

EntrepreneurTracker client outcomes survey highlights - 2013

This brief summarizes outcomes reported by microenterprise clients regarding 2013. It also details the changes clients reported between the time they began working with a microenterprise program and the 2013 survey period, an interval averaging approximately one year.

The data show that microenterprise development organizations (MDOs) are serving entrepreneurs who traditionally lack access to business capital or assistance, as most are **female, minority, and/or low-income**. The findings also show strong business start-up rates, that businesses survive and grow over time, and **half of firms provide employment for others in addition to the owner**.

EntrepreneurTracker client outcomes survey description and methodology

Each year, FIELD works with microenterprise development organizations (MDOs) to collect quantitative data on the outcomes experienced by their clients. The data include information on clients' businesses and households.

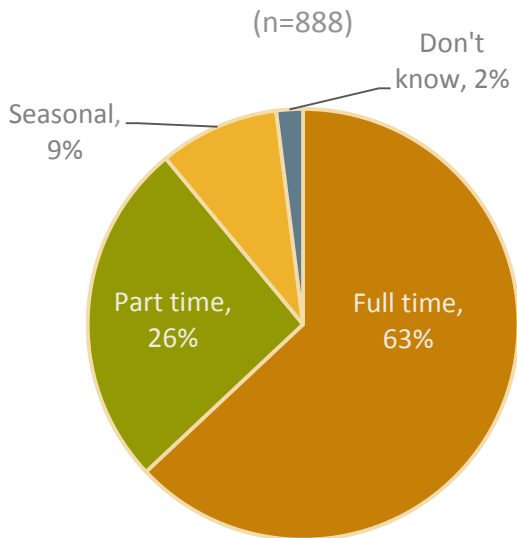
Baseline data, or data reported by clients when they begin receiving services from a program, are also submitted. Comparing baseline data to survey data allows FIELD to analyze the changes clients report in their businesses and households.

The findings in this brief are drawn from interviews with 1,156 microenterprise clients who received a loan and/or a significant training or technical assistance service in FY2012 from one of the 17 participating MDOs. In 2014, clients were interviewed about their experiences in 2013.

Participating MDOs self-select into the process and therefore are not necessarily a representative sample of the microenterprise field overall. The programs participating in EntrepreneurTracker offer similar products and services to other programs in the industry. A majority of clients are women and minorities at both EntrepreneurTracker programs and other microenterprise programs for which FIELD has data. On the other hand, the EntrepreneurTracker outcomes programs are more likely to serve urban (as opposed to rural) areas, and have larger operating budgets than the industry overall.

Business characteristics in 2013

Figure 1: Business operation



Business owners face a complicated decision when deciding whether and how much to compensate themselves, weighing the strength of the business, their personal or household income needs, and future plans. In 2013, **56 percent of business owners compensated themselves from their business**, drawing money to cover personal or household expenses. The level of compensation, or owner's draw, varied greatly depending on whether the business was operated full or part time. Part-time business owners reported a median draw of \$3,000. Full-time business owners reported a median draw of \$20,000 (Table 1).

In 2014, 17 microenterprise development programs collected data on the characteristics of their client businesses in 2013. What did these businesses look like in terms of full-time/part-time operation, revenues, owner's draw and employment?

Business operation

The majority of clients (**63 percent**) operated their businesses **full time**, meaning they worked at their businesses at least 35 hours per week, year round. One quarter of business owners worked part time—fewer than 35 hours per week, year round (Figure 1).

Business revenue and compensation

Businesses reported stark differences in revenue and owner's draw, depending on whether they operated their businesses full or part time. The **median revenue for full-time businesses was \$109,000**, compared to **median revenue of \$12,000 for part-time businesses**.

Key terms

Full time (FT): Working at least 35 hours per week year round.

Part time (PT): Working less than 35 hours per week year round.

Seasonal: Working full or part time for a portion of the year.

Revenue: The gross sales generated by a business by selling its product or services.

Owner's draw (draw): Money taken out of business revenues to cover the owner's personal or household expenses.

Table 1: Revenue and draw for businesses

	Full-time businesses	Part-time businesses
Median revenues	\$109,000	\$12,000
Average (mean) revenues	\$209,409	\$57,045
Median owner's draw	\$20,000	\$3,000
Average (mean) owner's draw	\$28,149	\$9,015
Number reporting	397	158

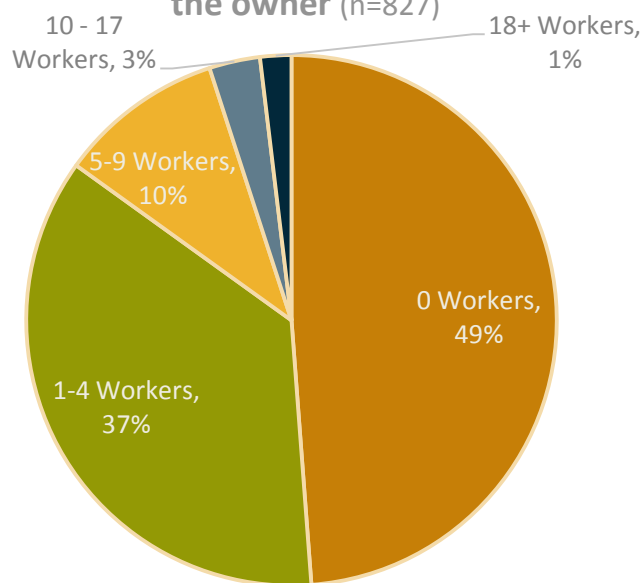
Employment

Microbusinesses provided employment for the business owner. Half of the businesses surveyed also provided jobs for other paid workers – an average of **1.9 jobs per business in addition to the owner**.

Key terms

Jobs: FIELD’s definition of jobs includes both part-time and full-time positions and encompasses both formal W-2 employees and 1099 workers. This allows FIELD to fully capture microenterprise employment.

Figure 2: Number of workers, not including the owner (n=827)



Although all of these businesses started with fewer than five paid workers and with less than \$50,000 in start-up capital, by survey, 14 percent of the businesses reported at least five paid workers, and four percent reported employing at least 10 paid workers (Figure 2).

Jobs for other workers were more likely to be part time (62 percent) than full time (38 percent).

These jobs for other workers paid:

- \$12 median hourly wage.
- \$9,600 in median annual wages.

Table 2: Wages for paid workers

	Hourly wage	Annual wages
Median	\$12.00	\$9,600
Average (mean)	\$15.90	\$13,223
Minimum	\$4.20	\$120
Maximum	\$85.00	\$230,400
Number reporting	930	804

Business start, survival and growth

Microenterprise programs assist entrepreneurs already operating businesses, and those seeking to start one.

Growth and survival of existing businesses

Approximately a year after entering the program, **94 percent of business owners reported they were still operating their business** in 2013.

Sixty-eight percent of businesses increased their revenues since entering a microenterprise program. The median business revenue for these 227 businesses increased 95 percent.

Fifty percent of these “surviving” businesses **increased their owners’ draw**. The median draw increased 41 percent for the 247 owners who provided draw information.

Business owners reported a **33 percent increase in the number of paid workers** employed by the business, growing from 592 at intake to 786 at survey. However, there was a decrease in the number of businesses that provided jobs for others – from 290 at intake, to 229 at survey.

New business starts and growth

Among the 469 aspiring entrepreneurs who came to a microenterprise program seeking to start a business, **55 percent had started their business** by 2013.

These new businesses reported median revenues of \$29,054 and a median draw of \$3,000. Forty-six percent of the new businesses created jobs for workers other than themselves, a total of 504 jobs for an average of 2.1 jobs per business.

Key terms

Business survival rate: The percent of existing businesses at intake that were still in operation in 2013.

Business start rate: The percent of clients without a business at intake that had started a business by 2013.

Don’t know (DK): Data is unknown.

Figure 3: Business survival (n=659)

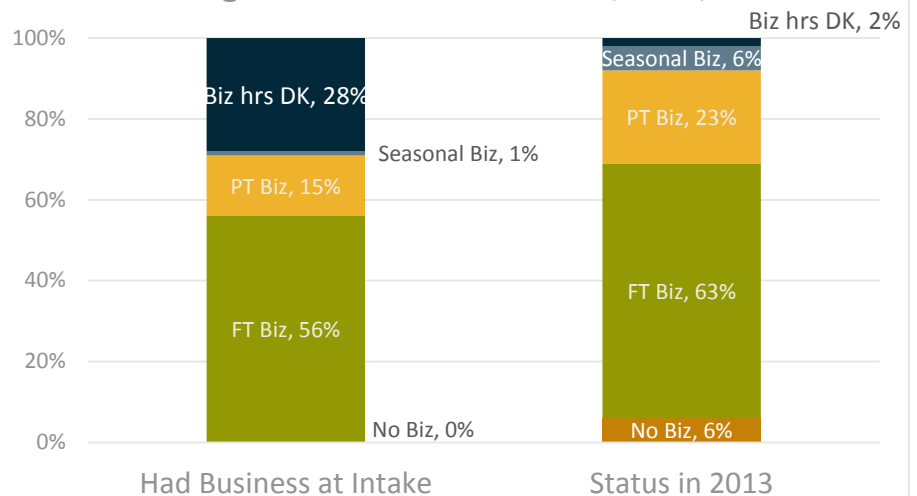
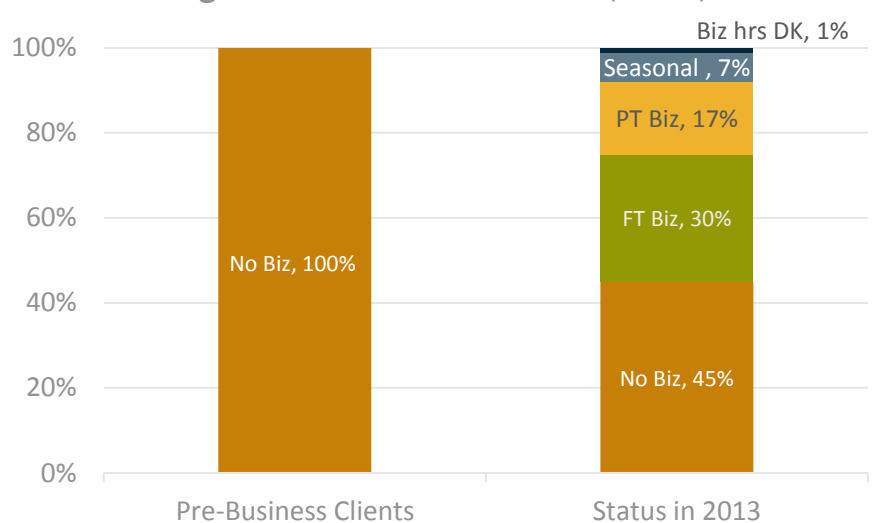


Figure 4: Business start rate (n=469)



Entrepreneurs and their households

Client demographics

The majority of microbusiness clients surveyed were female. More than half classified themselves as belonging to a racial or ethnic minority group, and a third lived in low-income households at the time they first received assistance from the microenterprise program.

- **59% Female**
- **63% Minority**
- **32% Low-income at intake**

This client profile differs dramatically from the universe of U.S. small business owners. According to data from the 2007 Census Bureau's Survey of Business Owners, only 14 percent of all firms with up to nine employees were owned by minorities, and the same percentage (14 percent) were owned by women.¹

Household incomes grow modestly

The household income of the entrepreneurs grew modestly. More than half (59 percent) of respondents reported higher household income in 2013 than at the time they entered the microenterprise program. Median and mean household income both increased by twenty-one percent (Table 3).

Key terms

Low income: Individuals in families with household incomes at or below 150 percent of the federal poverty guidelines issued annually by the Department of Health and Human Services.

Poverty: Individuals in families with households at or below 100 percent of the federal poverty guidelines issued annually by the Department of Health and Human Services.

Table 3: Household income changes for microenterprise clients

	Household income at intake	Household income in 2013	% Change in household income intake to 2013
Median	\$37,321	\$45,054	21%
Average (mean)	\$48,682	\$58,710	21%
Number reporting		658	

¹ <http://www.census.gov/econ/sbo/07menu.html>

The overall percent of clients in poverty remained unchanged during the survey period. Seventy-five percent of the survey respondents had household incomes above the poverty threshold at both intake and survey. Although 10 percent of surveyed clients with incomes below the threshold at baseline were able to move above it by 2013, another 10 percent slipped below the poverty threshold. Five percent of survey respondents remained in poverty at both intake and survey (Figure 5).

Balancing wage employment and business ownership

Twenty-eight percent of 1,095 entrepreneurs balanced operating their business with working at another job. Among the 300 entrepreneurs that reported the frequency they worked at another job, slightly less than half worked full time (Figure 6).

Figure 5: Poverty status-- intake to 2013 (n=650)

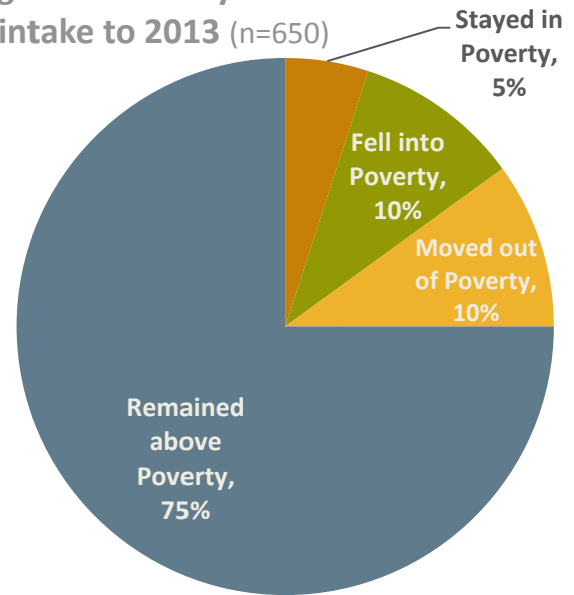
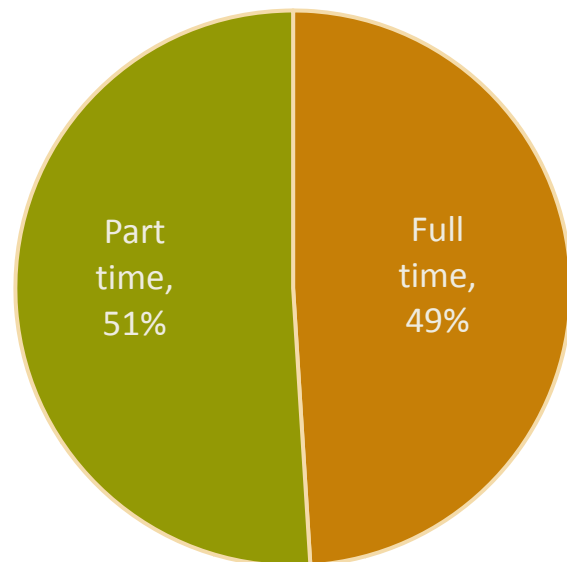


Figure 6: Frequency of work at another job (n=300)



Benefits and costs

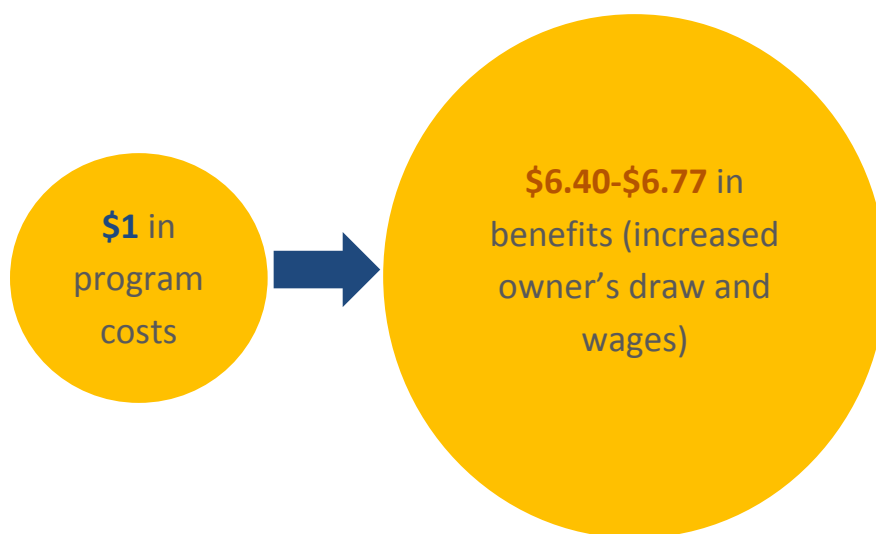
Microenterprise development organizations serve high numbers of women, minorities, and low-income clients, populations under-represented in American businesses. MDOs help these business owners start, grow, expand and hire workers at their businesses. How do these outcomes match up with the costs to produce them?

FIELD's analysis compares benefits documented in the EntrepreneurTracker client outcomes survey, to the costs reported by the 17 participating MDOs. Benefits are defined by increases in owner's draw and wages paid to workers. Our analysis shows that **each dollar of program costs generated between \$6.40 and \$6.77 in benefits.**

Figure 7: Cost to benefit ratio

What does it cost to assist a business?

The cost to assist a business was calculated by dividing the total costs of the participating microenterprise programs in 2014, by an estimate of the total number of businesses assisted by the organizations. The estimate of assisted businesses is determined by extrapolating from the percent of clients in business, as documented in the outcomes survey, to the full client population served by participating programs during that year. Because the analysis yields a range within a confidence level of 95 percent, the estimated costs also appear as a range. The analysis yielded a cost per business assisted that ranged between \$3,201 and \$3,387.



What benefits are reported after businesses receive assistance?

Benefits are calculated by determining the increase in draw reported by business owners and the increase in reported wage payments to workers. A total of 247 surviving businesses reported a net increase of \$1,055,861 in draw from intake to 2013. In addition, 215 new businesses reported a total draw of \$2,787,028 in 2013. Adding the dollar value of owner's draws produced by the 462 existing and new businesses results in an increase in owner's draw of \$3,842,889 (or a mean of \$8,318 per business) from intake to 2013.

To calculate the increase in wage payments to workers, average wage payments in 2013 (\$13,223) were multiplied by the number of additional jobs created per business (1.01). On average, businesses were likely to pay \$13,357 more in wages to paid workers at survey than at intake.

The total new benefits per business are therefore estimated to be \$21,675 (increase in draw + additional wage payments due to the increased number of jobs).

This estimate of benefits does not take into account any multiplier effects of increased spending, nor does it value any additional benefits that might accrue in future years, if the business continues. However, because the analysis does not include a control group, the above estimates capture the gross effects of clients' program participation. Some of the positive changes in owner's draw and employment might have occurred even if these businesses had not received services from the programs.

What is the benefit-to-cost ratio for microbusiness assistance?

Relating the costs of assisting a business to the benefits reported after assistance yields between \$6.40 and \$6.77 in benefits for each \$1 in program expenses.