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**Reframing “Impact”: Understanding
the Value of Small Business Lending**

September 27, 2017

Agenda

- Review of findings
- Group exercise
- Report-out from group
- Q&A
- Final remarks

National Small Business Lending Impact Study

Based on the
work of:

ACCION

**Opportunity
Fund**
working capital
for working people

Lead funding
by:



W.K.
KELLOGG
FOUNDATION

JPMORGAN CHASE & CO.

Research by:

harder + co | community
research

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Three critical questions addressed by the study

- To what extent do borrowers move toward **greater financial security** (both real and perceived) after receiving a microloan?
- To what extent is microlending associated with **catalyzing positive change** for individual borrowers, their businesses, and their communities?
- To what extent do a borrower's **personal relationships and engagement with their community** change after receipt of a microloan?

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Research categorized into six key areas of interest



Business Growth & Viability



Achieving Success



Financial Health



Financial Practices



Relationships & Networks

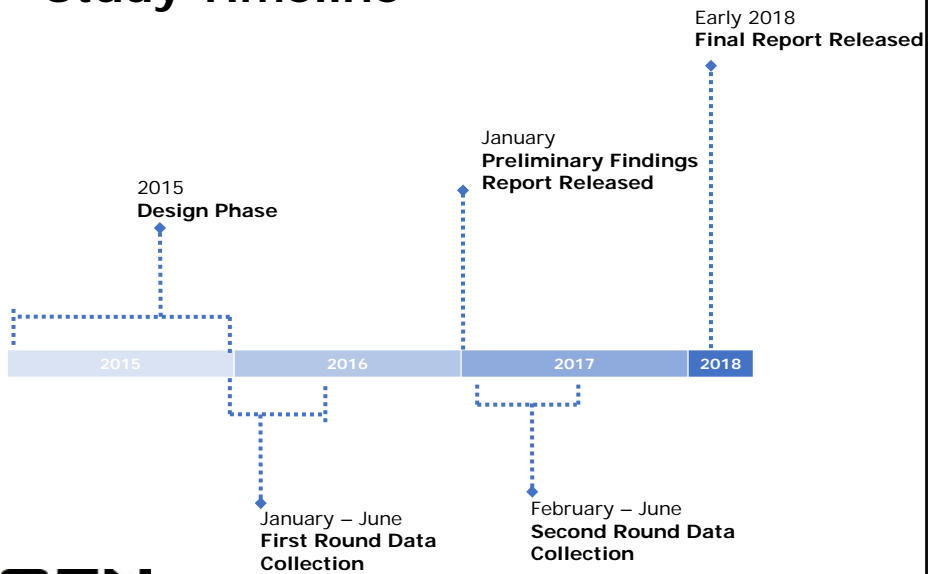


Quality of Life



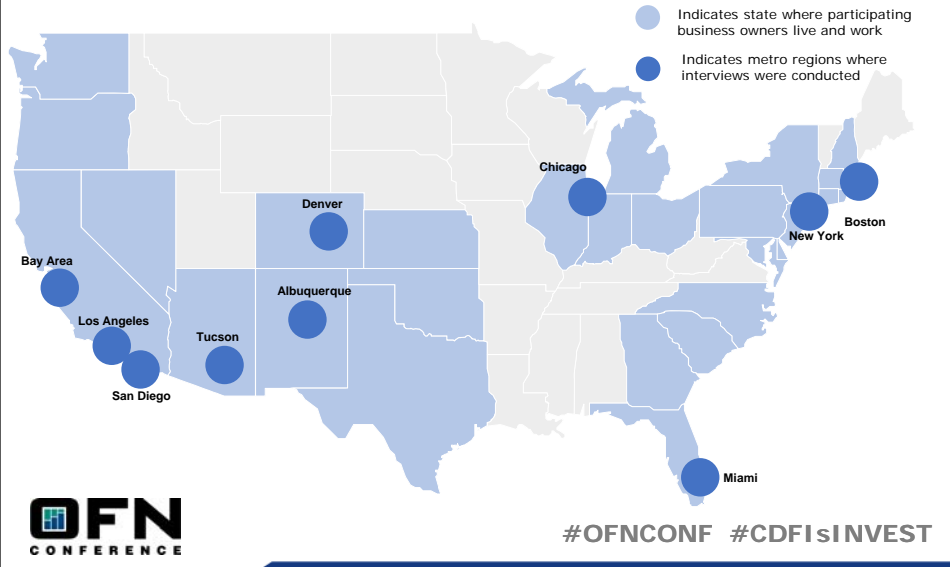
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Study Timeline



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Findings cover broad geographic and demographic dimensions

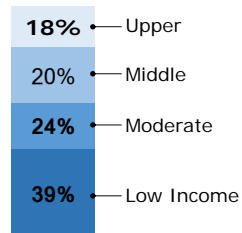


Entrepreneur characteristics reflect national microlending recipients

GENDER IDENTITY



INCOME LEVEL



ETHNICITY



▶ 33% ARE REPEAT BORROWERS

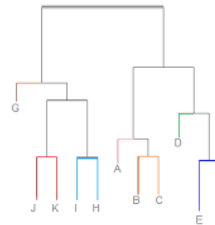
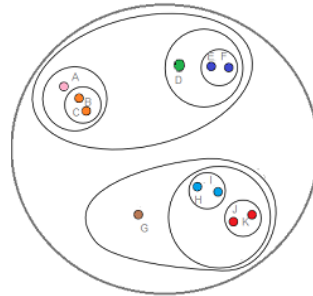


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Cluster Analysis

Examines how borrowers **“cluster” together** based on specific outcomes.

Clusters developed using key variables/measures.



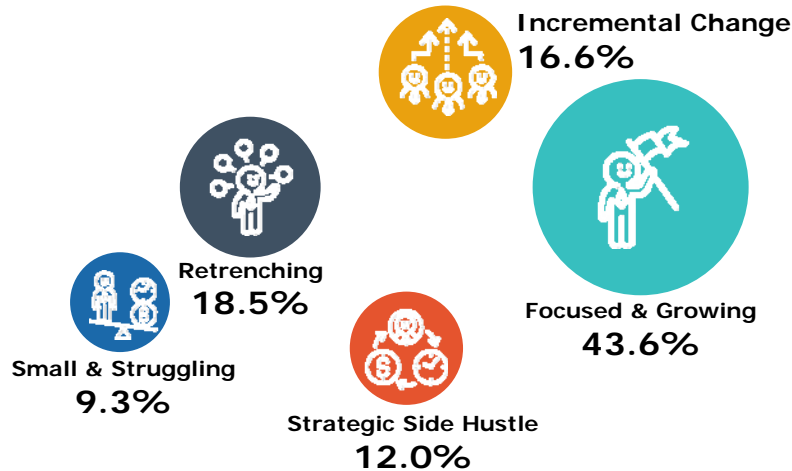
Variables used:

- Business sales and profit
- Personal/household savings
- Other jobs
- Take-home salary (ability and change)
- Finance trends
- Personal and business savings tools
- Business tracking tools
- Debt comfort
- Financial security



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Overview of Clusters



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Focused & Growing (n=113)

- Strongest sales, profit and financial security
- Strong at start and end of study
- Business is sole source of revenue/take-home salary
- Attribute success to microloan
- Use capital strategically

"We've been able to purchase another location; [the loan also] helped us to build our business credit...it was just a stepping stone for us to be able to continue to grow financially and to get more stable as a business."



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Strategic Side Hustle (n=31)

- Incremental, safe growth
- Use loan for equipment, office space and marketing
- All have a job outside of business though bring home salary from this business
- Modest goals related to growth
- Optimism for the future

"I have another job... [that job give us] a sure place where to live [and] extra money, it isn't much, but it is an extra money that I can use for other things not related to the business. So, it has an amazing impact, even if it's more tiring, and, of course, more working hours as well. But it is a very positive benefit."



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Small & Struggling (n=24)

- Decreased business sales and profit
- Lowest sense of financial stability
- Half bring home a salary from this business
- Majority have another job
- Low debt, but high discomfort
- Loan used for payroll or cash flow
- No true financial plan

"It's just been a real struggle. Since opening my second location, there have been a number of other locations in the mall that have closed. I just don't think the traffic in the mall has been what that location expressed...My sales seemed to have bottomed out."



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Retrenching (n=48)

- Personal sacrifices to grow/maintain business
- Rely on outside sources of income
- Slight increases in business sales and profit
- Lower sense of financial stability
- Less likely to have paid employees
- Sense of optimism for the future

"[The loan] gave us a little more wiggle room to be able to concentrate more on the actual business instead of just paying off everything that we owed at the time, it gave us a good break."



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Incremental Change (n=43)

- Business is sole source of take-home salary
- Small increases in sales and revenue
- Some instability in covering expenses and planning for financial emergencies.
- Not always struggling but not growing much
- Sense of optimism in terms of future increase in sales and profit, ability to hire, take home pay and personal savings

"Our challenge is not having enough money to spend. The second [challenge] is time. We both are pretty busy right now, but with this new hire--we are delegating more stuff. We are a little bit more free to start developing the new project."



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Group Exercise: Questions

- Where are the entrepreneurs in your cluster thriving? Where are they struggling?
- Can you think of a small business owner from your work who fits this profile?
- Pick one challenge this cluster is facing.
 - What factors might explain why they are struggling in this area?
 - Has your CDFI been addressing this challenge or considering a solution?
 - How should the CDFI industry respond to this challenge moving forward?



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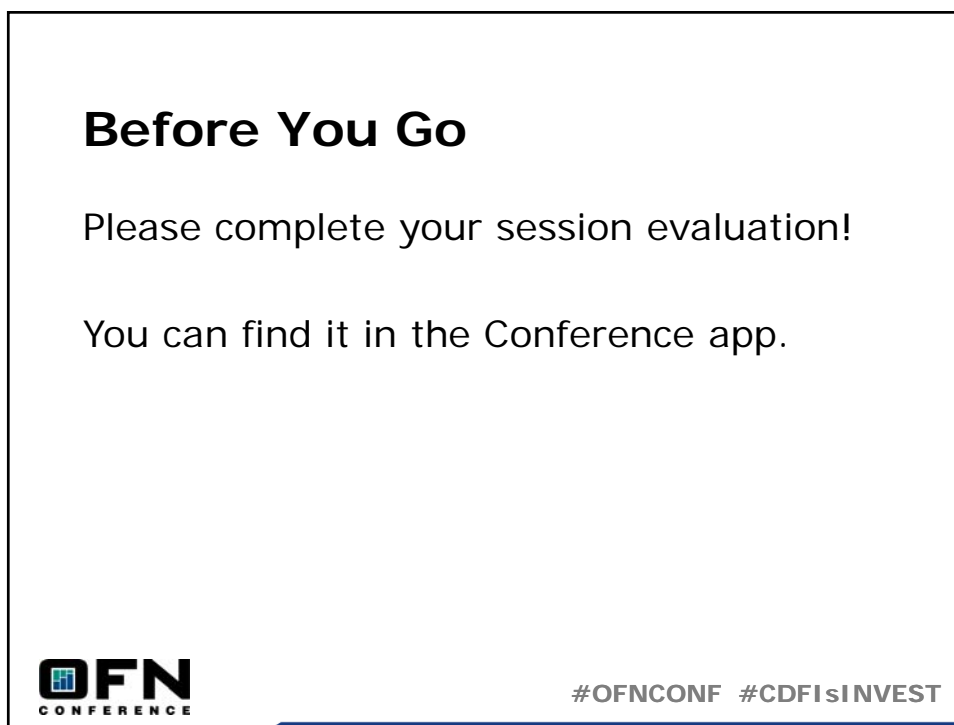


The slide features a background image of a city street with multi-story buildings. In the top right corner, the OFN CONFERENCE logo is displayed, including the text 'WASHINGTON, D.C. • 9.26 - 9.28.17'. The main title 'CDFIs INVEST' is centered, with 'CDFIs' in large blue letters and 'INVEST' in white, stylized, hand-drawn letters. Below the title is a decorative horizontal bar with green, blue, and orange segments. The text 'Q&A' is positioned in the lower-left area of the slide.

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Q&A



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