone else's business successful." Some interviewees noted their business growth enabled them to have more control over their businesses.

Some San Diego borrowers reported an increased sense of financial control and



freedom. Specifically, entrepreneurs said the loan relieved some of their financial stress. A relieved entrepreneur stated, "Since I got the Accion loan I probably sleep a little better. At least I know that if something unexpected comes along we can ride through it." As mentioned earlier, many individuals have limited cash flow and are unprepared for financial emergencies or unexpected businesses expenses. Given these realities, receiving a loan from Accion helped relieve entrepreneurs' financial pressures. One interviewee stated, "I feel more secure having the cash." Another interviewee said, "It's just taken a little bit of stress off the day-to-day operating expenses and it's taken a lot of pressure off of me as far as the bills getting paid on time. It's allowed me a little bit of sleep. I'm not as worried as much as I was before".

On average, surveyed entrepreneurs noted their loan having the most impact on feeling more confident in their ability to achieve goals, to improve their credit, and to feel more financially stable.

Entrepreneurs continue to work long hours. The loan did not have a big impact on entrepreneurs' ability to work less or spend more time with their family, underscoring that launching a business requires substantial time and effort. A third of all San Diego entrepreneurs sought out a loan from Accion to launch a new business, while others noted their business is still relatively new, noting that they are in start-up mode. A few added that while their hours have increased, they have been able to shift tasks to other employees and focus on running the business. One entrepreneur explained that he continues to work long hours but has been able to shift responsibilities to other employees:

As a result of the loan, I have been able to grow my company, which has meant that I am able to pay other people, who do more parts of my business, which you would think would bring up my time, but it hasn't because we continue to grow. I would say it's been helpful to get some things off of my plate, but since we have been in start-up, my work hours [have] not changed.

San Diego entrepreneurs generally work longer hours than national entrepreneurs. Almost two thirds of surveyed entrepreneurs (58.1%) noted working 40 hours or more each week, with 34.5% working 60 or more hours.

Summary

Preliminary findings indicate that San Diego entrepreneurs have benefited from Accion lending services. Similar to the findings from the Aspen Institute's annual EntrepreneurTracker FIELD program, the majority of entrepreneurs (93.3%) were still operating their business at the time of the survey (10–28 months after receiving the loan).³⁶ Similarly, more than half experienced an increase in sales and profit during the six months prior to the survey (68.5% and 67.9% respectively). Accion lending has enabled many entrepreneurs to launch or sustain their businesses by providing the capital needed to expand products and services, or to purchase new equipment. The study, however, has also highlighted key challenges San Diego entrepreneurs face, including accessing additional capital, developing and adhering to financial plans, and tracking their business finances.

The evaluation team will continue to track how lending services have impacted the economic security and financial goals of individual entrepreneurs, the commercial

"[Things are much better] now that I have my own business and I'm my own boss. It's a lot better than working for somebody that's trying to tell you what to do all the time. I feel like I'm actually able to make myself successful versus making someone else's business successful."

–San Diego Entrepreneur

³⁶ The EntrepreneurTracker's latest public data is for fiscal year 2014, where the survival rate for small businesses participating in the survey was 94%. Retrieved from www.microtracker.org on November 3, 2016.

viability of the businesses funded by nonprofit lending institutions, and the entrepreneurs' engagement in and relationship to their local communities across the six evaluation domains identified here. Follow up data collection will also delve deeper into the regional nuances and challenges faced by entrepreneurs. Follow up data collection will occur in the spring and summer of 2017 and final longitudinal results are expected to be released in early 2018. 🇺🇸

Preliminary Findings for Los Angeles & the San Francisco Bay Area

Introduction

Many US businesses are unable to access loans from traditional financial institutions because they are too young, too small, have imperfect credit, or have modest incomes. Opportunity Fund helps small businesses thrive by providing affordable capital and support services to entrepreneurs who cannot access the credit they need to start or grow their business. As part of this work, Opportunity Fund evaluates a range of outcome indicators of borrower success, including repayment rates, business survival, repeat borrowers, and job creation and retention. However, these metrics do not provide a deeper understanding of the holistic, longer-term impacts of lending on individuals and their households, small businesses, and communities. As a response to this need, Opportunity Fund has partnered with Accion and Harder+Company Community Research to design and implement a first-of-its-kind national longitudinal evaluation of the impact of their small business lending.

The Small Business Lending Impact Study assesses the mid-term impact (two to three years post-loan) of small business lending on the economic security and financial goals of individual entrepreneurs, the commercial viability of the businesses funded by nonprofit lending institutions, and entrepreneurs' engagement in and relationship to their local communities. The study seeks to identify the associations that may be attributed to receiving an Opportunity Fund or Accion loan. This evaluation is unique because it investigates borrowers' perceived financial security, definitions of success, and personal and business goal attainment, and it does so on national and regional scales.

This is a longitudinal study and data collection will take place over a two-year period.³⁷ This chapter lays out the study's baseline findings for Opportunity Fund's markets in the greater San Francisco Bay Area and Los Angeles regions of California.³⁸ Data were collected in the spring of 2016 through telephone and online surveys and through in-depth telephone interviews with borrowers who received a loan between January 2014 and March 2015.

How to Read this Chapter

This study is comprised of six evaluation domains, developed jointly with stakeholders across Accion and Opportunity Fund. The chapter is organized along these evaluation domains (outlined below) and seeks to answer the following questions:

- **Achieving success:** To what extent have lending services allowed borrowers to realize identified goals?
- **Quality of life:** In what ways have lending services affected entrepreneur's quality of life?
- **Business growth and viability:** How have lending services enabled entrepreneurs to expand or sustain their businesses?
- **Financial health:** How have lending services changed entrepreneurs' financial health, both real and perceived?
- **Financial practices:** How have entrepreneurs implemented changes in financial practices?
- **Relationships and networks:** In what ways have entrepreneurs' relationships and personal networks changed?

Evaluation domains have been organized to highlight the most prominent findings and may not appear in the same order as in other regional chapters.

Comparisons to the national findings are shared when significant to highlight variations between Los Angeles and/or Bay Area borrowers and the rest of the study participants.

³⁷ Final longitudinal results will be released in early 2018.

³⁸ Opportunity Fund supports businesses throughout California with a concentration in the greater San Francisco Bay Area, the Central Valley and Los Angeles. For the purpose of this report, we have grouped Central Valley entrepreneurs and San Francisco Bay Area entrepreneurs.

Key Baseline Findings

The first round of data collection was conducted in 2016, 10 to 28 months after entrepreneurs received an Opportunity Fund loan. At the time of data collection, most entrepreneurs noted positive impacts as a result of Opportunity Fund's lending services; however, many also reported facing challenges in strengthening their financial health and business practices. These impacts and challenges will be explored more deeply in the next phase of the study. Key baseline findings for California entrepreneurs supported by Opportunity Fund include:

- Entrepreneurs reported reduced daily stress and an increased sense of confidence about their business and their role as an entrepreneur.
- Business owners reported that the loan has helped them hire more staff and expand their business, ultimately ensuring that they are making progress toward personal and business goals.
- Despite this positive outlook for the future, entrepreneurs do not feel completely prepared for unexpected business expenses. If a financial emergency arose, they would likely need to take on additional debt to cover it.
- While entrepreneurs have articulated business and personal goals, the majority do not have a formal business plan to track their progress toward long-term objectives. Entrepreneurs value saving and investing for the future, yet most are not able to do so at this time and are focused on achieving short-term goals, such as expanding their inventory or repairing broken equipment.

Overview of Opportunity Fund and Study Participants

Since 1994, Opportunity Fund has provided over \$194 million in capital to entrepreneurs across California. The vast majority of funded businesses are minority-owned (88%), including 30% owned by women. Opportunity Fund-supported businesses have a 95% survival rate.

Between January 2014 and March 2015, the period used to sample entrepreneurs for this study, a total of 1,656 entrepreneurs received a loan from Opportunity Fund. The majority were first time borrowers (65%). Within this cohort of entrepreneurs, 47% were located in the greater Los Angeles region and 53% were located in the greater Bay Area.³⁹ The majority were Latino/a (70%) and low income (60%).

To ensure a study sample of entrepreneurs that reflects the diversity that Opportunity Fund supports, the study employed stratified cohort probability sampling, engaging borrowers that reflected key factors such as ethnicity, borrower status (e.g., first time or repeat borrowers), and income level. This approach was designed to maximize the ability to generalize findings of each participating region.

A total of 102 entrepreneurs enrolled in the study and participated in the baseline

³⁹ Includes entrepreneurs in the Central Valley region (e.g., Fresno County)

survey.⁴⁰ Among those enrolled, 20 Bay Area and 21 Los Angeles entrepreneurs participated in an additional in-depth interview. While the sample of 102 entrepreneurs is reflective of Opportunity Fund-supported entrepreneurs, the sample was ultimately not large enough to be representative across all sampling domains (race, income level, and first-time/repeat borrower status). For more information about the study methods, please see the Introduction section of this report.

Table B-1 compares the study participants to the cohort of California entrepreneurs supported by Opportunity Fund between January 2014 and March 2015. (For a demographic description of all study participants see Appendix A.)

Table B-1: Overview of Study Participants in Comparison with Sampling Cohort

	Sampling Cohort	Study participants (n=102)	
		Bay Area	Los Angeles
Total entrepreneurs	1,656	61	41
Median loan size	\$11,854	\$15,734	\$13,067
Top industries ⁴¹	<ul style="list-style-type: none"> • 33% Transportation and Warehousing • 16% Retail Trade • 15% Accommodation and Food Services 	<ul style="list-style-type: none"> • 30% Transportation and Warehousing • 12% Health Care and Social Assistance • 16% Accommodation and Food Service 	<ul style="list-style-type: none"> • 32% Retail Trade • 29% Transportation and Warehousing • 7% Information • 7% Manufacturing
Purpose of most recent loan	<i>Data obtained from survey and not available for sampling cohort.</i>	<ul style="list-style-type: none"> • 43% Expand business • 36% Maintain business operations • 16% Launch a new business or purchase existing business 	<ul style="list-style-type: none"> • 37% Expand business • 56% Maintain business operations • 5% Launch a new business or purchase existing business

This preliminary report is not intended to measure change over time. Entrepreneurs provided retrospective insights on the impact of their loan 10-28 months after receiving it; the next phase of the study will evaluate the extent to which these impacts are sustained over time.



ACHIEVING SUCCESS

Entrepreneurs define the success of their businesses in a variety of ways. This section explores what success means for entrepreneurs, as well as the business and financial goals they have for themselves and their families. In addition, we explore what motivates entrepreneurs and the priorities they had at the time they sought and received a loan from Opportunity Fund.

⁴⁰ The evaluation team aimed to engage 273 entrepreneurs to reach a level of representation that would allow for predictive analysis at the end of the study. While this number was not reached the sample size allows for meaningful conclusions that represent the targeted population.

⁴¹ Industries identified here reflect the North American Industry Classification System (NAICS) names. NAICS industry names are the standard used by Federal agencies when classifying business establishments.

Entrepreneurs' ultimate goal is financial stability. Most entrepreneurs reported that they started their business out of a desire to increase financial stability, to gain freedom, and to support their families. The desire for stability drove most participants to seek out a loan from Opportunity Fund.

In addition, more than three-quarters of Opportunity Fund entrepreneurs identified as personal priorities having enough money to support their family, having more time to spend with their family, and being able to work less (Figure B-1). These priorities are not necessarily the reason entrepreneurs sought out a loan, but rather are their personal motivations for strengthening their businesses.

Figure B-1: Entrepreneurs most commonly cited their goal to have more money to support their family as a priority.

Percent of entrepreneurs who marked "strongly agree" or "agree" for each goal statement.⁴²



When asked why they started their business, most interviewees noted goals related to freedom and stability. A small group shared they previously had jobs where they were poorly treated, did not earn enough income, or felt there was no upward mobility; this spurred the desire to become "their own boss." Several also explained how their immigrant experience led them to start their own business. For example, one Bay Area entrepreneur shared, "Why did I start this business? I came here from my country a long time ago. I worked as a nurse back home and I kept wondering what I could do here because I had worked in different places, and to be honest, since I had worked as a nurse in my country I thought I could dedicate [myself to] take care of children, watch them grow and help children."

For most entrepreneurs, business growth is a key step towards financial stability. Interviewees who owned older businesses or brick and mortar locations noted a desire to grow their businesses by expanding to other locations, hiring more employees, and working to increase overall sales and profit.

Conversely, a few entrepreneurs, particularly those with sole-operated businesses, desired stability rather than growth. For example, a number of long-haul trucking businesses based in the Los Angeles area reported that they wanted to increase their cash flow and reduce their current debt, but they did not think about hiring employees or purchasing more trucks. One interviewee shared that long-haul trucking provided him with limited opportunities to grow his businesses. In order to grow his business, he would have to hire individuals with commercial driving licenses and purchase additional trucks. Instead of pursuing this avenue, he closed the long-haul trucking component of his businesses and is now focused on starting a tow-truck business where growth and expansion feel more feasible; he can hire individuals without a commercial license and tow trucks are generally less expensive than long-haul trucks.

⁴² Entrepreneurs could select multiple answers as their goals. Percentages do not add up to 100.

It is important to note that when asked about general goals, three entrepreneurs expressed a desire to expand their business specifically for community-related reasons, such as wanting to support their local community and wanting to create a more vibrant local economy so people don't have to leave the area to go shopping. Community-focused goals will continue to be explored in the next phase of the study.

Entrepreneurs have different definitions of long-term business success.

Some interviewees defined success as continued growth; others defined it as delivering a high-quality product or service. A few interviewees shared that they would feel successful in the long term if they were able to hand over their business operations to someone else, such as to an employee or, later in life, to their children, leaving them to focus more on strategic vision.

Opportunity Fund lending services have helped entrepreneurs make progress toward their business goals, including by helping them launch or expand their business, reduce their debt, or increase their cash-flow.

Most interviewees identified tangible changes—such as expanding or modifying products and services, acquiring new equipment, and hiring additional employees—as a result of their Opportunity Fund financing. A total of 74% of participants also reported that Opportunity Fund helped them achieve or make progress on their personal goals (Figure B-1 for personal priorities at time of loan). Most shared that their loan helped them move in the direction of growth and stability by helping to improve their credit and by providing the capital that made expansion possible. One interviewee explained, “Short-term, I’m already headed in the right direction because I hired two new employees and our business is growing [since receiving the loan]. In the long-term I like the location that I’m at, so I definitely want to stay there.” Interviewees also explained that their loan has helped them to pay off high interest credit cards or lines of credit, adding capital to their business and supporting profitability.

A total of 74% of participants noted that Opportunity Fund helped them achieve or make progress on their personal goals.

Entrepreneurs have a positive outlook for their financial future and for the financial future of their business.

When asked about their future, interviewees were optimistic about continuing to make strides towards their goals. However, a small number of interviewees noted ongoing financial challenges, such as increased rent or other expenses. Others shared that they still have too little time with their families. The majority of participants projected increases in sales, profit, savings, and take-home pay (Figure B-2). Ultimately, most entrepreneurs noted optimism for the future.

Figure B-2: Most entrepreneurs project an increase in business indicators over the next six months.

A smaller majority also project an increase in household-related indicators, such as savings and take-home pay.





QUALITY OF LIFE

Another key area of research is the extent to which lending services have impacted entrepreneurs' quality of life. This section explores the degree to which Opportunity Fund financing services have impacted entrepreneurs' sense of personal freedom and control over their time.

Los Angeles and Bay Area entrepreneurs reported feeling more control and freedom as a result of their loan. Entrepreneurs explained they now have a greater ability to make their own schedules, to adapt work hours to family events, or to address emergencies as needed. In fact, wanting to spend more time with family was a central reason that entrepreneurs across Los Angeles and the Bay Area started their business in the first place. Many interviewees shared that their families have greatly benefited from the loan, as it has enabled them to increase their business profits and take-home pay, has given them more ownership over their time, and has provided them with the possibility to afford things that were previously not possible, such as a new car, home maintenance, or private school for their children. Many interviewees also reported feeling increased ease in their everyday life since taking out their loan, gaining more peace of mind, greater financial freedom, and the ability to step away from work for short vacations or family time.

About a third of entrepreneurs (29.1%) reported that their Opportunity Fund lending services helped them work less. Specifically, because the loan provided much needed capital, many entrepreneurs were able to hire more employees, allowing them greater freedom with their time. (More information on hiring and wages can be found on page 46.)

While entrepreneurs are making strides toward working less, compared to the national sample, Los Angeles and Bay Area entrepreneurs work more.

Almost three quarters (73.9%) of Opportunity Fund entrepreneurs reported working an average of more than 40 hours per week, compared to 65.2% for the national sample.⁴³ However, the proportion of Los Angeles and Bay Area entrepreneurs reporting improvement in this area as a result of the loan was greater than in the national sample (29.2% compared to 20.4%). Additionally, fewer entrepreneurs reported having a second job (17.7% compared to 33.8% nationally), which may explain in part the longer hours worked compared to the national figures. Along these lines, it is important to note that two out of five entrepreneurs reported wanting to work less, though in the initial stages of their business they often found themselves working more. However, those who worked more explained that their business, in part because of their loan, was in a growth stage, and working more was an expected part of a growing business.



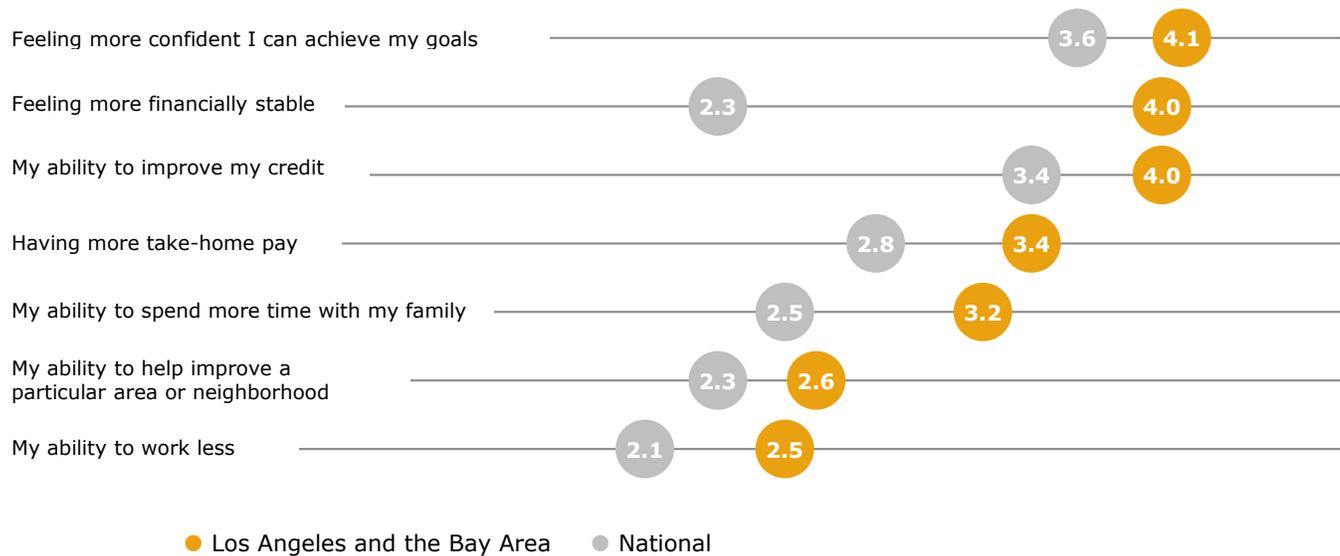
⁴³ Statistically significant; $p < .05$.

Entrepreneurs felt more financially self-reliant, and they related that self-reliance to Opportunity Fund financing. Entrepreneurs reported that their loan had the most impact on their confidence in achieving goals, on their ability to improve credit, and on their sense of financial stability (Figure B-3). Three quarters (77.0%) of entrepreneurs noted that the loan from Opportunity Fund had a high impact on their sense of self-confidence. And in general, Opportunity Fund-supported businesses feel more financially stable than the national sample. While we don't yet know the why, it is something the study will continue to track. Interviewees also indicated that after receiving a loan they feel more confident they are on the right track to accomplish their goals, both personally and professionally, while still acknowledging the challenges they may face (e.g., lack of savings, language barriers). One Los Angeles trucker noted, "My life has completely changed because I'm the owner of my own time; I decide when, how, and where I want to work. The income is better, so the economic stability has definitely changed."

"My life has completely changed because I'm the owner of my own time; I decide when, how, and where I want to work. The income is better, so the economic stability has definitely changed."

-Los Angeles Entrepreneur

Figure B-3: Average ratings show that loans have so far had the biggest impact on sense of confidence. Scale was 1-5, with 5 representing "a lot of impact"



BUSINESS GROWTH AND VIABILITY

This section explores how lending services have enabled entrepreneurs to expand or sustain their businesses. In particular, this section looks at the extent to which businesses have grown since receiving a loan and to what extent borrowers would like to grow their businesses.

Lending services allowed entrepreneurs to invest in their businesses and most indicated that their businesses have grown. Interviewees shared that as a result of their loan they've been able to implement tangible changes to their businesses, including improvements to their facilities, buying additional merchandise or equipment, and/or expanding to other locations. Those who expanded or moved to

a different location noted that the new location resulted in increased sales. Interviewees who have retail businesses also reported being able to expand their merchandise to meet demand. In total, over half of all participants experienced increases in business sales and profits in the six months prior to this survey (see Figure B-2 in this chapter). In addition, two thirds (66.7%) stated that Opportunity Fund had a significant impact on their ability to purchase new equipment, such as computers, kitchen tools, and vehicles (Table B-2). New or upgraded equipment allows entrepreneurs to expand and improve their services. One entrepreneur explained, “Much of the growth of our business is due to being able to get the loan.” Another shared, “We’re able to operate more efficiently . . . we have expanded our facility.”

Table B-2: Entrepreneurs who indicated Opportunity Fund had a significant impact on...

Business profit	68.5%
Expanding/modifying products or services	67.1%
Acquiring new equipment	66.7%
Cash flow	63.6%

Almost all entrepreneurs expressed interest in growing and continuing to grow their businesses.

While most entrepreneurs’ ultimate goal is to ensure financial stability for them and their households, most interviewees also spoke of an interest in continuing to grow their business as a way to reach financial stability. Generally, entrepreneurs reported goals of expanding business locations, hiring more staff, buying more equipment, and increasing their merchandise. A few Bay Area entrepreneurs saw an added benefit in supporting their local community as their business expands. For example, one individual sought to work with local employment agencies and provide jobs to those in his community. Another entrepreneur started a retail business to give the community, which is relatively isolated, local options for commerce.

Interviewees shared that a large factor in having ambitious growth goals was having recently hired additional staff. In the six months prior to the survey, 23.5% saw an increase in the number of employees. The majority of entrepreneurs (82.3%) have other people besides themselves working in their businesses, including family members (who may be paid or unpaid), paid employees, interns, and unpaid helpers (e.g., volunteers). Among those with people working in their business, 62% have paid employees. Entrepreneurs employ a median of two employees, not including the owner. Interviewees indicated that their family members, particularly those who have college-age children, play a broad range of roles in their business, from working part-time after school, to being part owners of the business.

Wages paid to employees varied depending on part-time or full-time employment status, with full-time employees earning more. Paid full-time employees had a median hourly wage of \$14.50 whereas paid part-time employees had a median hourly wage of \$13.00/hour, higher than the \$10/hour minimum wage in California at the time of the survey, but similar to other regions in the study.



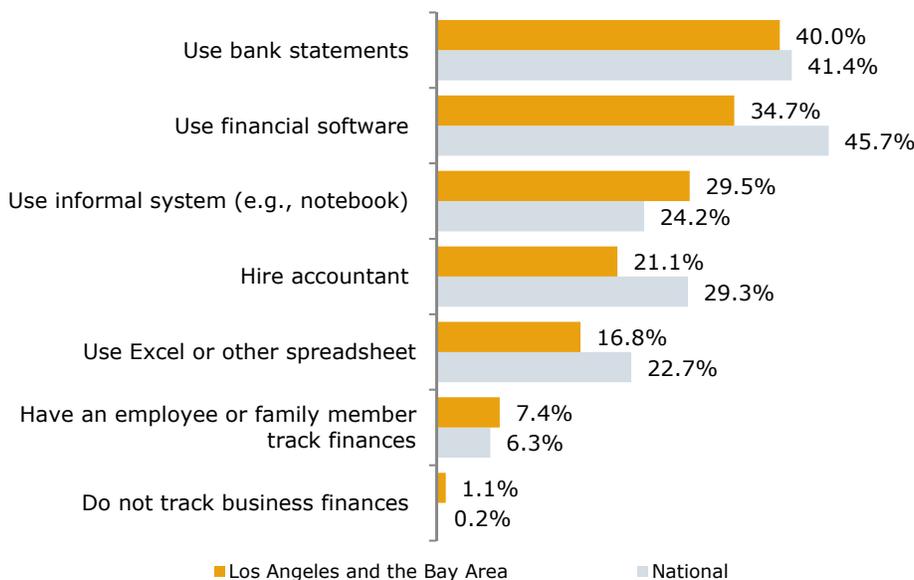
FINANCIAL HEALTH & FINANCIAL PRACTICES

This section explores how lending services have changed entrepreneurs' financial health and how entrepreneurs have implemented changes in their financial practices after receiving a loan. We grouped together these evaluation domains as findings cut across both.

Entrepreneurs rely primarily on informal financial tracking practices. Almost all entrepreneurs use at least one method, formal or informal, for tracking their business finances. In general, Bay Area and Los Angeles entrepreneurs use less formal methods for tracking their business finances than other regions in the study. For example, about a third of these entrepreneurs use financial software, compared to 45.7% at the national level (Figure B-4). Many entrepreneurs (40%) simply use their bank statements to review their cash flow and profit. In many cases interviewees noted that their businesses are cash-based and felt they did not need to formalize how they track finances. When asked how she assessed how well her business was doing, one entrepreneur stated, "By making sure we can pay our bills." Others had similar sentiments and reviewed finances to ensure they were able to pay personal and business-related expenses, but rarely reviewed records for trends and patterns or to project future costs or profits.

Many entrepreneurs in Los Angeles and the Bay Area noted they have sole-operated businesses—businesses such as trucking, in-home day cares, and house cleaning—where they are the only "employees." In such cases, entrepreneurs behaved more like employees and felt that tracking their "pay checks" (i.e., sales) through the use of bank statements or a notebook was sufficient. They explained that they did not see the need for something more complex to track what they were earning.

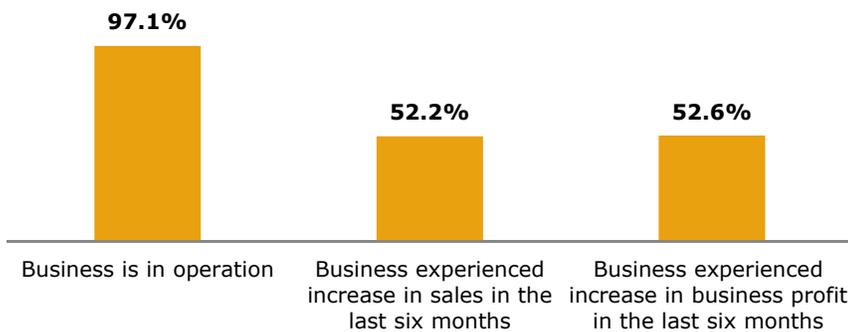
Figure B-4: The most used forms of financial tracking are bank statements and financial software. Fewer Opportunity Fund entrepreneurs use formal tracking methods than entrepreneurs nationwide.



Entrepreneurs reported an increase in their financial stability, and many attributed this stability to their loan. The vast majority of Los Angeles and Bay Area entrepreneurs in this study (97.1%) were still operating their business at the time of the survey (10–28 months after receiving the loan), and over half experienced an increase in both sales and profit during the six months prior to the survey (Figure B-5). These results are consistent with findings from the Aspen Institute’s FIELD program annual EntrepreneurTracker survey.

Increased business profits have enabled entrepreneurs to feel more financial security and less stress over their household’s wellbeing. During the same time period, a third (33.7%) also indicated increased personal savings and 39.6% reported increased take home pay. A small number of entrepreneurs saw a decrease in their personal savings, take-home pay, and/or overall profit. Some interviewees noted that small dips were expected (e.g., flower shops see less business during off-peak seasons), while others noted having unexpected expenses, such as needing new materials or repairing and replacing equipment, which caused them to dip into their savings.

Figure B-5: Almost all businesses were in operation at time of survey. About half have experienced positive business outcomes.



A Focus on Financial Stability:

Several groups of entrepreneurs reported an improved sense of financial stability. Entrepreneurs with older businesses—particularly those who opened their business prior to 2012—reported feeling more financially stable as a result of Opportunity Fund financing than did entrepreneurs with newer businesses.⁴⁴ At this point, there are no significant variables to attribute to this difference (e.g., size of loan, industry type), but the study will continue to examine this finding going forward. In addition, more entrepreneurs in the Bay Area reported feeling financially stable than in Los Angeles (76% reported a significant impact compared to 66.7%, respectively).⁴⁵ This difference may have to do with the average loan size for each group. The median loan for a Bay Area entrepreneur was \$15,734 while the median loan amount for a Los Angeles entrepreneur was \$13,067. At this point in time there are no clear indications as to whether the variance in loan amount is the reason for this statistically significant difference. In addition, entrepreneurs who received an Opportunity Fund loan for the first time reported a statistically significant greater impact on feeling more financially stable than entrepreneurs who had received a loan previously (89.3% compared to 63.8%).⁴⁶

⁴⁴ Statistically significant; $p < .05$.

⁴⁵ Statistically significant; $p < .05$.

⁴⁶ Statistically significant; $p < .05$.

About a third of entrepreneurs (29.9%) reported that they have in some way changed how they track business finances since receiving an Opportunity Fund loan, although not all attribute this change to Opportunity Fund.

The most mentioned change has been the adoption of financial software programs to track business finances. However, some entrepreneurs also engaged professionals to help with their accounting. One entrepreneur who owns a coffee shop in the Bay Area said, "I have meetings every month with my accountants now, and we analyze my business, they tell me what are the necessary or unnecessary expenses and all those aspects." A Los Angeles-based western clothing shop owner began using QuickBooks soon after her most recent loan. She noted, "When we started, everything was really new to us so obviously mistakes were made but I think we got it to a point where it's pretty down pat. I reconcile my accounts every month and so far it's not that bad. It's been challenging . . . I like the program. It seems to do a lot for you. I still haven't figured out how to do a lot of things on it but for the most part it gets me my end of the day balances and keeps track of all my purchases."

While a small group of respondents talked about these improvements, the majority of Los Angeles and Bay Area entrepreneurs continue to rely on their bank statements and the written records of their sales and expenses. However, about half of all survey respondents reported their Opportunity Fund lending services did have a significant impact on the way they project their business sales and profits and on improving financial record keeping (Figure B-6). In addition, of those interviewed who reported strengthening their financial tracking practices, most said they saw the changes in their financial tracking as a natural evolution of their business growth. As businesses grow, so does the need for formal tracking mechanisms that keep entrepreneurs abreast of all that is happening in their business, allowing them to make better financial projections.

Many borrowers are unprepared for unexpected business expenses and may not have resources to weather financial dips. Fewer than half (42.6%) of respondents indicated that they have taken steps, such as opening a savings account, to prepare for a financial emergency (Figure B-7). Generally, entrepreneurs did not have a plan for dealing with unexpected expenses, and most indicated they would seek out additional financing from Opportunity Fund if they didn't have sufficient savings to support them through a financial crisis. A few interviewees noted they would turn to friends and family for a loan if they needed to. Entrepreneurs who felt more able to handle an unexpected expense stated that they had business savings available for use. One Los Angeles entrepreneur was asked, "Do you feel prepared for any unexpected business expense that might come your way?" and responded by saying, "I would like to say yes, but the answer, truthfully, is no. It's a huge concern as a business owner, that something could just happen one day and it could really, really damage us as a young business."

In addition, some businesses may lack the resources to weather fluctuations in business revenue or profit. The 22.1% of entrepreneurs who saw an overall decrease in profit in the six months prior to the survey were more likely to experience a decrease in take-home pay (84.2% of those) and savings (76.5%). Less than half (41.2%) of those with a decline in profit also noted they were unable to bring home a salary in the six months prior to the survey.

Figure B-6: Opportunity Fund increased entrepreneurs' ability to project business sales and financial record keeping

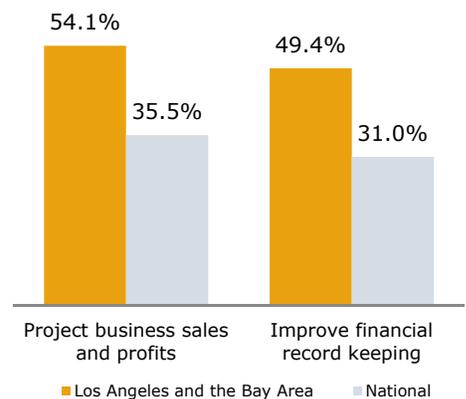
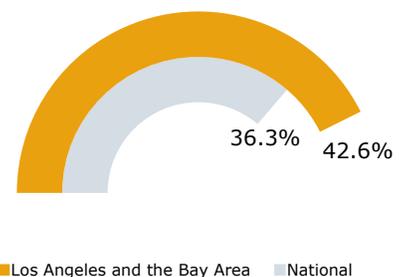


Figure B-7: Less than half of entrepreneurs have taken steps to prepare for a financial emergency

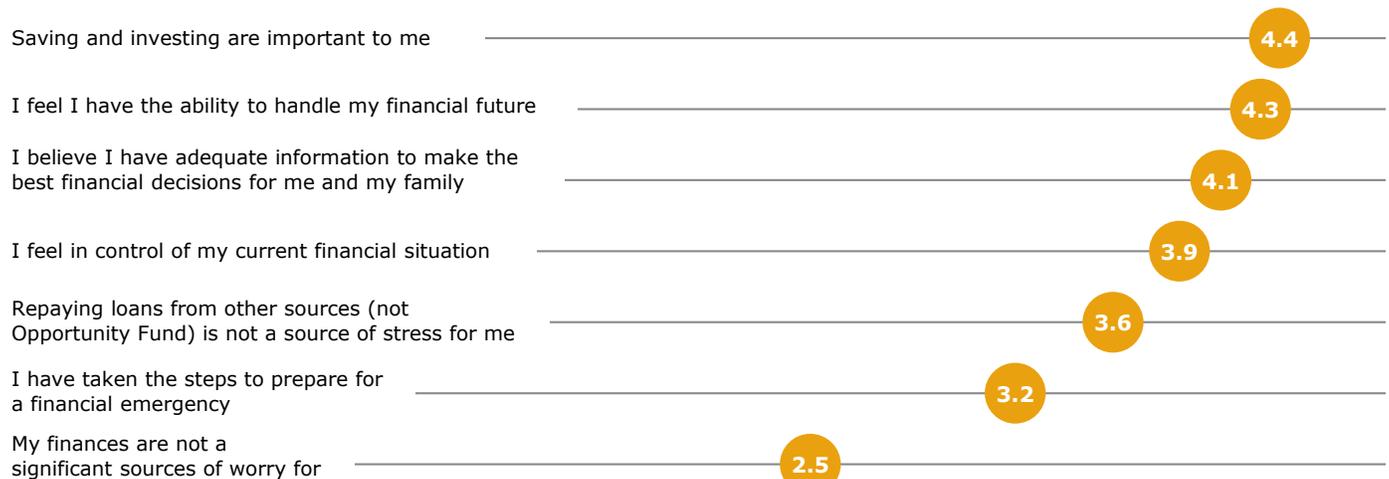


Saving and investing are important to entrepreneurs but are out of reach for many. When rating statements about their personal financial wellbeing, “Saving and investing is important to me” ranked highest among respondents, with an average rating of 4.4 on a 5-point scale (with 5 being “very true”). Entrepreneurs also indicated feeling that they have the ability to handle their financial future; however, finances continue to be a significant worry for them (Figure B-8). Further, as noted above, a large number of interviewees spoke of not being prepared for unexpected expenses or cash flow dips, both at home and in their business. These ratings are similar to those of other regions and the national sample and will continue to be tracked to better understand long term impacts of the loan on entrepreneurs.

Of those interviewed, most indicated they would resort to seeking out additional loans (from Opportunity Fund) to support them through a financial crisis.

Some entrepreneurs are making changes, such as separating their personal and business finances and reducing their debt, to move towards financial stability. Future data collection will track how these changes are sustained. Ultimately, entrepreneurs demonstrated some healthy financial behaviors but still face barriers, such as lack of savings, to financial stability and mobility. Most don't have business savings. In addition, most entrepreneurs are focused on current operations and have a difficult time strategizing for the future. While many noted long-term objectives, few have a formal business plan to track these goals.

Figure B-11: Average ratings show that saving and investing are very important to entrepreneurs, but finances continue to be a source of worry for many.
Scale was 1–5, with 5 representing “very true”





RELATIONSHIPS AND NETWORKS

This section explores Los Angeles and Bay Area entrepreneurs' current relationships and personal networks and how they have changed since receiving the loan. In particular, this section explores the support networks, official or unofficial, that entrepreneurs use to ensure business success. The use of support networks will continue to be analyzed as the study continues.

Entrepreneurs rely on local businesses for their own businesses to thrive.

Both Los Angeles and Bay Area interviewees noted that they rely on local businesses—such as suppliers, automotive shops, hardware stores, flower shops, buildings, and printers—to ensure that their own businesses are successful. Some said they have built relationships with other small businesses and benefit from this tight-knit network. However, a large percentage of entrepreneurs operate trucking businesses that take them away from their communities. These individuals noted fewer local networks and lower reliance on local businesses.

Entrepreneurs reported working to improve their communities. About one-third of entrepreneurs (35.5%) reported that their Opportunity Fund loan had a significant impact on their ability to aid neighborhood improvement efforts. For example, interviewees spoke about their ability to sponsor local sports teams and to support local institutions they care about, such as high schools and recreational centers. In addition, one Bay Area interviewee shared that she and her husband started their business as a way to revitalize the local economy, saving community residents a 30-minute trip out of their valley to make a purchase. Another Bay Area entrepreneur began her business as a way to support local businesses, “I provide space and business services where they can start their businesses. I help them with marketing, finance, QuickBooks, bookkeeping services if [they] need that. I have people I can call and set them up with.” Ultimately, entrepreneurs saw these efforts as improving their local communities.

Several entrepreneurs are involved with their local chamber of commerce or local business associations, which provide various marketing opportunities, offer support and advice, and give back to the community, or where they can connect and share experiences with other small business owners.

“I provide space and business services where they can start their businesses. I help them with marketing, finance, QuickBooks, bookkeeping services if [they] need that. I have people I can call and set them up with.”

-Bay Area Entrepreneur



Summary

Preliminary findings indicate that Los Angeles and Bay Area entrepreneurs have benefited from Opportunity Fund lending services. Similar to the findings of the Aspen Institute's annual FIELD EntrepreneurTracker survey, the majority of Los Angeles and Bay Area entrepreneurs (97.1%) were still operating their business at the time of the survey (10–28 months after receiving the loan).⁴⁷ Similarly, over half experienced an increase in sales and profit during the six months prior to the survey. Opportunity Fund lending has enabled many entrepreneurs to launch or sustain their businesses by providing the capital needed to expand products and services, or to purchase new equipment. The study, however, has also highlighted key challenges Los Angeles and Bay Area entrepreneurs face, including developing and adhering to financial plans and tracking their business finances.

The evaluation team will continue to track how lending services have impacted the economic security and financial goals of individual entrepreneurs, the commercial viability of the businesses funded by nonprofit lending institutions, and the entrepreneurs' engagement in and relationship to their local communities across the six evaluation domains identified here. Follow up data collection will also delve deeper into the regional nuances and challenges faced by entrepreneurs. Follow up data collection will occur in the spring and summer of 2017 and final longitudinal results are expected to be released in early 2018. 📊

⁴⁷ The EntrepreneurTracker's latest public data is for fiscal year 2014, where the survival rate for small businesses participating in the survey was 94%. Retrieved from www.microtracker.org on November 3, 2016.

Preliminary Findings for Illinois and Northwest Indiana

Introduction

Many US businesses are unable to access loans from traditional financial institutions because they are too young, too small, have imperfect credit, or have modest incomes. Accion helps small businesses thrive by providing affordable capital and support services to entrepreneurs who cannot access the credit they need to start or grow their business. As part of this work, Accion evaluates a range of outcome indicators of borrower success, including repayment rates, business survival, repeat borrowers, and job creation and retention. However, these metrics do not provide a deeper understanding of the holistic, longer-term impacts of lending on individuals and their households, small businesses, and communities. As a response to this need, Accion has partnered with Opportunity Fund and Harder+Company Community Research to design and implement a first-of-its-kind national longitudinal evaluation of the impact of their small business lending.

The Small Business Lending Impact Study assesses the mid-term impact (two to three years post-loan) of small business lending on the economic security and financial goals of individual entrepreneurs, the commercial viability of the businesses funded by nonprofit lending institutions, and entrepreneurs' engagement in and relationship to their local communities. The study seeks to identify the associations that may be attributed to receiving an Accion loan. This evaluation is unique because it investigates borrowers' perceived financial security, definitions of success, and personal and business goal attainment, and it does so on national and regional scales.

This is a longitudinal study and data collection will take place over a two-year period.⁴⁸ This chapter lays out the study's baseline findings for the market served by Accion's Chicago headquarters, which serves entrepreneurs primarily in Illinois and northwest Indiana. Data were collected in the spring of 2016 through telephone and online surveys and through in-depth telephone interviews with borrowers who received a loan between January 2014 and March 2015.

How to Read this Chapter

This study is comprised of six evaluation domains, developed jointly with stakeholders across Accion and Opportunity Fund. The chapter is organized along these evaluation domains (outlined below) and seeks to answer the following questions:

- **Achieving success:** To what extent have lending services allowed borrowers to realize identified goals?
- **Quality of life:** In what ways have lending services affected entrepreneur's quality of life?
- **Business growth and viability:** How have lending services enabled entrepreneurs to expand or sustain their businesses?
- **Financial health:** How have lending services changed entrepreneurs' financial health, both real and perceived?
- **Financial practices:** How have entrepreneurs implemented changes in financial practices?
- **Relationships and networks:** In what ways have entrepreneurs' relationships and personal networks changed?

Evaluation domains have been organized to highlight the most prominent findings and may not appear in the same order as in other regional chapters.

Comparisons to the national findings are shared when significant to highlight variations between Illinois and northwest Indiana borrowers and the rest of the study participants.

⁴⁸ Final longitudinal results will be released in early 2018.

Key Findings

Entrepreneurs that Accion supports reported positive impacts as a result of Accion's lending services, both on a personal and business level. However, entrepreneurs also reported several challenges in strengthening their business practices. In summary:

- Entrepreneurs are generally hopeful about their future and seek to grow and improve their business. However, many still face key challenges in accomplishing their goals, such as accessing capital, increasing cash flow, and reaching more customers.
- Entrepreneurs shared their knowledge through local networks, including with other community residents, who serve as a source of support for those seeking to establish a business.
- The majority of entrepreneurs reported feeling more financially self-reliant and secure. Many noted that receiving a loan from Accion has played a significant role in improving their financial practices and wellbeing.

Overview of Study Participants

Between its inception in the region in 1994 and the end of fiscal year 2015, Accion had provided over \$36 million in loans in Illinois and Northwest Indiana. In fiscal year 2015 alone, 509 loans were provided to entrepreneurs in this region, 37% of whom were Black/African American, 33% were white, and 12% were Latino/Hispanic. The majority of loans provided (64%) were of \$10,000 or less. Accion-supported businesses in this region have a 96% survival rate.⁴⁹

Between January 2014 and March 2015, the period used to sample entrepreneurs for this study, a total of 617 entrepreneurs in this region received a loan from Accion. Some were first time borrowers, while others had received loans in the past. Within this cohort of entrepreneurs, the majority was Black, Afro-Caribbean, or African American (43.5%) and non-Hispanic White (38.8%) and age 35 to 54 years old (61.2%).

To ensure a sample of entrepreneurs participating in the study that reflects the diversity of the cohort described above, the study employed stratified cohort probability sampling, engaging borrowers that reflected lending in each market on factors such as ethnicity, borrower status (i.e., first time or repeat borrowers), and income level. This approach was designed to maximize the ability to generalize findings in each of the regions participating in the study.

Baseline data were obtained through an online and telephone survey of 93 entrepreneurs⁵⁰ and through in-depth telephone interviews with 26 entrepreneurs. While survey respondents are not representative across all domains we aimed to sample across (i.e., race, income level, and borrower status) the sample of 93 entrepreneurs remains representative of all Accion-supported entrepreneurs in this region. For more information about the study methods, please see the Introduction section of this report.

Table C-1 describes the study participants in comparison to the sampling cohort. For a detailed demographic overview of study participants see Appendix A.

⁴⁹ Accion. (2015). *2015 Annual Report | Chicago – Revitalizing Communities from within through Entrepreneurship*. http://accionchicago.org/wp-content/uploads/2015/04/2015-Accion-Chicago-Annual-Report_Reduced.pdf

⁵⁰ The evaluation team aimed to engage 133 entrepreneurs to reach a level of representation that would allow for predictive analysis. While this number was not reached, the sample size allows for meaningful conclusions that represent the targeted population.

Table C-1: Overview of Study Participants in Comparison with Sampling Cohort

	Sampling Cohort	Study Participants
Total entrepreneurs	617	93
Median loan size	\$7,443	\$7,303
Top industries ⁵¹	<ul style="list-style-type: none"> • 11.1% Other Services⁵² • 11.1% Professional, Scientific, and Technical Services • 10.6% Administrative & Support & Waste Management & Remediation Services⁵³ 	<ul style="list-style-type: none"> • 20% Professional, Scientific, and Technical Services • 11% Transportation and Warehousing • 11% Administrative & Support & Waste Management & Remediation Services
Purpose of most recent loan	<i>Data obtained from survey and not available for sampling cohort.</i>	<ul style="list-style-type: none"> • 32% Expand business • 36% Maintain business operations • 22% Launch a new business or purchase existing business

This preliminary report is not intended to measure change over time. Entrepreneurs provided retrospective insights on the impact of their loan 10-28 months after receiving it; the next phase of the study will evaluate the extent to which these impacts are sustained over time.



**ACHIEVING
SUCCESS**

Entrepreneurs each define the success of their business in their own way. This section explores what success means for Northwest entrepreneurs and the goals they have for themselves and their families. In addition, we explore what motivates entrepreneurs and the priorities they had at the time they sought and received a loan from Accion.

Success looks different for each borrower, but all have goals of improving and growing their businesses. Entrepreneurs cited a myriad of goals, including expanding geographically, increasing staff size, securing additional funding, and becoming profitable. Several respondents indicated they would like to expand their customer reach by opening up additional stores or sites; and a few entrepreneurs said they are looking to expand to other cities and states, or internationally.

Those with newer businesses are focused on sustaining their businesses and achieving financial stability. Several entrepreneurs stated they are working towards achieving stability. A freelance photographer explained that she would like

⁵¹ Industries reflect the North American Industry Classification System (NAICS) names. NAICS industry names are the standard used by Federal agencies when classifying business establishments.

⁵² Businesses in this sector are primarily engaged in activities such as equipment and machinery repairing, promoting or administering religious activities, grant making, advocacy, and providing dry-cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.

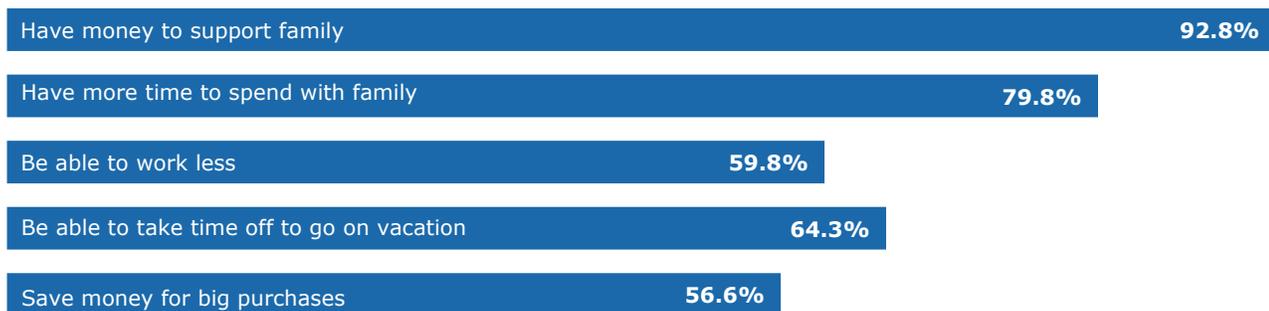
⁵³ The Administrative and Support and Waste Management and Remediation Services sector comprises businesses performing routine support activities for the day-to-day operations of other organizations. Activities performed include office administration, hiring and placing of personnel, document preparation and similar clerical services, solicitation, collection, security and surveillance services, janitorial and house cleaning, and waste disposal services.

to “at least get to the point where [she] can have a reasonable amount of money coming in on a more regular basis.” In order to accomplish this goal, she believes she needs to attract a steady client base and learn a few technical skills that will improve the quality of her work. An entrepreneur in a start-up phase noted her primary goal was to stabilize her business financially by paying off all debt without being dependent on borrowing. Another entrepreneur explained her focus on financial stability: “Financially, I just really want to see the company stand on its own. Sometimes, I’ve had to go without a salary or use my own personal finances in order to make things work.”

We presented entrepreneurs with a list of personal goals and asked them to rate each one. More than three-quarters reflected that having enough money to support their family and having more time to spend with them were “very important” personal goals at the time they obtained their loan (Figure C-1). These priorities are not necessarily the reason entrepreneurs sought out a loan; rather, these are personal motivations for strengthening their businesses.

Figure C-1: Entrepreneurs most commonly cited their goal to have money to support their family as a priority.

Percent of entrepreneurs who marked “strongly agree” or “agree” for each statement⁵⁴



Accion lending services have helped entrepreneurs sustain their businesses. Nearly all entrepreneurs who applied for a loan to maintain their business operations (94%) were still operating at the time of the survey. More than a third shared that their loan has helped them maintain their business finances and operations. For example, several used the loan to cover operating costs, such as overhead and payroll. Two engineering consultants noted that the loan helped them stay in business while they waited on additional funding. Several pointed to improved financial security as a result of Accion’s lending services. Business owners were able to pay off debt and bills, build credit, and increase sales and revenue.

Another critical factor for several business owners was purchasing new equipment with the loan to help them better serve their clients. Similar to the national findings, more than half of Illinois and northwest Indiana entrepreneurs reported that Accion loans had a high impact on cash flow,⁵⁵ expanding products or services, and acquiring new equipment (Table C-2). For example, 55.3% stated that Accion had a high impact on their ability to acquire new equipment, including software, computers, and vehicles. When launching her restaurant, one entrepreneur used the loan to buy new tables and chairs that matched the look and feel of the restaurant. Another entrepreneur used her loan to buy a truck, which enabled her

⁵⁴ Entrepreneurs could select multiple answers as their goals. Percentages do not add up to 100.

⁵⁵ Based on a 5-point scale where one is “no impact” and five is “a lot of impact.” For this data, we classify “high impact” as those who marked 4 and 5.

staff to work more efficiently because they no longer had to wait on a rental vehicle.

Table C-2: Entrepreneurs who indicated Accion had a significant impact on...

Expanding/modifying products or services	55.8%
Acquiring new equipment	55.3%
Cash flow	53.2%
Business profit	46.8%

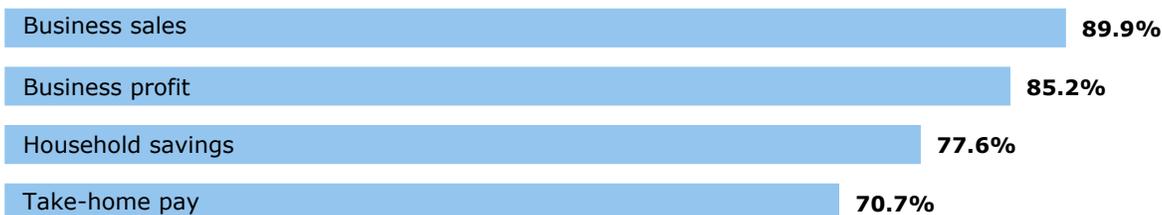
Entrepreneurs have a positive outlook for the future of their business but still face key challenges in accomplishing their goals. The majority of survey respondents projected increases in sales, profit, savings, and take-home pay (Figure C-2). When asked about their future, interviewees were also optimistic about continuing to make strides towards their goals. For example, one entrepreneur is preparing to hire more staff in anticipation of an increase in revenue in the next two years. Another business owner noted that she has structured her company to allow for long-term growth and is working towards “growing into” that structure.

Entrepreneurs face key challenges in accomplishing their goals, including increasing their cash flow and expanding their client base. Several said they lack the capital to cover operational costs or big-ticket investments. One entrepreneur described how the structure of his business lends to cash flow challenges: “Most of my income is because of insurance. My products are purchased by people and their insurance pays for it, so I have cash flow issues because of that.” Another business owner said she is struggling to attract paying clients for her photography business.

Several participants also noted challenges in finding the right people to hire. “It’s hard to find good workers and keep them,” noted one entrepreneur.

Figure C-2: Most entrepreneurs project an increase in business indicators over the next six months.

A smaller number also project an increase in household-related indicators, such as savings and take-home pay.



This section explores entrepreneurs’ current relationships and personal networks and how they have changed since receiving the loan. In particular, we are interested in exploring the support networks, official or unofficial, entrepreneurs use to ensure their businesses thrive.

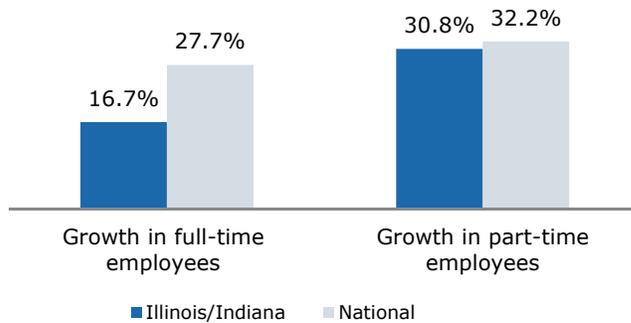
Entrepreneurs are generating and retaining jobs. The majority of entrepreneurs (81.5%) have other people besides themselves working in their businesses (Figure C-3). These people include family members, employees, interns, and volunteers. Among those with people working in their business, 71% have paid employees. On average, entrepreneurs employed 5 employees, ranging from 1 to 15 paid workers. Of those who have other people working in their business, 65.8% employed family members in their business.

Some entrepreneurs have been able to hire additional staff since receiving the loan (Figure C-4). Of those who have someone else working in their business, about a third saw an increase in part-time staff and 16.7% saw an increase in full-time employees. One entrepreneur said, “I might not have had help all the time, but that’s what I needed [the loan] for; I was able to afford somebody to help me out.” In addition to increasing their ability to hire staff, interviewees reported that the loan helped them increase the number of hours their existing employees worked and aided their ability to retain current employees. For example, one entrepreneur noted that she has been able to delegate more accounts to employees, which has freed up more time for her to spend time with her family.

Figure C-3: The majority of entrepreneurs have someone else working in their business.



Figure C-4: About a third of entrepreneurs experienced an increase in part-time employees.



Small business owners play a large role in contributing to the local economy, not only by using local goods and services but also in the wages paid to their employees, which are generally higher than the \$10.00/hour minimum wage in Illinois and the \$7.25/hour wage in Indiana at the time of the survey. For Illinois and northwest Indiana entrepreneurs, employee wages varied depending on whether the employee was considered part-time or full-time, with full-time employees earning more. Paid full-time employees had a median hourly wage of \$12.00 and part-time employees a median hourly wage of \$10.38. In addition to wages, 41% of entrepreneurs with employees offer formal benefits, such as paid sick time, paid vacation time, and health insurance.

Entrepreneurs join networks to help themselves and others, but experiences are not always positive.

Whereas some entrepreneurs who are not affiliated with business groups and associations are considering joining in the future, others have stopped participating due to membership fees, time constraints, and negative experiences. “We were initially part of the chamber of commerce but due to dues that are involved with it and I think [the] general format of it we didn't like [it] and just [found it] time consuming.”



Entrepreneurs involved in business groups and associations noted that membership leads to business opportunities within the community by increasing awareness, interest, and referrals among members. One entrepreneur stated, “BNI . . . is a networking group and it helps me be in touch with different professionals and they actually refer me to different clients and at least I get a diverse group of clientele that way.” These organizations also provide networking opportunities, training, and advice. “We have workshops, we're able to go ahead and offer support to fellow small businesses referrals, and then also just try to understand the market that we are in.”

Entrepreneurs also shared their business knowledge with other community residents, serving as a source of support for those seeking to establish a business. One entrepreneur noted, “I do go to the high schools and share some of the background of this type of business and teach kids how to silk screen. I also talk to them about entrepreneurship.”



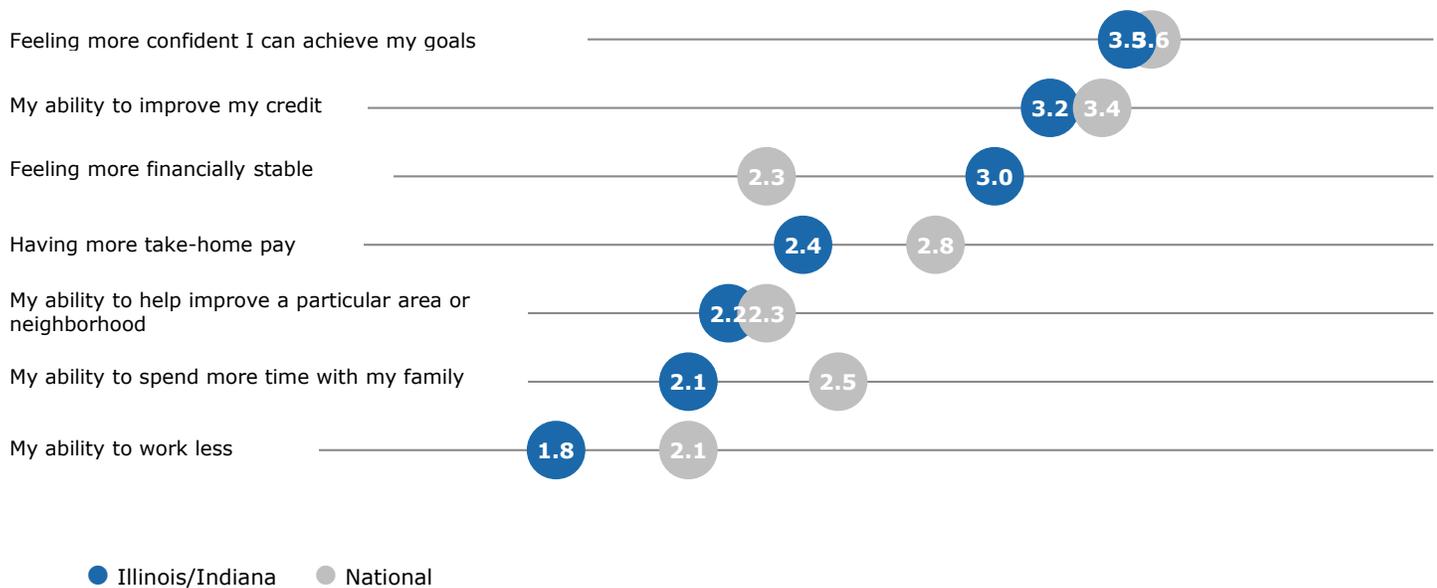
FINANCIAL HEALTH & FINANCIAL PRACTICES

This section explores how lending services changed entrepreneurs’ financial health and how entrepreneurs have implemented changes to their financial practices. We have grouped these two evaluation domains as findings cut across both domains.

Entrepreneurs feel more financially self-reliant. On average, entrepreneurs feel their loans have had the biggest impact on their sense of confidence in achieving their goals, their ability to improve credit, and their sense of financial stability (Figure C-5). Compared to the national sample, Northwest entrepreneurs have a higher average rating on the loan’s impact on their sense of financial stability (3.0 compared to 2.3). Several interviewees also expressed feeling more financially secure since receiving their loan. The influx of capital has enabled entrepreneurs to cover operating costs and to pay debt, bills, and salaries.

Figure C-5: Average ratings show that loans so far have had the biggest impact on sense of confidence, ability to improve credit, and sense of financial stability.

Scale was 1–5, with 5 representing “very true”



Accion lending services also helped improve entrepreneurs’ financial tracking practices. Improvements in their financial practices resulted in entrepreneurs feeling more confident in their ability to manage their finances. Some interviewees reported adopting financial software after receiving Accion lending services. One entrepreneur described the benefit of using QuickBooks to regularly track his finances: “It’s helped me stay on track. Instead of being disorganized, having to run and find paperwork when I needed to do something. Now I don’t have to worry about that.” Another entrepreneur shared that receiving a loan encouraged in her healthier financial practices, including regularly balancing her books instead of waiting until the end of the year to do so. She explained that this change was less a result of the money itself and more a result of applying and receiving the loan, and then successfully paying it off. “It was probably a boost in confidence more than anything,” she noted.

“[Quickbooks] has helped me stay on track. Instead of being disorganized, having to run and find paperwork when I needed to do something. Now I don’t have to worry about that.”

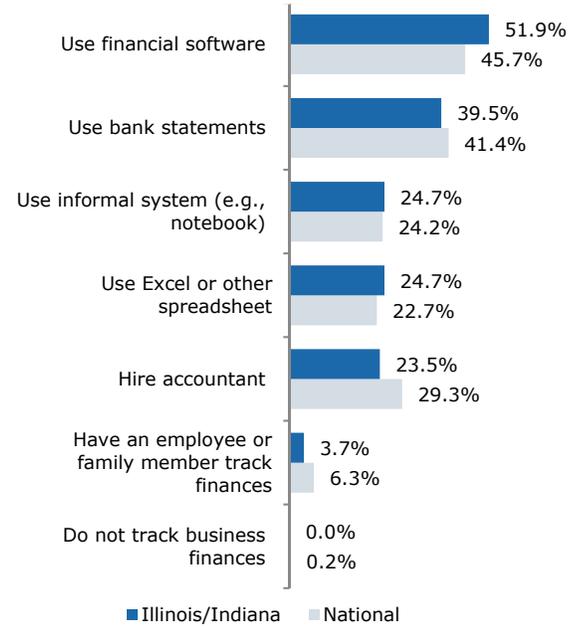
-Chicago Entrepreneur

The majority of entrepreneurs use financial software to track their finances. Almost all the entrepreneurs indicated they track their business finances formally or informally (e.g., with a notebook or checkbook). However, most reported using financial software and bank statements (Figure C-6). In addition, of those interviewed, the majority said they use financial software, such as QuickBooks, Quicken, and Sage 50 to track their finances and reported positive experiences. One entrepreneur noted the benefits of having a software program to track finances, “We do QuickBooks online. It’s seamless, very easy to use. I like it because everything is in real-time, and I can have the forms from profit and loss, the balance sheets.”

Several entrepreneurs use a combination of financial software and hired expertise. One interviewee explained that she hires an accountant to “run the books at the end of the year” but she monitors and tracks daily expenses and revenue. A smaller portion of interviewees reported hiring an accountant to help them understand and manage their finances. They felt that they needed expert assistance because “a lot of the tools aren’t really set up for people who don’t really know much about accounting.”

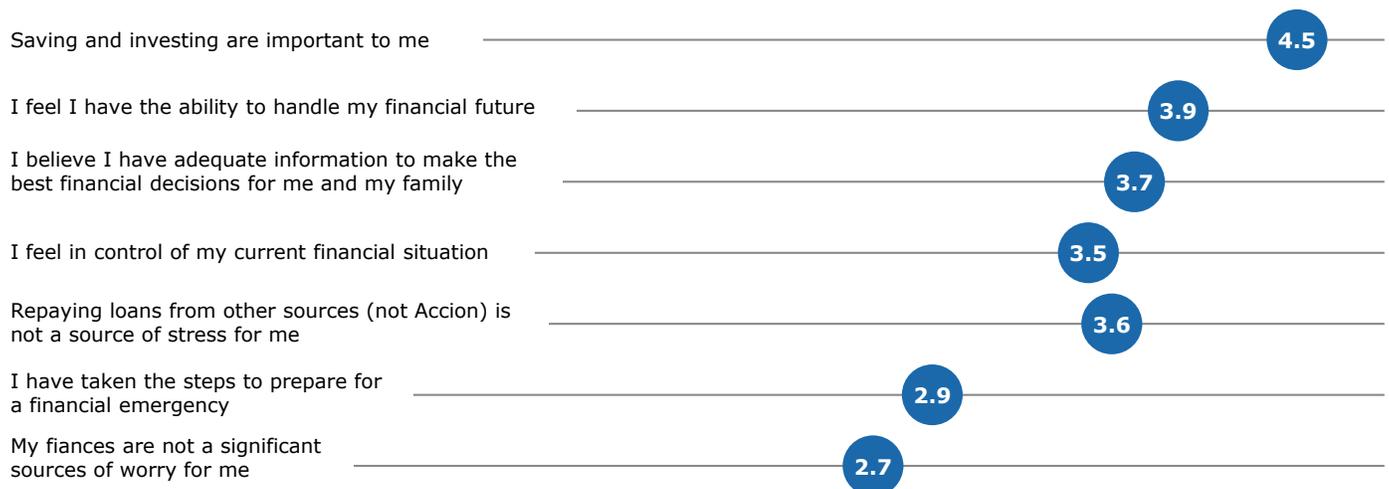
Less than 20% of entrepreneurs interviewed use an informal method to track their finances. One entrepreneur said he uses a notepad to track his budget and payroll and a checkbook to track payments to employees.

Figure C-6: Most entrepreneurs use financial software and bank statements to track their finances.



While savings and investing are important to entrepreneurs, many are unable to do either. When rating statements about their personal financial welfare, saving and investing was ranked as most important. In a 5-point scale, where one meant “not at all true” and five meant “very true,” this statement received the highest average rating of 4.5. Entrepreneurs also described confidence in handling their economic future, but that finances are a significant worry for them (Figure C-7).

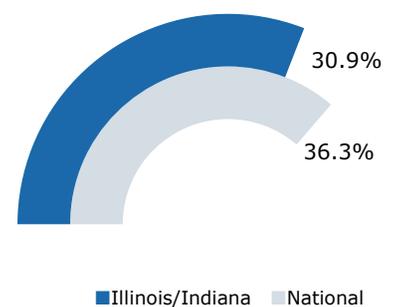
Figure C-7: Average ratings show that saving and investing are very important to entrepreneurs, but finances continue to be a source of worry for many.
Scale was 1–5, with 5 representing “very true”



The majority of small business loan recipients are not financially prepared for unexpected businesses expenses. In particular, those with no savings expressed uncertainty around what to do if faced with an emergency expense. One entrepreneur exclaimed, “I’d throw my hands in the air. I’m serious. I would just throw my hands up in the air. I have no options whatsoever financially at the moment.” Interviewees noted that if they faced an unexpected cost, they would resort to cutting salaries, using credit cards, seeking new loans, or borrowing from friends and family to address their financial challenges. One entrepreneur shared that he will have to use his credit card to pay a recent unexpected tax expense.

Furthermore, less than a third of Northwest Indiana entrepreneurs (30.9%) indicated that they have taken steps to prepare for a business financial emergency (Figure C-8). Entrepreneurs who felt more confident in their ability to handle an unexpected expense stated that they would redistribute business funds or use their business savings, emergency funds, and/or personal savings if an unexpected business expense should occur.

Figure C-8: Less than a third of entrepreneurs have taken steps to prepare for a financial emergency



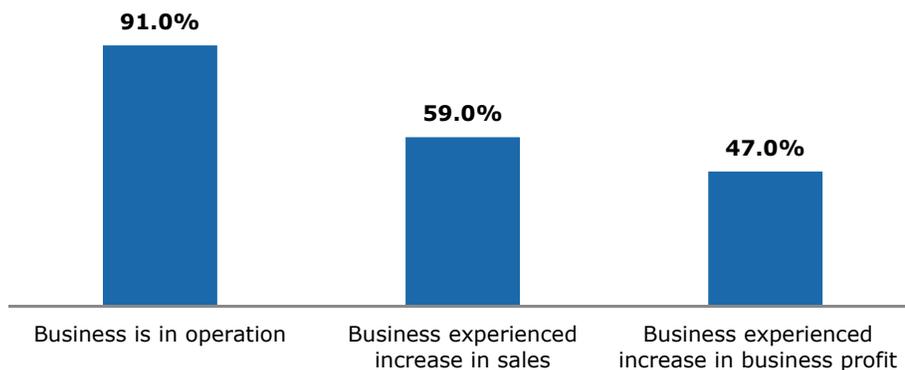


BUSINESS GROWTH AND VIABILITY

This section explores how lending services have enabled entrepreneurs to expand or sustain their businesses. In particular, this section looks at the extent to which businesses have grown since receiving a loan and to what extent borrowers would like to grow their businesses.

Entrepreneurs reported increased revenue and profit, and were able to improve their cash flow. The majority of entrepreneurs in this region who received a loan from Accion (91%) reported still operating their business at the time of the survey (10–28 months after receiving the loan), with over half experiencing an increase in sales, and almost half experiencing an increase in overall business profit (Figure C-9). An entrepreneur running a vanpool operation said her profits doubled in the past year, which she attributed to the van that allowed her to move additional clients she purchased with the loan. The increased revenue in turn helped pay salaries for additional staff. Another entrepreneur explained that the loan capital allowed him to take on and fund bigger projects up front.

Figure C-9: About half of all businesses experienced growth in business indicators in the six months prior to data collection.



Accion funding provided essential “start-up” capital that helped entrepreneurs grow their business. About a third of entrepreneurs interviewed talked about using the loan to purchase their first set of products or equipment that has since grown into more products and allowed them to serve more customers. They noted that Accion lending services were helpful in launching or starting up their business. An owner of a property maintenance company said the loan saved her money during her first year of operation, which gave her the ability to take on bigger projects with bigger budgets.



QUALITY OF LIFE

This section explores the degree to which entrepreneurs' sense of personal freedom and control over how they spend their time was impacted by their Accion financing services.

Loans have improved entrepreneurs' work-life balance. Some entrepreneurs indicated they have been able to spend more time with family and others reported increased autonomy in making their own schedule. One entrepreneur explained that originally she was working with limited family time, but after the loan with Accion she "was able to get more vans and more help. [She has] actually been able to spend more time with [her] family on the weekends and when things happen, and [she doesn't] miss as many family events." A few entrepreneurs noted that they have been able to take time off because the loan has allowed them to hire more staff or has increased their financial stability. One entrepreneur shared that she feels more comfortable leaving business responsibilities with her staff and taking time off for vacation.

Conversely, it is important to note that several interviewees reported no changes in their work-life balance as a result of the loan. A few noted that since receiving the loan, their stress and workload actually increased. One entrepreneur shared that because she has to continue working a full-time job in addition to running her business, she has been "swamped." She is forced to cram all client sessions within the two days she is not working at her day job. Another entrepreneur shared that because business is growing he is busier and working harder.

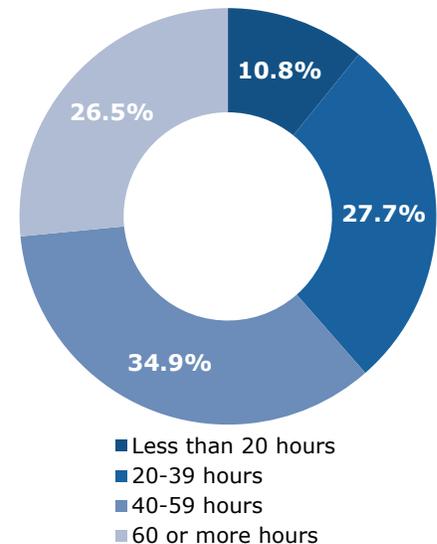
While the majority of entrepreneurs (79.8%) indicated that it is somewhat or very important to spend more time with their families, only 39.5% felt their Accion loan improved their ability to do so. This finding may be related to the amount of time individuals are working, as a quarter of all entrepreneurs spend 60 hours or more per week on their business, and close to two in five entrepreneurs (39.8%) indicated that they have another job besides their small business (Figure C-10).

Summary

Preliminary findings indicate that Illinois and northwest Indiana entrepreneurs have benefited from Accion lending services. Consistent with findings from the annual EntrepreneurTracker outcomes survey conducted by the Aspen Institute's FIELD program, the majority of entrepreneurs (91%) were still operating their business at the time of the survey (10–28 months after receiving the loan).⁵⁶ Similarly, about half experienced an increase in both sales and profit during the six months prior to the survey. Accion lending has enabled many entrepreneurs to launch or sustain their businesses by providing the capital needed to expand products and services, or to purchase new equipment. Accion has also supported businesses in strengthening their financial practices. The study, however, has also highlighted key challenges entrepreneurs face.

The evaluation team will continue to track how lending services have impacted the economic security and financial goals of individual entrepreneurs, the commercial

Figure C-10: More than a quarter of entrepreneurs are working 60 hours or more per week.



⁵⁶ The EntrepreneurTracker's latest public data is for fiscal year 2014, where the survival rate for small businesses participating in the survey was 94%. Retrieved from www.microtracker.org on November 3, 2016.

viability of the businesses funded by nonprofit lending institutions, and the entrepreneurs' engagement in and relationship to their local communities across the six evaluation domains identified here. Follow up data collection will also delve deeper into the regional nuances and challenges faced by entrepreneurs. Follow up data collection will occur in the spring and summer of 2017 and final longitudinal results are expected to be released in early 2018. 

Preliminary Findings for the Southwest and Rocky Mountains Region

Introduction

Many US businesses are unable to access loans from traditional financial institutions because they are too young, too small, have imperfect credit, or have modest incomes. Accion helps small businesses thrive by providing affordable capital and support services to entrepreneurs who cannot access the credit they need to start or grow their business. As part of this work, Accion evaluates a range of outcome indicators of borrower success, including repayment rates, business survival, repeat borrowers, and job creation and retention. However, these metrics do not provide a deeper understanding of the holistic, longer-term impacts of lending on individuals and their households, small businesses, and communities. As a response to this need, Accion has partnered with Opportunity Fund and Harder+Company Community Research to design and implement a first-of-its-kind national longitudinal evaluation of the impact of their small business lending.

The Small Business Lending Impact Study assesses the mid-term impact (two to three years post-loan) of small business lending on the economic security and financial goals of individual entrepreneurs, the commercial viability of the businesses funded by nonprofit lending institutions, and entrepreneurs' engagement in and relationship to their local communities. The study seeks to identify the associations that may be attributed to receiving an Accion loan. This evaluation is unique because it investigates borrowers' perceived financial security, definitions of success, and personal and business goal attainment, and it does so on national and regional scales.

This is a longitudinal study and data collection will take place over a two year period.⁵⁷ This chapter lays out the study's baseline findings for the market served by Accion's Albuquerque headquarters, which serves entrepreneurs primarily in Arizona, Colorado, Nevada, New Mexico, and Texas ("the Region" or "Southwest and Rocky Mountains"). Data were collected in the spring of 2016 through telephone and online surveys and through in-depth telephone interviews with borrowers who received a loan between January 2014 and March 2015.

How to Read this Chapter

This study is comprised of six evaluation domains, developed jointly with stakeholders across Accion and Opportunity Fund. The chapter is organized along these evaluation domains (outlined below) and seeks to answer the following questions:

- **Achieving success:** To what extent have lending services allowed borrowers to realize identified goals?
- **Quality of life:** In what ways have lending services affected entrepreneurs' quality of life?
- **Business growth and viability:** How have lending services enabled entrepreneurs to expand or sustain their businesses?
- **Financial health:** How have lending services changed entrepreneurs' financial health, both real and perceived?
- **Financial practices:** How have entrepreneurs implemented changes in financial practices?
- **Relationships and networks:** In what ways have entrepreneurs' relationships and personal networks changed?

Evaluation domains have been organized to highlight the most prominent findings and may not appear in the same order as in other regional chapters.

Comparisons to the national findings are shared when significant in order to highlight variations between the region and the rest of the study participants.

⁵⁷ Final longitudinal results will be released in early 2018.

Key Findings

Entrepreneurs in the region—particularly in Albuquerque, Denver, and Tucson, where the interviews were conducted—reported that they have already experienced some positive impacts as a result of Accion’s lending services, both on a personal and business level. Entrepreneurs reported:

- Less stress over financial matters and an increased sense of self-confidence.
- An increased capacity to track business finances, expand their business, and handle financial emergencies.
- Progress towards their business growth and self-sufficiency goals.

Overview of Study Participants

Between 1994 and 2015, Accion provided over \$81 million in loans to entrepreneurs across the region. In total, over 6,000 small businesses have been financed and entrepreneurs reported creating or sustaining close to 12,000 jobs. Businesses served in this region survive at a 97% rate. In fiscal year 2015 alone, the average loan size was \$12,212 and loans provided have been repaid at a rate of 98% of the average loans receivable across the year.

Between January 2014 and March 2015, the period used to sample entrepreneurs for this study, a total of 1,426 entrepreneurs received a loan in Arizona, Colorado, Nevada, New Mexico, or Texas. Within this cohort of entrepreneurs, 70% were first-time borrowers and about half (49%) were Latino/a. Income distribution for this cohort was generally even across low, median, moderate, and upper categories.⁵⁸

The study employed stratified probability sampling, engaging entrepreneurs that reflected key factors such as ethnicity, borrower status (i.e., first time or repeat borrowers), and income level. This approach was designed to maximize the ability to generalize findings across regions.

A total of 149 entrepreneurs enrolled in the study and participated in the baseline survey. Of those, 9 Tucson, 16 Denver, and 22 Albuquerque entrepreneurs participated in additional in-depth interviews. While the sample of 149 entrepreneurs is reflective of entrepreneurs that Accion supports, the sample was not large enough to be representative across sampling domains (ethnicity, income level, and borrower status).⁵⁹ For more information about the study methods, please see the Introduction chapter of this report.

Table D-1 compares the study participants to the cohort of the region’s entrepreneurs supported by Accion between January 2014 and March 2015. (For a demographic description of all study participants see Appendix A.)

⁵⁸ Category breakdowns can be found in Appendix A.

⁵⁹ The evaluation team aimed to engage 273 entrepreneurs to reach a level of representation that would allow for predictive analysis at the end of the study. While this number was not reached, the sample size allows for meaningful conclusions that represent the targeted population.

Table D-1: Overview of Study Participants in Comparison with Sampling Cohort

	Sampling Cohort	Study participants
Total entrepreneurs	1,426	149
Median loan size	\$5,300	\$6,234
Top industries ⁶⁰	<ul style="list-style-type: none"> • 12% Other⁶¹ • 10% Administrative and Support and Waste Management and Remediation Services⁶² • 9% Construction 	<ul style="list-style-type: none"> • 14% Professional, Scientific, and Technical Services • 12% Retail trade • 12% Construction
Purpose of most recent loan	<i>Data obtained from survey and not available for sampling cohort.</i>	<ul style="list-style-type: none"> • 33% Expand business • 37% Maintain business operations • 24% Launch a new business or purchase existing business

This preliminary report is not intended to measure change over time. Entrepreneurs provided retrospective insights on the impact of their loan 10-28 months after receiving it; the next phase of the study will evaluate the extent to which these impacts are sustained over time.



**ACHIEVING
SUCCESS**

Entrepreneurs each define the success of their business in their own way. This section explores what success means for entrepreneurs in this regional sample and the business and financial goals they have identified for themselves and their families. In addition, we explore what motivates entrepreneurs and the priorities they had at the time they sought and received a loan from Accion.

While we highlight the impact a loan has had on entrepreneurs' progress towards their goals, it is important to keep in mind that these are baseline findings and may change over time. These changes will be tracked throughout the study.

Most entrepreneurs start their business to gain autonomy. Interviewees consistently cited their desire to support their family and to be more financially stable and autonomous as reasons for starting their businesses. For some interviewees, their family priorities played a major role in their decision to launch a business. One Denver entrepreneur noted, "Being that my son is special needs, it's difficult to work outside the home. I decided I'd find something that I could do from

⁶⁰ Industries reflect the North American Industry Classification System (NAICS) names. NAICS industry names are the standard used by Federal agencies when classifying business establishments.

⁶¹ Businesses in this sector are primarily engaged in activities such as equipment and machinery repairing, promoting or administering religious activities, grant making, advocacy, and providing dry-cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.

⁶² The Administrative and Support and Waste Management and Remediation Services sector comprises businesses performing routine support activities for the day-to-day operations of other organizations. Activities performed may include office administration, hiring and placing of personnel, document preparation and similar clerical services, solicitation, collection, security and surveillance services, cleaning, and waste disposal services.

home, low maintenance, low overhead cost, and low startup cost.” Another Albuquerque entrepreneur shared that he saw his construction business as a way of bringing his family together; he launched his business with his three sons who all worked in construction. Another entrepreneur shared, “We wanted to control our home time, mostly.” This was the primary reason she and her husband started their bounce house business in Tucson.

More than three-quarters of the region’s participants rated highly both having enough money to support their family and having more time to spend with their family as personal priorities at the time they obtained their most recent loan (Figure D-1). These priorities are not necessarily the reason entrepreneurs sought out a loan; rather, they are personal motivations for strengthening their businesses.

Figure D-1: Entrepreneurs most commonly cited their goal to have more money to support their family as a priority.

Percent of entrepreneurs who marked “strongly agree” or “agree” for each goal statement.⁶³



In some cases, entrepreneurs noted that they “fell into the business.” That is, they never thought about being a small business owner but were provided the right opportunities at the right time to start one. For example, one Denver entrepreneur with a daycare facility shared that she bought the business when her former boss retired. Another entrepreneur with an online retail business noted that she found herself with a surplus of materials and began selling them on eBay. She never thought it would grow into a business, but she began seeing profits and developed the work into a small business. Others saw it as an expansion of something they were already doing. For example, one Albuquerque business owner shared that she worked at a hair salon but no longer wanted to be around such a busy and chemical-filled environment, so she opened her own hair salon in her home.

Entrepreneurs want to quit second jobs. As a way to become more self-sufficient and autonomous, a significant number of interviewees across Albuquerque, Denver, and Tucson noted their desire to quit their second jobs. This trend was particularly evident for interviewees with younger businesses. While in many cases Accion requires an existing source of income for repayment of loans to startup businesses, entrepreneurs have the goal of making their businesses profitable enough to be their primary source of income. One entrepreneur shared, “Eventually we would like to leave the jobs as this keeps growing; to leave one job, then the other job, and devote ourselves fully to this [business].”

Entrepreneurs have different definitions of long-term success. Some interviewees defined success as continued growth for their businesses (e.g., expanding to other locations), while others spoke about success as it relates to their personal life. For example, compared to other regions, interviewees in Albuquerque, Denver, and Tucson spoke often about enjoying the “finer things in life,” such as new cars and vacations. In addition to increasing their quality of life in this way, interviewees also saw success as eventually being able to hand over their business to someone else (i.e., by turning over day-to-day operations so they can focus on strategic visioning or on having more free time).

⁶³ Entrepreneurs could select multiple answers as their goals. Percentages do not add up to 100.

Many entrepreneurs have goals of expanding their business. Entrepreneurs want to expand their businesses for many reasons, including generating enough profit to support themselves and their families solely through the money earned from the business, paying off debts (including their Accion loan/s), and having financial freedom. A small group of entrepreneurs don't want to expand their business, but rather seek to maintain it as is. Most of these include single-owner operations, such as personal caregivers, truckers, and traveling or pop-up retail shops.

Accion lending services have helped entrepreneurs make progress towards self-sufficiency. Self-sufficiency includes paying off debt, increasing business operations so that businesses do not rely on credit for day-to-day functions, and expanding their people power (i.e., hiring more people) so they can focus on the larger business vision. Most interviewees identified tangible changes as a result of their Accion financing, including expanding or modifying products and services, acquiring new equipment, and hiring employees. Of all survey participants, 63% noted that Accion helped them achieve or make progress on their personal goals (see Figure D-1 for personal priorities at time of loan). Most shared that their loan has helped them make progress towards growth and stability by also helping them improve their credit and providing the capital that makes expansion possible.

Furthermore, interviewees noted that their loan has helped them reduce debt through the paying off of high interest credit cards or lines of credit and by adding capital to their business to ensure they are profitable and are able to pay off current debt.

Of all survey participants, 63 percent noted that Accion helped them achieve or make progress on their personal goals.



QUALITY OF LIFE

Another key indicator of business success is the extent to which lending services have impacted entrepreneurs’ quality of life. This section explores how entrepreneurs’ sense of personal freedom and time management has been impacted by their Accion financing services.

Lending services have increased entrepreneurs’ confidence and sense of financial stability. Many entrepreneurs have seen their businesses grow since receiving their loan, and this is particularly evident for businesses that have received multiple loans from Accion and who see Accion as a key partner in their business’s success. A Denver entrepreneur shared, “I feel more confident about the increase in income over the summer months because we have more consistent income instead of the previously inconsistent pick-up and drop-off routine that we had before. It is much more stable.” In addition, entrepreneurs across the region noted Accion’s lending services have had a great impact on their ability to feel more confident about achieving their goals (Figure D-2).

Figure D-2: Average ratings show that loans have so far had the biggest impact on sense of confidence.*

Scale was 1–5, with 5 representing “a lot of impact”



* Indicators where only one data “dot” is shown are the same for the region and national entrepreneurs.

● Southwest/Rockies ● National

Interviewees expressed increased confidence as a result of their business growth, but they also shared that much of this confidence came from the personal interactions they had with Accion staff and the additional services they received. An Albuquerque entrepreneur expressed, “They’re wonderful to work with and I trust them and they trust me.” Another shared, “Accion really [put] a lot of confidence and faith in me. They sent me emails, and those emails are very encouraging. They’re always also letting me know that they have workshops. Whenever I call them . . . I can’t even begin to describe the passion, the kindness, and the encouragement. They believe in [me]!” Lastly, a Tucson entrepreneur added, “They

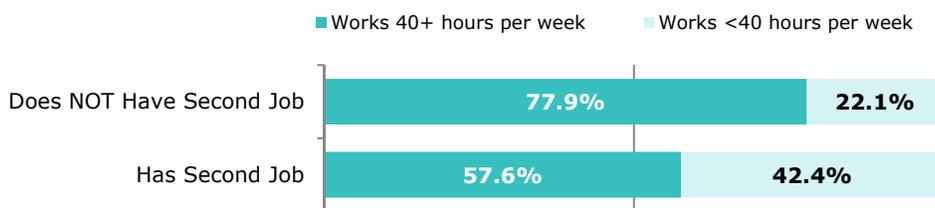
are always motivating me so I can continue my business even when it is still not fully established.”

A small group of entrepreneurs also noted that Accion services have helped them improve their credit and that, in turn, has provided them with a sense of relief and stability.

Accion enabled flexible schedules that take into account family needs; however, entrepreneurs have made little progress towards their goal of working less. Although owning a business demands a lot of time and effort, many interviewees noted that it does allow for a flexible schedule. This flexibility lets entrepreneurs adjust their schedule and spend more time with their families. However, increased flexibility rarely means they get more time off or have to work less. In fact, as a result of increased business demands, interviewees noted that they are working even more since receiving their Accion loan. When asked if the loan allowed her to take time off, one entrepreneur responded, “Vacation or day off, no. It allows me to work around my kids’ schedules now.” While a few interviewees stated their loan has allowed them to take time off and spend more time with their families, those entrepreneurs often had employees they could rely on or had more established businesses. Of all survey participants, about a third (30.2%) indicated their Accion loan had a significant impact on their ability to spend more time with their family.

Almost two-thirds of entrepreneurs (62.5%) reported working on average more than 40 hours per week in their own business. In addition, 43.4% of entrepreneurs have a second job. Out of the 43.4% of entrepreneurs who have a second job, 42.4% work more than 40 hours per week on average in their business, pointing to the large number of hours worked per week (Figure D-3). Along these lines, some entrepreneurs reported working even more hours since receiving the loan because of the extra effort they are now putting in to grow their businesses.

Figure D-3: Most entrepreneurs with a second job work more than 40 hours per week in their current business.



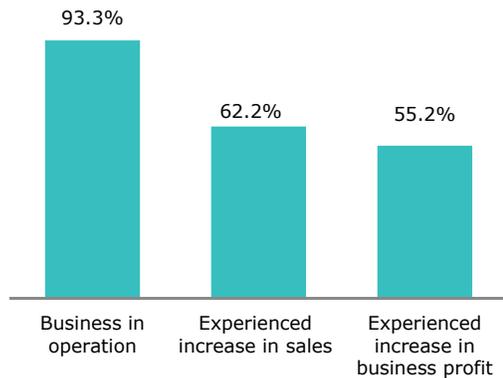
BUSINESS GROWTH AND VIABILITY

This section explores how lending services have enabled entrepreneurs to expand or sustain their businesses. In particular, this section looks at the extent to which businesses have grown since receiving a loan and to what extent borrowers would like to grow them.

Lending services allowed entrepreneurs to invest in their businesses and most indicated their businesses have grown. Interviewees shared that as a result of their loan they’ve been able to implement tangible changes to their businesses, such as buying new equipment, expanding inventory, and renovating spaces. These changes strengthened businesses and, for many, supported their

growth, which in turn allowed entrepreneurs to pay off debt and improve their cash flow. The vast majority of these businesses (93.3%) remained in operation at the time of the survey (10–28 months after receiving the loan), and more than half experienced an increase in sales and profits during the six months prior to it (Figure D-4).

Figure D-4: The vast majority of businesses remained in operation 10–28 months post loan



Interviewees who applied for a loan to launch their business shared that having extra capital reduced the initial stress of opening the business. Those who expanded to new locations or moved their business to a different one noted that the change has resulted in increased sales. Interviewees who have retail businesses also noted being able to expand their merchandise to meet demand. In addition, almost two thirds (63.2%) stated that Accion had a significant impact on their ability to expand or modify their products or services (Table D-2). Similarly, 61.8% noted that Accion had a significant impact on their ability to acquire new equipment, such as vehicles, kitchen equipment, and computers.

For most entrepreneurs that sought out a loan to help maintain their business operations, Accion loans have helped weather cash flow gaps. One interviewee noted, “Our profitability has improved because we’ve lowered our borrowing expense.” Another interviewee said, “It helped a lot. I would have been out of business if it wasn’t for that loan.”

Table D-2: Entrepreneurs who indicated Accion had a significant impact on...

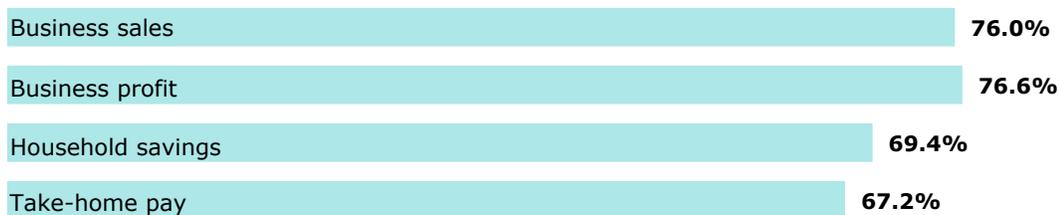
Expanding/modifying products or services	63.2%
Acquiring new equipment	61.8%
Business profit	57.6%
Cash flow	56.4%

One entrepreneur noted, “I couldn’t have done that without a shot of capital . . . I’ve grown my business. I have stable, regular clients. I make money on my soups. It’s definitely helped me fulfill my vision.” The loans received from Accion have allowed entrepreneurs to grow their businesses and expand their client base. One business owner said, “Since I got the loan I have received a lot of new clients and got a lot busier.”

Entrepreneurs expressed interest in growing and continuing to grow their businesses. Generally, entrepreneurs reported goals of expanding and multiplying locations, hiring more staff, buying more equipment, and increasing their merchandise. Further, a small number of interviewees, particularly in Denver, felt that they provide important services to their community and want to grow their business to address those needs. Entrepreneurs have, in general, a positive outlook for their financial future and for the financial future of their business.

When asked about their future, interviewees were optimistic about making strides towards their goals, even in the face of current challenges (e.g., increased rent and lack of time with family). Out of all survey respondents, the majority projected increases in sales, profit, savings, and take-home pay (Figure D-5).

Figure D-5: Percentage of entrepreneurs that predict growth in the next six months for their businesses and their household.



Interviewees shared that a big component of their business growth goals was hiring more people. In the six months prior to the survey, 22.5% saw an increase in their number of employees, and a majority of entrepreneurs (74.8%) currently have other people besides themselves working in their businesses. These workers include family members (who may be paid or unpaid), paid employees, interns, and unpaid helpers. Among the entrepreneurs that have people working in their business, 62.4% have paid employees. On average, entrepreneurs employ five individuals.

Average wages varied depending on part-time or full-time employment status, with full-time employees earning more. Paid full-time employees had a median hourly wage of \$15.00 whereas paid part-time employees had a median hourly wage of \$12.00, higher than the minimum wage across all five states, but similar to other regions in the study.⁶⁴

⁶⁴ Minimum hourly wages across all five states at time of baseline data collection were Arizona (\$8.05), Colorado (\$8.31), Nevada (\$8.25), New Mexico (\$7.50), and Texas (\$7.75).



FINANCIAL HEALTH & FINANCIAL PRACTICES

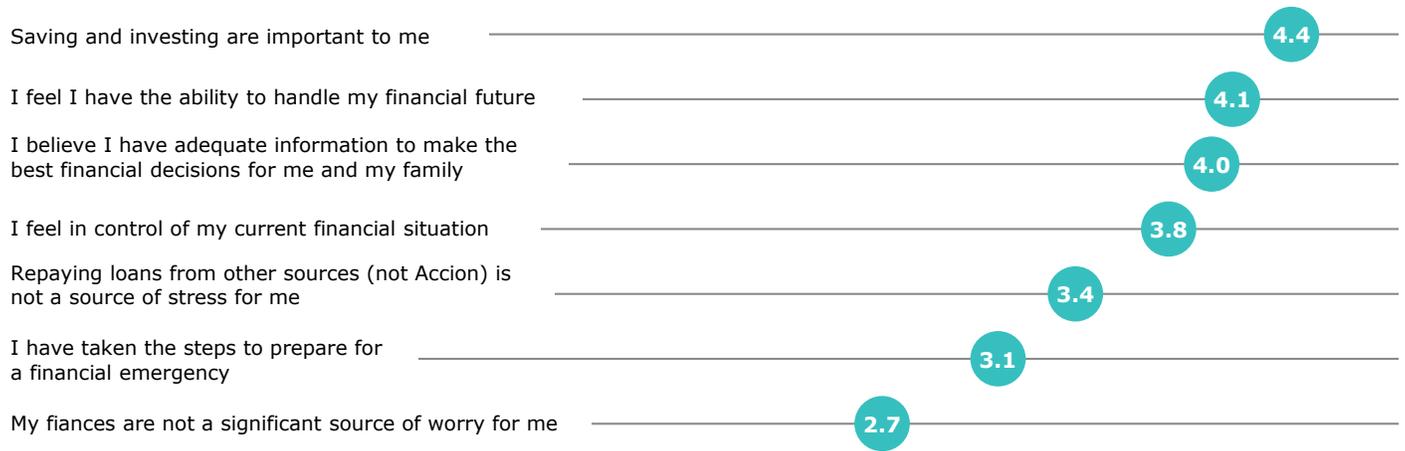
This section explores how lending services have changed entrepreneurs’ financial health and how entrepreneurs have implemented changes in their financial practices. We have grouped together these evaluation domains as findings intersect both areas.

While saving and investing is important to entrepreneurs, many are not yet able to do it. When rating statements about personal financial health, saving and investing were ranked as most important. In a 5-point scale, where one meant “not at all true” and five meant “very true,” this statement received the highest average rating of 4.4. Borrowers also indicated that their finances are a significant source of worry for them (Figure D-6), and a significant number of interviewees spoke about not being prepared for unexpected expenses, both at home and in their business. Many interviewees said they would have the ability to cover small expenses, but acknowledged they do not have a plan for large and unexpected ones. One borrower said, “No. No, certainly not, certainly not. If one of my horses gets sick, then yeah, I do not have anything in the bank ready to pay for that bill.” Another participant expressed a similar sentiment, “A \$250 expense I can handle. A \$2,050 expense I would probably go, ‘Oh no! Now what?’”



Figure D-6: Average ratings show that saving and investing are very important to entrepreneurs, but finances continue to be a source of worry for many.

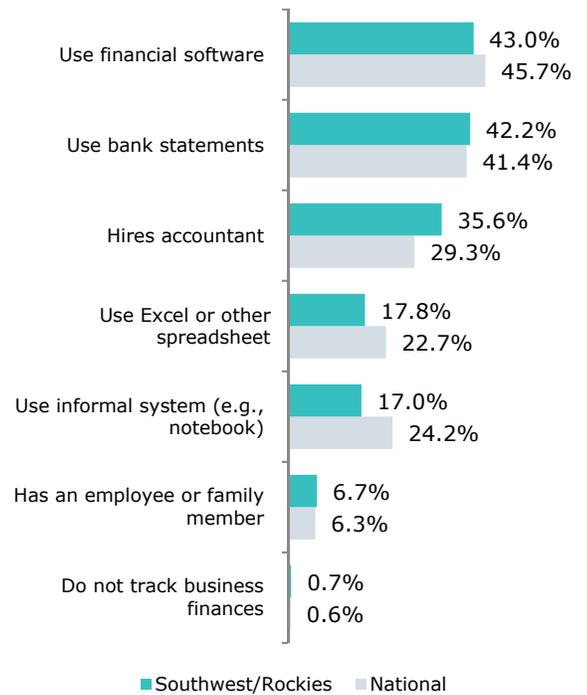
Scale was 1–5, with 5 representing “very true”



All entrepreneurs use some form of financial tracking, but not all see the need for a formal system. Depending on the type of business, entrepreneurs shared that they did not see the need to formalize the way they track their finances. For example, a number of interviewees have sole-operated businesses, such as personal caregivers and child care takers, with relatively few clients. For those businesses, entrepreneurs noted that they felt confident in manually tracking their finances (e.g., through notebooks or bank statements). In general, entrepreneurs use informal tracking systems less than their national counterparts (17.0% compared to 24.2%) (Figure D-7).

Similar to the national sample, about half of entrepreneurs (52.0%) had a financial plan. A financial plan helps owners steer their businesses in the right direction. While some entrepreneurs rely on a financial plan to guide business decisions, others place less importance on them. This split was especially evident when interviewees described how they tracked the financial health of their business. Several interviewees noted the importance of financial tracking. One entrepreneur said, "The numbers tell you what's going on, it's the language of business. So we're very detailed. We track all of our expenses. We can track both positive and negative trends." However, some interviewees struggled to maintain rigorous financial tracking methods. One entrepreneur noted, "I have boxes of receipts and notebooks full of notes, things like that. I do everything mostly by hand and with different colors of pen."

Figure D-7: The most used forms of financial tracking are financial software and bank statements.



A group of entrepreneurs have changed their business financial practices as a result of Accion loans and business financing. Despite the varied financial practices of entrepreneurs discussed previously, 28.4% of entrepreneurs noted that Accion had a significant impact on their ability to improve their financial record keeping, and about a third (31.8%) believed that Accion had a significant impact on their ability to project business sales and profits (Figure D-8). Interviewees echoed the findings from the survey. Many said that they had not changed their financial habits as a result of working with Accion, but some mentioned that Accion encouraged them to use formal tracking methods to strengthen their business. A Denver entrepreneur with a carpentry business shared, "Since Accion we have been more careful about not robbing Peter to pay Paul . . . We've been a lot better about our budget and sticking to a budget for a job and job costing and knowing what money we need coming in to keep our doors open, and then making sure that we're bidding accordingly . . . and we're tracking all of the expenses associated with [a job] so we know in real time if this job is being profitable or how it's going to impact the business."

Figure D-8: As a result of Accion, some entrepreneurs saw a significant impact on their ability to project business sales and improve financial record keeping



In addition, close to half of entrepreneurs (43%) used financial software, such as QuickBooks, and over a third (35.6%) hired an accountant to assist them in tracking their finances. One interviewee stated that due to the small size of their business, they did not see the need for more formal financial tracking.

While entrepreneurs may struggle with financial plans, those who were able to create financial plans reported feeling more in control of their financial situation and more prepared for a financial emergency.

Entrepreneurs feel more financially secure since receiving the loan, and many are taking steps to prepare for financial emergencies or unanticipated financial needs. More than half of entrepreneurs (61.2%) noted feeling in control of their current financial situation, and the majority (76.1%) feel they have the ability to handle their financial future. Entrepreneurs shared that in the face of an unexpected expense, many would know how to handle it. For example, more established business owners said they had savings for use in an emergency. One entrepreneur shared, “I certainly have personal savings that I could go to if it were a one-time challenge . . . [it] would kind of depend upon whether I absorb the cost myself or look to Accion for another loan.” And while not everyone had savings accounts that would support a financial emergency, many noted that they felt confident they could weather a financial problem because they knew how to access capital, for example by returning to Accion. In fact, many interviewees who have received multiple loans from Accion shared that their second or third loan was used to take care of an unexpected expense (e.g., broken equipment).

The majority (76.1%) of the region’s entrepreneurs feel they have the ability to handle their financial future.

A smaller number of interviewees shared concerns about being able to handle an unexpected expense. Specifically, some shared that, depending on the amount needed, they may consider closing their businesses; others shared that they would need to rely on taking on more debt, either from family, friends, or Accion.



RELATIONSHIPS AND NETWORKS

We know that small businesses do not exist in silos and often depend on others to survive. This section explores current relationships and personal networks and how they have changed since receiving the loan. In particular, the section explores the support networks, official or unofficial, entrepreneurs have used to ensure their businesses thrive. This is an element that will continue to be analyzed as the study continues.

Entrepreneurs’ families are supportive of their efforts and often help to ensure businesses are successful. As stated in the first section of this chapter, families play a big role in entrepreneurs’ decision to start a business. Families also play a major role in the business itself and most often participate in one way or another to ensure its success. The majority of entrepreneurs (63%) have a family member who works in their business, which is significantly higher than the national figure of 55.5%. These family members provide an important source of labor and support to small business owners. In interviews, entrepreneurs continually mentioned the many ways that family members support the daily operations of their businesses. These ways varied from children helping wash dishes and carrying supplies, to spouses tracking business expenses. Many interviewees noted that their small business was co-owned and operated with their spouse. One interviewee noted how indispensable one of her family members is to her business:

“He does the shopping, deliveries for the business, the banking, making deposits and getting the change, and fixing some of the equipment.” Another said, “My daughter will deposit checks for me when I’m too busy. Every once in a while, [I] have her go pick up material. My son actually works on the job site sometimes to give me an extra set of hands when I’m trying to get stuff done faster or I just need somebody to come clean up.” A small number of entrepreneurs also noted that their small business has brought their family closer together.



Family members provide an important source of labor and support to small business owners.

Accion is supporting small business networking, but not all entrepreneurs have local support networks to access. Some entrepreneurs are creating connections in their communities through their involvement in local business associations or chambers of commerce. These connections create networks that provide referrals and generate additional business for local entrepreneurs. One interviewee mentioned how important these referrals are: “We don’t advertise anything. It’s all referral based, so we also rely heavily on those referrals.”

Entrepreneurs in Albuquerque also noted the impact the local Accion office had in fostering a network of small business owners. Entrepreneurs identified Accion’s workshops, mixers, and communications as network-building tools. A few shared they have been highlighted as success stories, while others have been asked to present to other businesses that are starting up.

In addition, many interviewees noted that they rely on local businesses for their supplies, particularly those in the retail and construction industries. A Denver entrepreneur with an electrical business spoke of the various businesses he relies on: “Everyday Rental, we rent from them all the time. Our insurance company, we give them about 15 grand a year. We were helping the phone company; we’re going to stop that soon. Mechanics, oil changes, tires, because there’s three vehicles that are running around that although I own them, I wouldn’t own them if I didn’t have a business. Computers, televisions, or monitors, last year I bought a new computer and three new monitors. Small business is what drives the whole thing if you ask me.”⁶⁵ These entrepreneurs are circulating money through their communities on a regular basis, but few outside of Albuquerque feel they have a local support network of other small businesses. It is important to note that Accion’s regional headquarters are located in Albuquerque, NM and thus local entrepreneurs may have more opportunities to network and collaborate through Accion events.

⁶⁵ All businesses’ names have been changed.

Summary

Preliminary findings indicate that Southwest and Rocky Mountains entrepreneurs have benefited from Accion lending services. Consistent with the Aspen Institute's annual FIELD EntrepreneurTracker outcomes survey, the majority of entrepreneurs (93.3%) were still operating their business at the time of the survey (10–28 months after receiving the loan). Similarly, over half experienced an increase in both sales and profit during the six months prior to the survey. Accion lending has enabled many entrepreneurs to launch or sustain their businesses by providing the capital needed to expand products and services, or to purchase new equipment. Accion has also supported businesses in strengthening their financial practices and supporting their progress towards their goals. The study, however, has also highlighted key challenges entrepreneurs face.

The evaluation team will continue to track how lending services have impacted the economic security and financial goals of individual entrepreneurs, the commercial viability of the businesses funded by nonprofit lending institutions, and the entrepreneurs' engagement in and relationship to their local communities across the six evaluation domains identified here. Follow up data collection will also delve deeper into the regional nuances and challenges faced by entrepreneurs. Follow up data collection will occur in the spring and summer of 2017 and final longitudinal results are expected to be released in early 2018. 📊

Preliminary Findings for the East Region

Introduction

Many US businesses are unable to access loans from traditional financial institutions because they are too young, too small, have imperfect credit, or have modest incomes. Accion helps small businesses thrive by providing affordable capital and support services to entrepreneurs who cannot access the credit they need to start or grow their business. As part of this work, Accion evaluates a range of outcome indicators of borrower success, including repayment rates, business survival, repeat borrowers, and job creation and retention. However, these metrics do not provide a deeper understanding of the holistic, longer-term impacts of lending on individuals and their households, small businesses, and communities. As a response to this need, Accion has partnered with Opportunity Fund and Harder+Company Community Research to design and implement a first-of-its-kind national longitudinal evaluation of the impact of their small business lending.

The Small Business Lending Impact Study assesses the mid-term impact (two to three years post-loan) of small business lending on the economic security and financial goals of individual entrepreneurs, the commercial viability of the businesses funded by nonprofit lending institutions, and entrepreneurs' engagement in and relationship to their local communities. The study seeks to identify the associations that may be attributed to receiving an Accion loan. This evaluation is unique because it investigates borrowers' perceived financial security, definitions of success, and personal and business goal attainment, and it does so on national and regional scales.

This is a longitudinal study and data collection will take place over a two-year period.⁶⁶ This chapter lays out the study's baseline findings for Florida, Massachusetts, New Jersey, and New York (the "region" or "East region") served by Accion. Data were collected in the spring of 2016 through telephone and online surveys and through in-depth telephone interviews with borrowers who received a loan between January 2014 and March 2015.

How to Read this Chapter

This study is comprised of six evaluation domains, developed jointly with stakeholders across Accion and Opportunity Fund. The chapter is organized along these evaluation domains (outlined below) and seeks to answer the following questions:

- **Achieving success:** To what extent have lending services allowed borrowers to realize identified goals?
- **Quality of life:** In what ways have lending services affected entrepreneur's quality of life?
- **Business growth and viability:** How have lending services enabled entrepreneurs to expand or sustain their businesses?
- **Financial health:** How have lending services changed entrepreneurs' financial health, both real and perceived?
- **Financial practices:** How have entrepreneurs implemented changes in financial practices?
- **Relationships and networks:** In what ways have entrepreneurs' relationships and personal networks changed?

Evaluation domains have been organized to highlight the most prominent findings and may not appear in the same order as in other regional chapters.

Comparisons to the national findings are shared when significant to highlight variations between Florida, Massachusetts, New Jersey, and New York borrowers and the rest of the study participants.

⁶⁶ Final longitudinal results will be released in early 2018.

Key Findings

Entrepreneurs in the region—particularly throughout Florida, New York, and the greater Boston area, where the interviews were conducted—reported already experiencing positive impacts as a result of Accion’s lending services, both on personal and business levels. Key findings include that:

- Entrepreneurs used their capital to diversify products and services, to renovate their business locations, and to buy new equipment, all leading to an increase in revenue and business growth.
- Entrepreneurs desire and are working towards expanding their businesses; however, many report facing significant financial challenges in doing so.
- Entrepreneurs report changes in their quality of life, including feeling more financially secure but still facing significant hurdles in handling unexpected costs.

Overview of Study Participants

Since 1991, Accion has provided over 166 million dollars in loans to entrepreneurs in this region.⁶⁷ In 2015, Accion was supporting 1,975 active loan borrowers, and they provided over 1,100 loans averaging \$8,767. Loans provided have been repaid at a rate of 96%. Businesses supported in this region survive at a rate of 96%.

Between January 2014 and March 2015, the period used to sample entrepreneurs for this study, a total of 1,353 entrepreneurs in the region received a loan from Accion. Within this cohort of entrepreneurs, 71% were first time borrowers and more than three quarters (79%) were of low to moderate income. The racial and ethnic makeup of this cohort was predominately African American (44%), White (39%), and Latino/Hispanic (12%).⁶⁸

To ensure a study sample of entrepreneurs that reflects the diversity of the cohort previously described, the study employed stratified probability sampling, engaging entrepreneurs that reflected key factors such as ethnicity, borrower status (i.e., first time or repeat borrowers), and income level. This approach was designed to maximize the ability to generalize findings across each funding partner.

A total of 157 entrepreneurs enrolled in the study and participated in the baseline survey. Of those, 8 Boston, 19 Miami, and 20 New York entrepreneurs participated in additional in-depth interviews. While the sample of 157 entrepreneurs is reflective of entrepreneurs supported by Accion in this region, the sample was ultimately not large enough to be representative across all sampling domains (race/ethnicity, income level, and borrower status).⁶⁹ For more information about the study methods, please see the Introduction section of this report.

Table E-1 compares the study participants to the cohort of the region’s entrepreneurs supported by Accion between January 2014 and March 2015. (For a demographic description of all study participants see Appendix A.)

⁶⁷ This includes loans provided between 1991 and 2015.

⁶⁸ This cohort represents only borrowers who received a loan between January 2014 and March 2015 and thus may not be reflective of Accion’s entire client base in the region.

⁶⁹ The evaluation team aimed to engage 273 entrepreneurs to reach a level of representation that would allow for predictive analysis at the end of the study. While this number was not reached the sample size allows for meaningful conclusions that represent the targeted population.

Table E-1: Overview of Study Participants in Comparison with Sampling Cohort

	Sampling Cohort	Study Participants
Total entrepreneurs	1,353	157
Median loan size	\$6,545	\$6,545
Top industries ⁷⁰	<ul style="list-style-type: none"> • 17% Administrative and Support and Waste Management and Remediation Services⁷¹ • 13% Retail Trade • 11% Professional, Scientific, and Technical Services 	<ul style="list-style-type: none"> • 18% Retail Trade • 18% Administrative and Support and Waste Management and Remediation Services • 10% Professional, Scientific, and Technical Services
Purpose of most recent loan	<i>Data obtained from survey and not available for sampling cohort.</i>	<ul style="list-style-type: none"> • 42% Expand business • 45% Maintain business operations • 10% Launch a new business or purchase existing business

This preliminary report is not intended to measure change over time. Entrepreneurs provided retrospective insights on the impact of their loan 10-28 months after receiving it; the next phase of the study will evaluate the extent to which these impacts are sustained over time.



ACHIEVING SUCCESS

Entrepreneurs each define the success of their business in their own way. This section explores what success means for entrepreneurs and the business and financial goals they have for themselves and their families. In addition, we explore what motivates entrepreneurs and the priorities they had at the time they sought and received a loan from Accion.

Entrepreneurs seek to grow and expand their businesses. When asked to describe their goals for their businesses, most entrepreneurs noted they would like to see their businesses grow and expand. Entrepreneurs described their growth strategies in a variety of ways, including driving sales and profits, reaching more customers, and expanding to more locations.

⁷⁰ Industries reflect the North American Industry Classification System (NAICS) names. NAICS industry names are the standard used by Federal agencies when classifying business establishments.

⁷¹ The Administrative and Support and Waste Management and Remediation Services sector comprises businesses performing routine support activities for the day-to-day operations of other organizations. Activities performed may include office administration, hiring and placing of personnel, document preparation and similar clerical services, solicitation, collection, security and surveillance services, cleaning, and waste disposal services.

Boston and New York entrepreneurs aim to grow their client base and expand to additional locations. In particular, those with brick and mortar businesses noted a desire to expand to other locations. For example, a New York entrepreneur running a women’s clothing store said she aims to expand her business into different regions by opening up additional shops. An urban farming business owner in Boston would like to expand regionally by establishing an additional location with more space and land. Several Boston entrepreneurs set specific goals of reaching more customers. For example, an entrepreneur running a studio gym noted she is aiming to increase gym memberships to fill up current training sessions. Another described her goal as growing her brand and expanding the services she offers through her life coaching business. Her ultimate goal is to increase her net income by reaching six figures.

About half of Miami entrepreneurs said they would like to expand their businesses, with the remainder citing stability as their goal. Of those with goals of growing or expanding their businesses, most aim to serve more customers or sell more products to increase sales and profits. As their businesses grow, some said they would like to expand to additional locations or secure a commercial space for their business. The remaining interview respondents said sustaining and stabilizing their businesses was their main priority. For example, an owner of a retail trade wholesale company shared he is struggling to order all the products his customers are requesting due to insufficient working capital. His primary goals are to improve cash flow and order and product delivery. An entrepreneur running an insurance company explained, “We are just trying to maintain our business. There is some uncertainty in this business given the political environment. We are seeing companies going in and out of the market.” On average, the study participants in Miami have younger businesses than those in New York and Boston. Borrowers in Florida have been operating for 5 years on average, compared to 5.9 years for businesses in Massachusetts and 5.6 years for businesses in New York. We intend to explore whether this is a driving factor in their focus on maintaining their business, or if there are other influences at work.

Entrepreneurs have a positive outlook on the future success of their businesses. When asked about their future, interviewees are generally optimistic about making progress on their goals and achieving success. Some entrepreneurs shared long-term goals of growing their businesses and profits substantially. For example, some said they expect to double or increase their sale and profits by a specific amount. After opening her food truck, a New York entrepreneur says she expects to make \$45,000 in gross sales next year. A Boston life coach predicts her net income to increase and reach six figures in the next year. A merchandising business owner from New York shared, “Right now, my business is generating revenue. Not a lot of revenue, but it’s generating revenue, and I anticipate this year is probably going to be my best year for my business.”

Of all survey respondents, more than three-fourths projected increases in business sales and profits (Figure E-1), with just 2% projecting a decrease. A majority also foresee increases in household savings and take-home pay.

Figure E-1: Percentage of entrepreneurs that predict growth in the next six months for their businesses and their household.



Accion lending services have helped entrepreneurs move toward key goals, including pursuing additional ventures and acquiring necessary equipment to more effectively run their businesses. Several New York entrepreneurs shared that their loan has given them more flexibility and opportunity to pursue additional ventures. For example, a clothing retailer said the influx of funding allowed her to pursue her dream of creating her own maternity line and improving her website, making it more user-friendly and accessible. Another entrepreneur said she can travel more freely to catering jobs because of the portable equipment she purchased with the loan.



More than half of all survey participants noted that Accion helped them achieve or make progress on their personal goals.

More than half of entrepreneurs reported that Accion lending services had a significant impact on enabling them to expand or modify their products or services and acquire new equipment (Table E-2). Interviewees from New York and Miami noted that Accion has helped them acquire the needed equipment to better run their businesses. For example, video production entrepreneurs purchased computers, cameras, and television equipment, which were critical to successfully running their businesses. The new up-to-date equipment allowed them to produce higher-quality work with more efficiency. One also noted the importance of keeping up with the changing technology: “Well, my business has been modernized, and I am saved from the danger of disappearing as a company because the industry was moving to HD, and my clients needed HD, and if I didn’t change my business was in real danger, so I had to do that change.”

Table E-2: Entrepreneurs who indicated Accion had a significant impact on...

Expanding/modifying products or services	59.7%
Acquiring new equipment	57.0%
Cash flow	55.1%
Business profit	49.6%

A Miami entrepreneur running a DJ business used the loan to purchase equipment he had previously been renting. This allowed him to offer clients a better rate because he cut costs, and in turn increased his customer base. Two construction entrepreneurs used their loans to purchase the appropriate and necessary tools to complete their jobs. One shared that because one of his first jobs constructing fences for an airport went so well, he is now receiving additional bids from other companies wanting to contract his services.



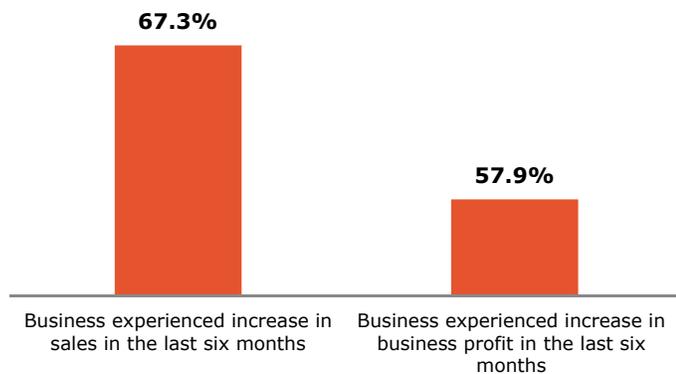
BUSINESS GROWTH AND VIABILITY

This section explores how lending services have enabled entrepreneurs to expand or sustain their businesses. In particular, this section looks at the extent to which businesses have grown since receiving a loan and to what extent borrowers would like to grow their businesses.

Entrepreneurs have already experienced small gains in business growth.

More than half of entrepreneurs in this study experienced an increase in both sales and profit during the six months prior to the survey (Figure 2). Many attributed growth to their loans, which allowed them to make strategic investments that otherwise would have not been possible. For example, they used the influx of capital to invest in new equipment, develop their products and services, or expand to other locations. A New York entrepreneur shared, "I've been able to grow. Last year I actually had my best sales year." She attributed the growth in sales to receiving the loan that gave her the cash flow she needed to stock up her inventory during high demand periods like holidays. She also used the loan to join an e-commerce site for boutiques, which drove additional sales from across the country. A Miami entrepreneur used the loan for marketing and saw his revenue increase by 75% in the same year. The loan also helped him retain a vast majority of his clients during a time of transition.

Figure E-2: More than half of all businesses experienced growth across sales and profit



The attributed impact to Accion is larger among those who experienced an increase in business sales. Specifically, 62% of businesses with increased sales in the past six months indicated that Accion had a significant impact on the increase. It will be important to track increases in sales and profits as entrepreneurs grow and expand their businesses in the follow-up study.



FINANCIAL HEALTH & FINANCIAL PRACTICES

This section explores how lending services changed entrepreneurs' financial health and how entrepreneurs have implemented changes to their financial practices. We have grouped these evaluation domains as findings cut across both areas.

While saving and investing are important to entrepreneurs, limited cash flow makes it difficult to accomplish these goals. When rating statements about their personal financial welfare, saving and investing was ranked as most important. Entrepreneurs also indicated that they feel they have the ability to handle their financial future, but their finances are a significant worry for them (Figure E-3). Across all three cities, interviewees pointed to the lack of cash flow or capital as a continued challenge and stressor when it comes to owning a small business. One entrepreneur added that waiting on payments from slow paying customers further exacerbates the problem: "Even though we're pretty well funded at this point, cash flow is always a problem. It's like if you're owed any sum of money, there's just not those buffers that you see with large companies where you don't have to worry about getting paid on time. So that's definitely a challenge."

As noted earlier, the Accion loan provided the capital necessary to sustain or expand their businesses at the time. However, several noted the need for additional capital to keep growing. For example, entrepreneurs that moved into a retail or warehouse space using their loan must now keep up with rent, mortgages, or other overhead costs. One entrepreneur explained: "The rent keeps increasing greatly and that's taking up more of my money too since the rent increased by 25% this year." A few shared that Accion is currently their only source of capital, aside from credit cards. Accion loans have helped entrepreneurs address start-up and emergency costs and expenses, but they need greater capital to meet increasing costs or to expand. Insufficient capital and the rising cost of doing business make it difficult for business owners to save or invest.

Figure E-3: Average ratings show that saving and investing are very important to entrepreneurs, but finances continue to be a source of worry for many.

Scale was 1-5, with 5 representing "very true"



The majority of entrepreneurs are unprepared for unexpected business expenses. Interviewees reported that they would most likely resort to credit cards or turn to family members to address a financial emergency. Only about one-third (32.9%) of entrepreneurs indicated that they have taken steps to prepare for a financial emergency. One entrepreneur from Miami explained why he would be unprepared: “We’re not really prepared for an unexpected expense because again, we’ve been paying the loan and we’ve been paying the insurances that have taken a big chunk of the money that we get off the bills.”

There is a strong connection between feelings of financial security and the use of savings accounts. Entrepreneurs who felt more confident in their ability to handle an unexpected expense have set aside emergency funds or have personal or business savings. One New York entrepreneur has stock security that he could liquidate fairly quickly if he needed to. Some entrepreneurs added that they have budgeted for smaller unexpected business expenses, but noted that larger expenses would be a challenge. A Miami entrepreneur explained that she has set aside a buffer for unexpected weather expenses: “We do have a reserve set aside in the bank for stuff like that—anything from the roof leaking to ACs breaking. We had a slight hurricane scare last year so the fear of flooding.”

Not all entrepreneurs have financial plans, but those that do feel more confident about their businesses. Those that have developed and adhered to a financial plan reported an improved ability to make well-informed decisions about their business. More than half of entrepreneurs (55.7%) had a business financial plan (Figure E-4). However, only a small proportion of those interviewed said they had developed one. Furthermore, those that said they did have a financial plan did not provide details about what that looked like or how that has helped their businesses. The impact of financial plans should be further explored in the subsequent study. A financial plan helps business owners steer their businesses in the right direction. Those who struggle developing or adhering to a financial plan may not be making well-informed decisions about their businesses’ finances (e.g., pricing or appropriately allocating one’s spending).

Entrepreneurs use a variety of methods to track their finances.

Almost all entrepreneurs use at least one method, formal or informal, of tracking their business finances. Nearly half of entrepreneurs use financial software, but many (39.0%) simply use their bank statements to monitor their expenses and revenue (Figure E-5). Most of the entrepreneurs that were interviewed said they use financial software to track their finances. This is a significant contrast to those who were interviewed in Chicago and reported greater use of informal tracking methods. Several participants also indicated that they have found tools such as financial software beneficial for their overall business. Others reported hiring accountants or bookkeepers in addition to using financial software or Excel spreadsheets. In a few cases, interviewees said they tracked day-to-day finances and used the expertise of accountants to take care of their taxes. When asked how they assess if their business is doing well, many said they make an assessment based on how much money is in their checking account, while only a few described running revenue and sales reports.

Figure E-4: More than half of entrepreneurs had a financial plan.

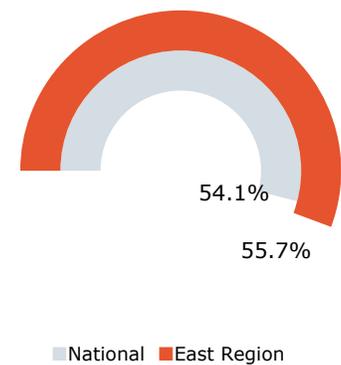
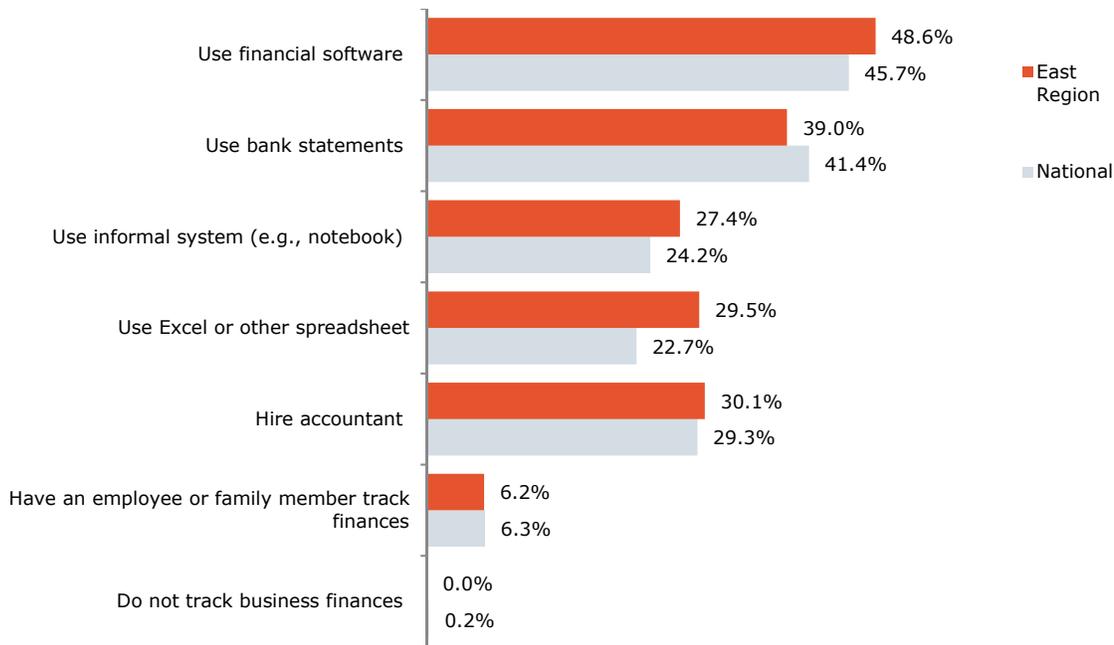


Figure E-5: About half of entrepreneurs use financial software to track their business' finances

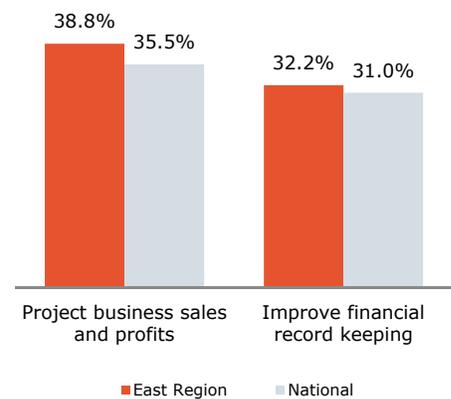


About half of entrepreneurs reported receiving assistance and guidance around financial practices from their loan officers. When asked if they had received any support or services from Accion, over half said their loan officer helped them define their financial goals. Those interviewed also mentioned their loan officer being readily available in the event they needed assistance. They appreciated that loan officers did not force services onto borrowers. A few individuals noted that Accion referred them to financial resources and support. For example, one entrepreneur was referred to a two-day seminar where she learned how to set up her financial statements and how to track revenue and expenses. It is important to note that this data primarily reflects entrepreneurs' recollection and perception of the support services they received and may not be reflective of the full scope of support services offered by loan officers.

Four out of ten (42.5%) entrepreneurs surveyed indicated that they have changed, at least somewhat, the way they track their business finances as a result of the loan or business advising. The biggest change in the way borrowers track their finances is through the incorporation of software programs. One of the borrowers stated, "We have our bank account synced to QuickBooks and we keep that current by making sure the transactions are synced and categorized."

The other half of interviewed entrepreneurs reported receiving no to limited support from Accion loan officers. A small percentage of microloan recipients (32.2%) believed that Accion had an impact on their ability to improve their financial record keeping, and 38.8% felt Accion impacted their ability to project their sales and profits (Figure E-6).

Figure E-6: As a result of Accion, entrepreneurs saw a significant impact on their ability to project business sales and improve financial record keeping





QUALITY OF LIFE

This section explores the degree to which entrepreneurs' sense of personal freedom and control over how they spend their time has been impacted by their Accion financing services.

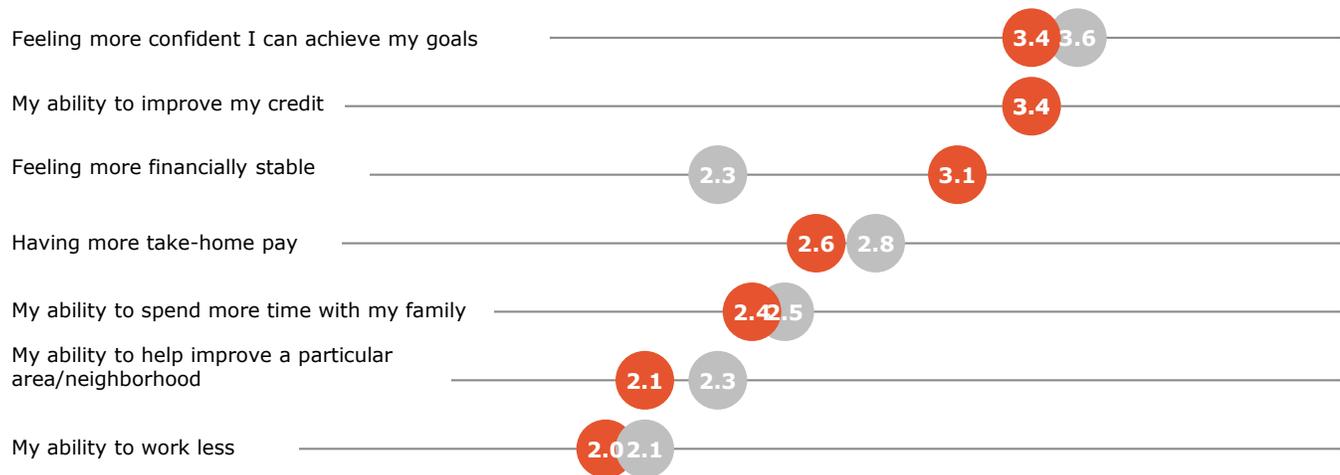
Entrepreneurs reported feeling more control and financially secure as a result of their loan. Entrepreneurs explained that the loan has helped stabilize their business and household finances. The influx of funding has also helped relieve the financial stress that comes with owning a business, such as paying overhead bills and payroll on time. An entrepreneur from Boston explained that the reserve of money allows more flexibility and relieves financial stress. Many reported feeling more at ease in their everyday life and an increased peace-of-mind since taking out their loan.

Several participants reported an improved work-life balance as a result of Accion lending services. For example, a New York entrepreneur shared that he often worked overtime and on weekends when he was launching his business, but now he has achieved a better work-life balance. He explained, "Now the situation is changing and thank God during the weekends I'm able to have time with my family, because previously I didn't. I had to work overtime and if someone had an emergency on Sunday I had to work on Sunday." Another entrepreneur from Miami experienced an improved work-life balance as a result of renting an office space, which has allowed him to separate work from home life. A few entrepreneurs reported minimal to no changes in stress or work-life balance. One noted that the loan was too small to effect any substantial changes. Two New York entrepreneurs actually reported an increase in stress as a result of a more intense workload and moving into a warehouse with overhead costs. However, overall they felt satisfied with the direction of their lives.



On average, entrepreneurs feel their loans have had the biggest impact on their sense of confidence in accomplishing their goals, their ability to improve credit, and their sense of financial stability. In contrast, the loan did not yet have a big impact on their ability to work less (Figure E-7).

Figure E-7: **Average ratings show that loans have so far had the biggest impact on sense of confidence, ability to improve credit, and sense of financial stability.***
Scale was 1–5, with 5 representing “a lot of impact”



* Indicators where only one data “dot” is shown are the same for the region and national entrepreneurs.

● East Region ● National



RELATIONSHIPS AND NETWORKS

This section explores entrepreneurs’ current relationships and personal networks and how they have changed since receiving the loan. In particular, the section explores the support networks, official or unofficial, entrepreneurs have used to ensure that their businesses thrive. This is an element that will continue to be analyzed as the study continues.

Entrepreneurs employ individuals from their communities. Over two-thirds of surveyed entrepreneurs (72.1%) have other people besides themselves working in their businesses. Those include family members, employees, contractors, interns, and volunteers. Among those with people working in their business, 64.8% have paid employees. On average, microloan recipients employed five employees, ranging from 1 to 38 paid workers. Interviewees echoed this finding with most having at least one part-time or full-time employee. Several noted that they hire contractors to accomplish certain aspects of their work, and a few said they provide internship opportunities for young professionals entering the field.

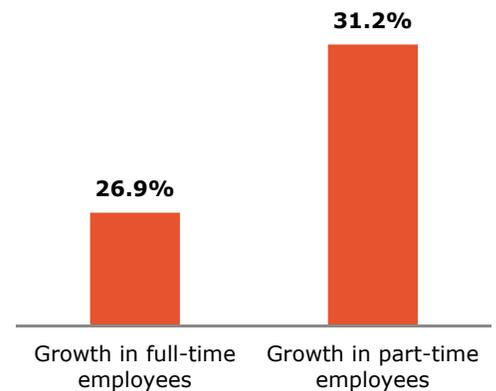
Some business owners increased the size of their staff since receiving the

loan. Of those who have someone working in their business, a third (31.2%) saw an increase in part-time employees and 26.9% saw an increase in full-time employees in the six months prior to the survey (Figure E-8). One entrepreneur shared, “When we got the loan I think I probably had six or seven employees. Now we’re up to twenty.” About one-third of entrepreneurs in the East (32.0%) stated that the loan had an impact on their ability to retain staff.

Entrepreneurs are networking and leveraging resources to grow professionally. About 40% of all interviewees are involved in a local small business or community group. Some are part of more traditional small business groups, such as a local chamber of commerce or small business association. Others mentioned issue-focused groups, such as organizations working with special needs children, and a few are part of groups dedicated to empowering women or people of color. Entrepreneurs said they valued the support and resources they got through being involved in a group.

A small number of interviewees mentioned taking advantage of professional development workshops and conferences. For example, a Boston entrepreneur was referred by Accion to an accelerator workshop for food businesses. Another entrepreneur from New York attended a two-day financial seminar where she learned how to set up finances to better understand revenue and expenses.

Figure E-8: Of entrepreneurs with others working in their businesses, a third experienced staff growth in the past six months.



Summary

Preliminary findings show that entrepreneurs are already experiencing positive outcomes as a result of Accion's lending, particularly around business growth and viability. Over half experienced an increase in sales and profit during the six months prior to the survey. Entrepreneurs have made significant strides in reaching their business goals, but still face financial barriers and challenges. Further, and consistent with findings from the annual EntrepreneurTracker outcomes survey conducted by the Aspen Institute's FIELD program, the majority of entrepreneurs (96.8%) were still operating their business at the time of the survey (10–28 months after receiving the loan). The study will continue to monitor how businesses grow and expand over time

Furthermore, entrepreneurs have a positive outlook on the future success of their business. Nearly half of all entrepreneurs (46%) feel their loans have had the most impact on their sense of confidence in achieving their goals. Many shared goals of growing their businesses in a variety of ways, including driving sales and profits, reaching more customers, and expanding geographically.

While entrepreneurs have already experienced small gains in business growth, many still face significant financial barriers and challenges. These include limited cash flow or savings to address financial emergencies or unexpected costs and insufficient capital to meet rising costs.

The evaluation team will continue to track how lending services have impacted the economic security and financial goals of individual entrepreneurs, the commercial viability of the businesses funded by nonprofit lending institutions, and the entrepreneurs' engagement in and relationship to their local communities across the six evaluation domains identified here. Follow up data collection will also delve deeper into the regional nuances and challenges faced by entrepreneurs. Follow up data collection will occur in the spring and summer of 2017 and final longitudinal results are expected to be released in early 2018. 🇺🇸

Appendix A: Entrepreneurs' Demographics by Region

San Diego

The San Diego sample is made up of 60 entrepreneurs. These include 4 individuals who had closed their business at the time of the survey. The characteristics of entrepreneurs are outlined below.

Table 3: Gender⁷²

	Male	Female
National Sample	52.9%	46.9%
San Diego Sample	47.1%	52.9%

Table 4: Age of entrepreneurs at the time of survey

	18-24	25-34	35-54	55+
National Sample	1.7%	18.9%	59.4%	20.0%
San Diego Sample	2.0%	27.5%	51.0%	19.6%

Table 5: Race and Ethnicity

	Black, Afro-Caribbean, or African American	Non-Hispanic White	Latino or Hispanic	Multiracial	East Asian or Asian American	South Asian or Indian American	Other
National Sample	19.1%	32.5%	37.0%	3.9%	3.4%	1.5%	2.5%
San Diego Sample	14.0%	36.0%	34.0%	8.0%	6.0%	--	2.0%

Table 6: Income Level at Time of Loan⁷³

	Low	Moderate	Middle	Upper
National Sample	45.7%	27.3%	14.8%	12.1%
San Diego Sample	48.3%	13.3%	23.3%	15.0%

⁷² Gender categories include individuals with a transgender experience

⁷³ Low household income refers to <=50% of the 2015 local HUD's income median level; moderate is between 50-80 percent; middle is between 80-120 percent; and upper is more than 120% of the 2015 local HUD's income median level.

Table 7: Highest Level of Education

	Less than high school diploma	High school graduate or GED	Some college, no degree	Associates degree/ other vocational degree	Bachelor's degree	Graduate/ Professional degree
National Sample	4.2%	13.1%	23.6%	12.4%	24.8%	21.9%
San Diego Sample	5.9%	7.8%	19.6%	17.6%	21.6%	27.5%

Table 8: Number of Adults in the Household

	One	Two	Three or more
National Sample	18.3%	53.5%	28.1%
San Diego Sample	22.0%	50.0%	28.0%

Table 9: Households with Children under 18

National Sample	50.1%
San Diego Sample	37.3%
	<i>Of those, 31.6% have children under six</i>

Los Angeles and the Bay Area

The Los Angeles and Bay Area (Opportunity Fund) sample is made up of 102 entrepreneurs. These include 3 individuals who had closed their business at the time of the survey. The characteristics of entrepreneurs are outlined below.

Table 10: Gender⁷⁴

	Male	Female
National Sample	52.9%	46.9%
Opportunity Fund Sample	58.1%	41.9%

Table 11: Age of entrepreneurs at the time of survey

	18-24	25-34	35-54	55+
National Sample	1.7%	18.9%	59.4%	20.0%
Opportunity Fund Sample	--	16.1%	62.4%	21.5%

Table 12: Race and Ethnicity

	Black, Afro-Caribbean, or African American	Non-Hispanic White	Latino or Hispanic	Multiracial	East Asian or Asian American	South Asian or Indian American	Other
National Sample	19.1%	32.5%	37.0%	3.9%	3.4%	1.5%	2.5%
Opportunity Fund Sample	5.4%	17.4%	56.6%	4.3%	9.8%	4.3%	2.2%

Table 13: Income Level at Time of Loan⁷⁵

	Low	Moderate	Middle	Upper
National Sample	45.7%	27.3%	14.8%	12.1%
Opportunity Fund Sample	63.7%	10.8%	11.8%	13.7%

Table 14: Highest Level of Education

	Less than high school diploma	High school graduate or GED	Some college, no degree	Associates degree/ other vocational degree	Bachelor's degree	Graduate/ Professional degree
National Sample	4.2%	13.1%	23.6%	12.4%	24.8%	21.9%
Opportunity Fund Sample	12.9%	20.4%	25.8%	11.8%	20.4%	8.6%

⁷⁴ Gender categories include individuals with a transgender experience

⁷⁵ Low household income refers to <=50% of the 2015 local HUD's income median level; moderate is between 50-80 percent; middle is between 80-120 percent; and upper is more than 120% of the 2015 local HUD's income median level.

Table 15: Number of Adults in the Household

	One	Two	Three or more
National Sample	18.3%	53.5%	28.1%
Opportunity Fund Sample	7.6%	53.3%	39.1%

Table 16: Households with Children under 18

National Sample	50.1%
Opportunity Fund Sample	58.3%
	<i>(Of these, 51.1% have a child under 6)</i>

Illinois and Northwest Indiana

The Illinois and Northwest Indiana sample is made up of 93 entrepreneurs. These include 5 individuals who had closed their business at the time of the survey. The characteristics of entrepreneurs are outlined below.

Table 17: Gender⁷⁶

	Male	Female
National Sample	52.8%	41.9%
Illinois and Northwest Indiana Sample	51.8%	48.2%

Table 18: Age of entrepreneurs at the time of survey

	18-24	25-34	35-54	55+
National Sample	1.7%	18.9%	59.4%	20.0%
Illinois and Northwest Indiana Sample	--	14.1%	61.2%	24.7%

Table 19: Race and Ethnicity

	Black, Afro-Caribbean, or African American	Non-Hispanic White	Latino or Hispanic	Multiracial	East Asian or Asian American	South Asian or Indian American	Other
National Sample	19.1%	32.5%	37.0%	3.9%	3.4%	1.5%	2.5%
Illinois and Northwest Indiana Sample	42.5%	38.8%	11.8%	2.4%	1.2%	1.2%	1.2%

Table 20: Income Level at Time of Loan⁷⁷

	Low	Moderate	Middle	Upper
National Sample	45.7%	27.3%	14.8%	12.1%
Illinois and Northwest Indiana Sample	26.9%	24.7%	25.8%	22.6%

Table 21: Highest Level of Education

	Less than high school diploma	High school graduate or GED	Some college, no degree	Associates degree/ other vocational degree	Bachelor's degree	Graduate/ Professional degree
National Sample	4.2%	13.1%	23.6%	12.4%	24.8%	21.9%
Illinois and Northwest Indiana Sample	1.2%	3.5%	24.7%	10.6%	42.4%	17.6%

⁷⁶ Gender categories include individuals who identify as transgender.

⁷⁷ Low household income refers to <=50% of the 2015 local HUD's income median level; moderate is between 50-80 percent; middle is between 80-120 percent; and upper is more than 120% of the 2015 local HUD's income median level.

Table 22: Number of Adults in the Household

	One	Two	Three or more
National Sample	18.3%	53.5%	28.1%
Illinois and Northwest Indiana Sample	23.5%	54.1%	22.45

Table 23: Households with Children under 18

National Sample	50.1%
Illinois and Northwest Indiana Sample	54.1%

(Of these, 48.8% have a child under 6)

Southwest and Rocky Mountains (Arizona, Colorado, Nevada, New Mexico, and Texas)

The Arizona, Colorado, Nevada, New Mexico and Texas (Southwest and Rocky Mountains Region) sample is made up of 149 entrepreneurs. These include 10 individuals who had closed their business at the time of the survey. The characteristics of borrowers are outlined below.

Table 24: Gender⁷⁸

	Male	Female
National Sample	52.8%	41.9%
Southwest/Rockies Sample	56.0%	44.0%

Table 25: Age of entrepreneurs at the time of survey

	18-24	25-34	35-54	55+
National Sample	1.7%	18.9%	59.4%	20.0%
Southwest/Rockies Sample	--	16.1%	62.4%	21.5%

Table 26: Race and Ethnicity

	Black, Afro-Caribbean, or African American	Non-Hispanic White	Latino or Hispanic	Multiracial	East Asian or Asian American	South Asian or Indian American	Other
National Sample	19.1%	32.5%	37.0%	3.9%	3.4%	1.5%	2.5%
Southwest/Rockies Sample	10.7%	40.2%	39.3%	4.1%	1.6%	--	4.1%

Table 27: Income Level at Time of Loan⁷⁹

	Low	Moderate	Middle	Upper
National Sample	45.7%	27.3%	14.8%	12.1%
Southwest/Rockies Sample	22.3%	31.8%	26.4%	19.6%

⁷⁸ Gender categories include individuals with a transgender experience

⁷⁹ Low household income refers to <=50% of the 2015 local HUD's income median level; moderate is between 50-80 percent; middle is between 80-120 percent; and upper is more than 120% of the 2015 local HUD's income median level.

Table 28: Highest Level of Education

	Less than high school diploma	High school graduate or GED	Some college, no degree	Associates degree/ other vocational degree	Bachelor's degree	Graduate/ Professional degree
National Sample	4.2%	13.1%	23.6%	12.4%	24.8%	21.9%
Southwest/Rockies Sample	2.4%	16.0%	28.0%	15.2%	18.4%	20.0%

Table 29: Number of Adults in the Household

	One	Two	Three or more
National Sample	18.3%	53.5%	28.1%
Southwest/Rockies Sample	21.8%	54.0%	24.2%

Table 30: Households with Children under 18

National Sample	50.1%
Southwest/Rockies Sample	56.8% <i>(Of these, 36.7% have a child under 6)</i>

East (Florida, Massachusetts, New Jersey and New York)

The Florida, Massachusetts, New Jersey and New York (East Region) sample is made up of 157 entrepreneurs. These include 4 individuals who had closed their business at the time of the survey. The characteristics of borrowers are outlined below.

Table 31: Gender⁸⁰

	Male	Female
National Sample	52.8%	41.9%
East Sample	52.9%	46.9%

Table 32: Age of entrepreneurs at the time of survey

	18-24	25-34	35-54	55+
National Sample	1.7%	18.9%	59.4%	20.0%
East Sample	1.7%	20.7%	61.2%	16.5%

Table 33: Race and Ethnicity

	Black, Afro-Caribbean, or African American	Non-Hispanic White	Latino or Hispanic	Multiracial	East Asian or Asian American	South Asian or Indian American	Other
National Sample	19.1%	32.5%	37.0%	3.9%	3.4%	1.5%	2.5%
East Sample	22.9%	30.5%	39.0%	2.5%	0.8%	1.7%	2.5%

Table 34: Income Level at Time of Loan⁸¹

	Low	Moderate	Middle	Upper
National Sample	45.7%	27.3%	14.8%	12.1%
East Sample	49.9%	28.7%	13.4%	8.9%

Table 35: Highest Level of Education

	Less than high school diploma	High school graduate or GED	Some college, no degree	Associates degree/ other vocational degree	Bachelor's degree	Graduate/ Professional degree
National Sample	4.2%	13.1%	23.6%	12.4%	24.8%	21.9%
East Sample	0.8%	13.2%	18.2%	9.1%	24.0%	34.7%

⁸⁰ Gender categories include individuals with a transgender experience

⁸¹ Low household income refers to <=50% of the 2015 local HUD's income median level; moderate is between 50-80 percent; middle is between 80-120 percent; and upper is more than 120% of the 2015 local HUD's income median level.

Table 36: Number of Adults in the Household

	One	Two	Three or more
National Sample	18.3%	53.5%	28.1%
East Sample	17.8%	54.2%	28.0%

Table 37: Households with Children under 18

National Sample	50.1%
East Sample	39.7%
	<i>(Of these, 48.9% have a child under 6)</i>

Appendix B: Entrepreneur Baseline Survey

Section A: Background

1) **When you applied for your most recent loan, which of the following did you plan to do?** [Mark one]

- Launch** a new business or purchase an existing
- Maintain** business operations (e.g., general and administrative expenses, maintain inventory, tenant improvement, etc.)
- Expand** business (e.g., expand inventory, move to a storefront location, hire people, etc.)
- Other** (please explain)

2) **What is the current status of your business?**

- I am operating my business.
- I closed or sold my business. → [Go to Section H](#)
- I never started my business. → [Go to Section H](#)

If you NEVER STARTED or CLOSED your business, please SKIP the remainder of this survey, and complete ONLY Section H on page 10.

3) **What is the best time of year for your business? Select all the months that apply.**

(For example, a florist may expect more business activity during February for Valentine's Day and an ice-cream shop may expect more business during June-September because of summer weather.)

- | | | |
|---|---------------------------------|------------------------------------|
| <input type="checkbox"/> Not applicable - my business is consistent throughout the year | | |
| <input type="checkbox"/> January | <input type="checkbox"/> May | <input type="checkbox"/> September |
| <input type="checkbox"/> February | <input type="checkbox"/> June | <input type="checkbox"/> October |
| <input type="checkbox"/> March | <input type="checkbox"/> July | <input type="checkbox"/> November |
| <input type="checkbox"/> April | <input type="checkbox"/> August | <input type="checkbox"/> December |

4) **Please mark any change in each of the following over the past six (6) months.**

	<i>Increased</i>	<i>Stayed the Same</i>	<i>Decreased</i>	<i>Not Applicable</i>
a. Business sales	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Overall business profit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. Number of full-time employees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Number of part-time employees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. Take home pay (from this business)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. Personal/household savings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- 5) **In the past six (6) months, have you been able to bring home a salary from your business?** *(That is, have you had any take-home pay for yourself from the business?)*

- Yes
 No
 Not Sure

Section B: Goals

- 6) **At the time you got your most recent loan, how important was it to accomplish the following personal goals?** *(Although the loan was for the business, we want to know how important these personal goals were to you at that time.)*

Not at all **Somewhat** **Very**
important **important** **important**

- | | | | |
|--|-----------------------|-----------------------|-----------------------|
| a. Have more time to spend with my family | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| b. Be able to work less | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| c. Be able to take time off or go on a vacation | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| d. Have more money to support my family/household | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| e. Pay for my child's education (if you have no children leave blank) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| f. Save money for big purchase like car or house | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| g. Move to a better neighborhood | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| h. Did you have other personal goals you wanted to accomplish? Please explain below. | | | |

- 7) **On a scale of 1 to 5, has this loan helped you accomplish personal goals?** [Circle one number]

1

2

3

4

5

Not at all

(This loan has not been helpful in accomplishing or making progress on my goals)

A lot

(This loan has been extremely helpful in accomplishing or making progress on my goals)

Section C: Business Practices

- 8) **Before you received your most recent loan, where was your business located?**

- Business was based out of my home or virtual (e.g., all sales or services were done over the phone or internet).
 Business was mobile (e.g., services were provided in people's home or moved from site to site, such as a food truck).
 Business was located in a rented or owned place; including an incubator (this can include rented space at a swap meet).
 The business had not been started yet.

- 9) **Where is your business located now?**

- Business is based out of my home or virtual (e.g., all sales or services are done over the phone or internet).
 Business is mobile (e.g., services are provided in people's home or moved from site to site, such as a food truck).
 Business is located in a rented or owned place; including an incubator (this can include rented space at a swap meet).
[Complete questions 9A and 9B]

9A. Before you leased or bought this space, was it vacant?

- Yes No Don't Know

9B. What motivated you to lease or buy this space? [Top 3]

- Cost
 Accessible from my home (e.g., easy commute)
 Wanted to be in a particular neighborhood or area
 Visibility/foot traffic
 Wanted to improve a particular neighborhood
 Size
 Other (write in):

10) **Over the past six (6) months, what was the average number of hours per week you worked at your business?**

- Less than 20 hours per week
- 20-39 hours per week
- 40-59 hours per week
- 60 or more hours per week

11) **Do you have another job/s besides this business?**

- No
- Yes [Complete question 11A]

11A. How many hours per week do you usually work at other job/s?

- Less than 20 hours per week
- 20-39 hours per week
- 40-59 hours per week
- 60 or more hours per week

12) **Besides yourself, how many people work in your business? This can include a spouse, children, friends, employees, interns, volunteers, etc.** Please DO NOT include subcontractors. _____

[If you have one (1) or more employees, please respond to questions 12A-12D below. If you don't have any employees, continue to question 13.]

<p>12A. Are any of the people who work in your business <u>paid employees</u>? <i>(This includes anyone who receives any compensation for their work, including family members.)</i></p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<p>12B. Are any of the people who work in your business family members? <i>(They do not have to be paid)</i></p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<p>12C. Please indicate the number of paid employees and average hourly salary.</p>	
Number of FULL TIME paid employees <i>(35 or more hours per week)</i>	_____
Average hourly salary of FULL TIME employees	___\$_____
Number of PART TIME paid employees <i>(less than 35 hours per week)</i>	_____
Average hourly salary of PART TIME employees	___\$_____
<p>12D. What formal benefits, if any, are offered to employees? [Mark all that apply]</p>	<input type="checkbox"/> My business does not offer any benefits <input type="checkbox"/> Paid sick time <input type="checkbox"/> Paid vacation time <input type="checkbox"/> Health insurance (not including dental or vision) <input type="checkbox"/> Dental or vision insurance <input type="checkbox"/> Retirement or pension plan <input type="checkbox"/> Paid parental leave <input type="checkbox"/> Flex time <input type="checkbox"/> Paid holidays <input type="checkbox"/> Professional development opportunities <input type="checkbox"/> Other employee perks, such as discounts

13) **Do you have any of the following?**

	Yes	No	Unsure/ Not Applicable
a. Personal savings account	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Personal checking account	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. Personal retirement account	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Business savings account	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. Business checking account	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. Investments other than retirement account (such as stocks/bonds, real estate, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. Savings account for children	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h. College account for children	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i. Business financial plan	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
j. Business credit card	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
k. Separate bank accounts for business and personal use	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

14) **How do you currently track your business finances?** Select all that apply

- I do not track my business finances
- I use an informal tracking system (e.g., a notebook or check book) to manage my business finances
- I use my bank statements to track my business finances
- I use Excel or another spreadsheet program
- I use financial software, such as Quickbooks or another program
- An employee or family member tracks my business finances
- I hire an accountant or other outside expert to help me with my business finances

15) **Did you change the way you track your business finances as a result of your loan or business advising?**
Please rate on a scale of 1-5 (circle just one number)

1	2	3	4	5
<i>I have not changed my business finance tracking at all</i>		<i>I have changed my business finance tracking somewhat</i>		<i>I have changed my business finance tracking entirely</i>

- 16) **Has your business applied for any credit, such as a loan or line of credit – NOT including loans from Accion⁸² – in the past 6 months?**
- No
 - Not sure
 - Yes *[If you selected YES, please answer questions 16A-16B]*

<p>16A. Where did you seek credit for your business? Mark all that apply.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Bank or Credit Union <input type="checkbox"/> Online lender (such as OnDeck, Lending Club, Deal Struck, Lendio) <input type="checkbox"/> Merchant Services Provider (e.g., First Data, CAN Capital, Rapid Advance, Advance Me) <input type="checkbox"/> Another microlender (e.g., Apoyo Financiero, Oportun, VEDC) <input type="checkbox"/> Family or Friends <input type="checkbox"/> Private lender (e.g., an individual known in my community) <input type="checkbox"/> Other – please explain: 	<p>16B. How much financing did you receive compared to what you requested?</p> <ul style="list-style-type: none"> <input type="checkbox"/> All (100%) <input type="checkbox"/> Most (51% - 99%) <input type="checkbox"/> Some (1% - 50%) <input type="checkbox"/> None (0%) <input type="checkbox"/> Not sure
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⁸² Opportunity Fund-supported entrepreneurs saw "Opportunity Fund" wherever Accion is noted on this survey.

Section E: Financial Future

- 17) **Thinking about your personal finances, please rate the following on a scale of 1 to 5.**
1 is NOT AT ALL TRUE and 5 is VERY TRUE.

	1 Not at all true	2	3	4	5 Very True
a. I feel in control of my current financial situation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. My finances are a significant source of worry for me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. I feel I have the ability to handle my financial future	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Saving and investing is important to me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. I believe I have adequate information to make the best financial decisions for me and my family	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. Repaying loans from other sources (NOT Accion) is a source of stress for me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. I have taken steps to prepare for a financial emergency	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section F: Business Advising and Impact

- 18) **Please rate each of the following statements from 1 to 5. 1 means Accion had NO impact on that item. 5 means Accion had A LOT of impact on that item.** *Not all statements may be true for you and/or your business. Please mark N/A if the statement is not true for your business (e.g., mark N/A if your business sales have not increased)*

	1 <i>Accion had NO impact</i>	2	3	4	5 <i>Accion had A LOT of impact</i>	N/A
a. My ability to increase business sales	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. My ability to expand or modify my products/services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. My ability to revise, develop, or implement a marketing strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. My ability to hire staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. My ability to retain staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. My ability to improve financial record keeping	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. My business' overall profit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h. My ability to project my business sales and profits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i. My change in location	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
j. My new equipment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
k. My cash-flow	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- 19) **Please rate each of the following statements from 1 to 5. 1 means Accion had NO impact on that item. 5 means Accion had A LOT of impact on that item.** *Not all statements may be true for you and/or your household. Please mark N/A if the statement is not true for your business (e.g., mark N/A if you don't work less than before getting your loan)*

	1 Accion had NO impact	2	3	4	5 Accion had A LOT of impact	N/A
a. My ability to work less	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. My ability to help improve a particular area/neighborhood	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. My ability to spend more time with my family	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Having more take home pay	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. My ability to improve my credit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. Feeling more financially stable	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. Feeling more confident I can achieve my goals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- 20) **How do you anticipate the following will change over the next 6 months?**

	Increase	Stay the Same	Decrease	Not Applicable
a. Business sales	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Overall business profit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. Number of full-time employees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Number of part-time employees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. Take home pay from this business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. Personal/household savings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section G: Closed or Not Launched Businesses

Thank you for your interest in this study. At this time, you don't qualify to move forward with the entire study, but would still like to learn from your experience. Please answer the following questions and mail this form back to us.

**Please fill out ONLY if your business is not in operation.
Please leave BLANK if your business is in operation.**

1. Why did your business close or never launch? Select all that apply

- I needed more capital/funding for my business to continue
- I had too much debt that I could not pay for
- The location of my business was not ideal
- The growth of the business happened too fast and could not be supported
- My priorities changed (e.g., went back to school, illness in the family, etc.)
- I sold my business
- Other - Please explain

2. On a scale of 1 to 5, to what extent would additional capital or funding have influenced the decision to close/not launch your business?

1	2	3	4	5
Not at all				A lot
<i>(Additional funding or capital would not have influenced the decision to close/not launch my business)</i>				<i>(My business would be open today if I had received additional capital/funding)</i>

3. What additional support, if any, from Accion would have allowed your business to remain open or launch successfully? Select all that apply

- Provide additional financing
- Additional business advising assistance (e.g, financial record keeping, projecting business sales and profits, etc.)
- Linkages to small business resources and networks (e.g., tax professionals, marketing experts, advertisers etc.)
- Additional loan repayment options
- Other - Please explain

4. Now that your business is closed or was never launched, what are you doing currently?

- Planning the opening of another business
- Working for another company
- Looking for work
- Retired
- A homemaker
- Other - Please explain

Appendix C: Entrepreneur Baseline Interview Protocol

QUESTIONS

1. Can you tell me a little bit about your business and how it's going?

Question goal: We want to get an overview of what kind of business the individual has, the type of industry they are in, and how their business operates (e.g., food truck that is mobile or swap meet stand on given days). Probe for any major changes since they received the loan (e.g. added employees, expanded business, closed business, etc.) and any perceptions about the overall health of their business.

a. Ask specifically, "Why did you start your business?"

- If business is operating: continue interview
- If business has recently closed: note in tracking log and continue interview
- If business was never established: ask questions from protocol B.

2. Have you had multiple loans with Accion/Opportunity Fund? When you decided to get your (most recent) loan, why did you go to Opportunity Fund/Accion?

Question goal: We want to understand 3 things; 1) how individuals hear about Opportunity Fund/Accion and why they seek out their services. 2) Specific considerations they contemplate before they apply for a loan (such as lack of other options, family dynamics, feasibility of loan, service provided by Opportunity Fund/Accion staff, etc.). 3) What individuals wanted to do with the money they were applying for.

Potential probing questions may include:

- How did you hear about Opportunity Fund/Accion?
- What were some of the other options you considered?
- What factors motivated you or helped you make the decision to borrow through Opportunity Fund/Accion? E.g., interest rate, time it took to get a loan decision, transparency of pricing and terms, credit flexibility, loan officers who speak Spanish.
- Did you have specific goals, for example, hiring staff or expanding your services?

3. Can you describe what you used your (most recent) loan for?

Question goal: To understand whether borrowers use their loan as they intended to use it. If not, why not? What challenges, if any, did borrowers meet in trying to accomplish the goals they set out for that loan? How important was it for borrowers to accomplish the following goals:

- Increase business sales
- Expand or modify my products/services
- Buy equipment
- Retain current employees
- Hire employees
- Increase my overall profit
- Change locations
- Improve my business' credit
- Increase the money I have on a regular basis for business expenses

Now I'd like to ask you a few questions about your experience with Opportunity Fund/Accion.

4. What has your experience with Opportunity Fund/Accion been? Besides the loan, what other services or support have you received from Accion/Opportunity Fund?

Question goal: We want borrowers to describe their experience with Opportunity Fund/Accion, including how they were treated and supported by their loan officer and the types of financial advising they received (e.g., advice on managing cash flow, marketing, separation of personal and business accounts, advice or help with taxes, credit counseling, etc.). If they received financial advising, have borrowers been able to use that information in their business or household? Lastly, we want to

know if borrowers have any recommendations on how Opportunity Fund/Accion can support borrowers like themselves.

5. If Opportunity Fund/Accion had not approved your loan, what would you have done?

Question goal: We want to understand what other financing options small businesses have, including informal lenders they may seek, and how those compare to Opportunity Fund/Accion. If they had not been approved by Opportunity Fund/Accion, would they have missed an opportunity (e.g., opportunity to partner with another business, to buy equipment/vehicle, to buy a large amount of inventory at a lower price, or to lease a specific space or make improvements to a space). Would they have considered a cash advance or loans from friends/family members? Would they have used their own savings? Would they have been out of compliance with some rule or regulation? For example, borrowers that needed to retrofit their rig to comply with CA environmental laws.

Potential probes:

- *Would you have missed an opportunity for your business that was available at that time?*
- *Would you have needed to close your business?*
- *What other financing options are you aware of? How is a loan from Opportunity Fund different from those options?*

Now I'm going to ask you a few questions about your business.

6. How has your business changed since getting your loan?

Question goal: To understand if there have been any changes impacted by borrower's access to Accion/Opportunity Fund credit and business advising. For example, changes in sales, staffing, products, change in location, new equipment, establishing business credit, bookkeeping, etc. Probe for whether these changes would have been possible without the support of Accion/Opportunity Fund.

Potential probes:

- *Would you have been able to accomplish these changes without Accion/Opportunity Fund?*
- *Do you think any of these changes are directly related to the loan or advice from Accion/Opportunity Fund?*

7. What goals do you have for your business? Has the loan helped you move toward any of these goals?

Question goals: To understand short term and long term goals individuals have for their businesses, including things like expanding the business, selling it, moving to a new market, etc. Probe for the ways in which the loan has helped them move towards their goals and the support they have received from Opportunity Fund/Accion.

8. What challenges have you experienced in moving towards your goals?

Question goals: To understand internal and external challenges that business face in establishing and progressing towards their goals. For example, is lack of credit or lack of funds stopping individuals from reaching their goals? Are there non-financial factors (e.g., overall economy, personal issues) that are presenting challenges? What do they see as ultimately ensuring the success of their business?

Potential Probes:

- *Is anything stopping you from moving towards your goals?*
- *Did your loan officer help you define your goals?*
- *Ultimately, what do you think will ensure the success of your business?*

I have a few questions about the role of your business in your community.

9. Do you employ any people from your community? If not, do you plan on hiring people in the near future?

10. Are you part of a community business association or other community groups that focus on small businesses? Please explain.

11. What other local businesses, if any, do you rely on to ensure the success of your own business? (For example, suppliers - you may rely on a local butcher shop to provide you with meat for your restaurant). What would you do if that/those business/es weren't there?

Now I'm going to ask you a few questions about your business's financial practices.

12. **In your survey you noted you tracked your business finances by _____/ OR you noted that you did not track your business finances. Can you tell me a little more about that? How is it going?**

Question goal: Based on their survey response, we want to understand how, if at all, borrowers are tracking their business expenses, how their financial practices have changed, and the impact those practices have had on their business.

Specifically, we want to understand how business owners know their business is doing well or not and how often they assess this.

Potential Probes:

- Do you have a financial plan for your business?
- Do you regularly deposit money into a business bank account?
- Have your financial/business habits changed since working with Accion/Opportunity Fund? In what ways?

13. **Do you feel prepared for an unexpected business expense? How would you deal with such expense?**

Question goal: To understand the ways in which business owners are preparing for business emergencies. Business emergencies can include broken equipment, poor market, family emergencies that take the business owner away from the business for a while. For example, do they have a business plan or do they have business savings that would help them with unexpected expenses? If not, would business owners have to seek out other loans? Would they have to go to family or friends? Would they go to informal lenders in their community?

Potential Probes:

- How would you pay for it?
- Would you use your personal savings? Go to family, friends?
- Would you need to take on additional debt? If so, who would you go to? [Probe specifically for informal lenders, cash advance, and predatory lenders. Also probe to see if the client has used any of these lenders in the recent past [See their survey response to taking on additional debt.]
- What, if any, steps have you taken to prepare for business emergency?

I have a few questions about your household

14. **What, if anything, has changed in your life since you got your loan? For example, changes to your work-life balance?**

Question goal: We are trying to assess changes to the quality of life that individuals have experienced. For example, are they able to take more time off, spend more time with family, or provide for something that they weren't able to provide for before, such as paying for children's extracurricular activities? Do they have long term goals for themselves or their family?

Potential Probes:

- Do you feel more comfortable taking a vacation, hiring more employees, taking a day off, able to pay for your children's education, or helping your community, etc?
- Do you feel more control/freedom as a result of the loan?
- Since receiving your loan has the balance between your work and personal time changed?

15. **Besides your business, do you have any other sources of income?**

Question goal: Assess if borrowers depend on other forms of income for their livelihood. Probe specifically for public benefits received, if any.

Potential Probes:

- How else do you financially support yourself and family?
- Do you or anyone in your household receive public benefits? (e.g., food stamps, state cash assistance, housing assistance)

16. **Are members of your household or family involved in your business? If yes, to what extent?**

Question goal: Understand the role family members play in borrower's business. Is the role official (e.g., they are employed by the business) or more informal. If borrower has children probe specifically on the role children play in the business.

Potential Probes:

- Do you have family members working for you, managing finances, etc.?
- Are children present in the business (e.g., after school)?

17. What does your family think about you having a business?

Question goal: Understand how the experience of being a business owner has impacted borrowers' relationship with their family. Is the family excited, motivated optimistic about being business owners themselves?

Potential Probe:

- *Has their opinion of business and entrepreneurship changed since you received your loan? If yes, how?*

CLOSING

18. Lastly, if you could give one piece of advice to someone who was about to start a new business, what would it be?

Those are all the questions I have for you today. Do you have anything else you would like to add?

I will turn the recorder off now.

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