

EntrepreneurTracker client outcomes survey highlights - 2014

This brief summarizes business-related outcomes reported by microenterprise clients in 2014. It also details the changes clients reported between the time they began working with a microenterprise program and the 2014 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 **minority and/or low-income**; many are female entrepreneurs. The findings also show strong business start-up rates, that businesses survive and grow over time, and **just over half of the 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.

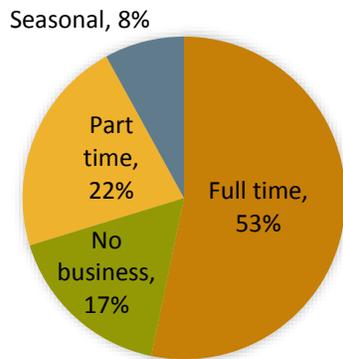
The findings in this brief are drawn from interviews with 1,086 microenterprise clients who received a loan and/or a significant training or technical assistance service in FY2013 from one of the 19 participating MDOs. In 2015, clients were interviewed about their experiences in 2014.

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 2014

Figure 1: Business Operation

(n = 1076)



In 2015, 19 microenterprise development programs collected data on the characteristics and experiences of their client businesses during 2014. 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 (**53 percent**) operated their businesses **full time**, meaning they worked at their businesses at least 35 hours per week, year round. Twenty-two percent 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 \$100,000**, compared to **median revenue of \$20,000 for part-time businesses**.

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 2014, **67 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 \$5,000. Full-time business owners reported a median draw of \$25,000 (Table 1).

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.

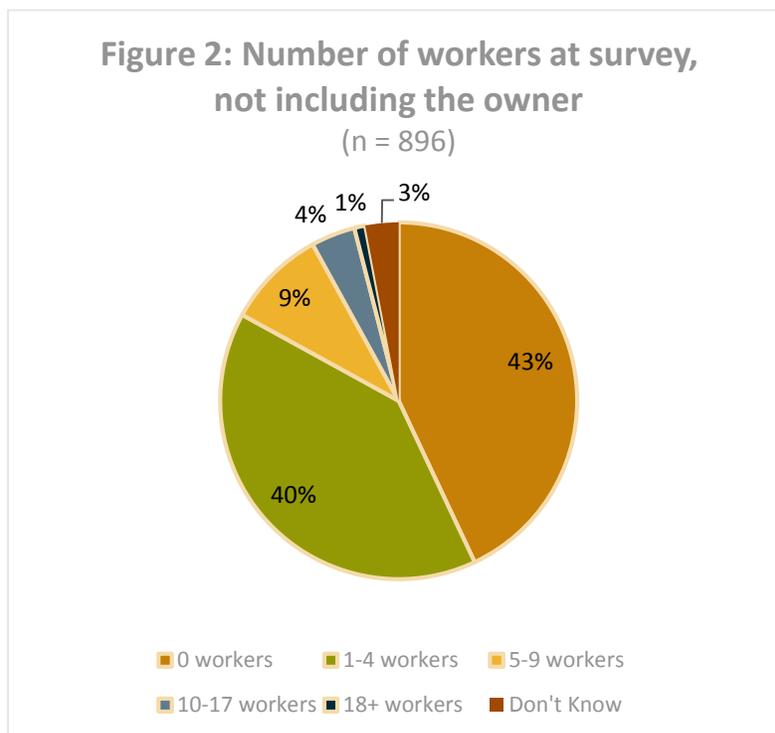
Owner's draw (draw): Money taken out of business revenues to cover the owner's personal or household expenses.

Table 1: Revenues and draw for businesses

	Full-time businesses	Part-time businesses
Median revenues	\$100,000	\$20,000
Average (mean) revenues	\$169,286	\$67,481
Number reporting	409	158
Median owner's draw	\$25,000	\$5,000
Average (mean) owner's draw	\$30,188	\$9,846
Number reporting	453	167

Employment

Microbusinesses provided employment for the business owner. More than half of the businesses surveyed also provided jobs for other paid workers – an average of **2.2 jobs per business in addition to the owner**.



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 five percent reported employing at least 10 paid workers (Figure 2).

Jobs for other workers were more likely to be part time (48 percent) than full time (40 percent).

These jobs for other workers paid:

- **\$12 median hourly wage.**
- **\$11,940 in median annual wages.**

	Hourly wage	Annual wages
Median	\$12.00	\$11,940
Average (mean)	\$14.90	\$14,872
Minimum	\$2.50	\$50
Maximum	\$120.00	\$230,400
Number reporting	806	732

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 the work opportunities that the microbusinesses are creating.

Business start, survival and growth

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

Growth and survival of existing businesses

In 2014, approximately a year after entering the program, **94 percent of business owners reported they were still operating their business.**

Thirty-four percent of businesses increased their revenues since entering the microenterprise program. The median business revenue for these 439 businesses increased eight percent.

Thirty-two percent of the “surviving” businesses **increased their owners’ draw.** The median draw increased 130 percent for the 424 owners who provided draw information.

Business owners reported a **47 percent increase in the number of paid workers** employed by the business, growing from 850.5 at intake to 1248 at survey. The number of businesses that provided jobs for others changed slightly – from 325 at intake, to 326 at survey.

New business starts and growth

Among the 311 aspiring entrepreneurs who came to a microenterprise program seeking to start a business, **55 percent had started their business** by 2014.

These new businesses reported median revenues of \$20,000 and a median draw of \$5,400. Forty-one percent of the new businesses created jobs for workers other than themselves, a total of 295 jobs for an average of 1.7 jobs per business.

Key terms

Business survival rate: The percent of existing businesses at intake that were still in operation in 2014.

Business start rate: The percent of clients without a business at intake that had started a business by 2014.

Don’t know (DK): Data is unknown.

Figure 3: Business Survival (n = 743)

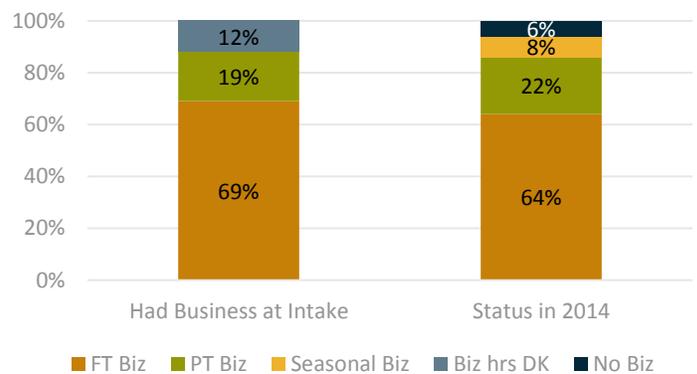
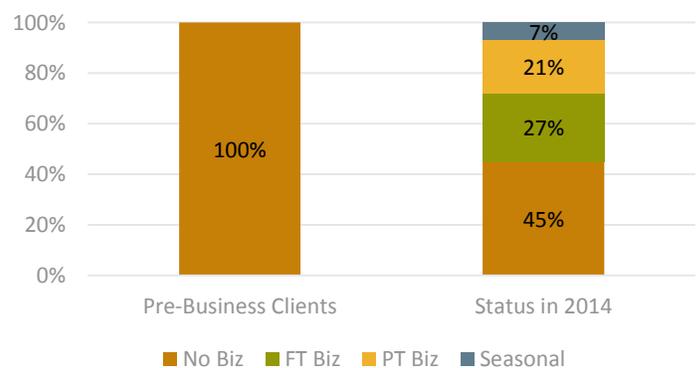


Figure 4: Business Start Rate (n = 311)



Entrepreneurs and their households

Client demographics

Among microbusiness clients surveyed, 58 percent were female. Half of the clients surveyed classified themselves as belonging to a racial or ethnic minority group, and approximately one-tenth lived in low-income households at the time they first received assistance from the microenterprise program.

- **58% Female**
- **50% Minority**
- **11% Low-income at intake**

This client profile differs dramatically from the universe of U.S. small business owners. According to data from the 2012 Census Bureau's Survey of Business Owners, 29 percent of all firms were owned by minorities, and 36 percent were owned by women.¹

Household incomes grow modestly

The household income of the entrepreneurs grew modestly. Approximately 30 percent of respondents reported higher household income in 2014 than at the time they entered the microenterprise program. Median household income increased by three percent and mean household income increased by 13 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 2014	% Change in household income intake to 2014
Median	\$38,867	\$40,000	3%
Average (mean)	\$47,303	\$53,376	13%
Number reporting	601		

¹ U.S. Census Bureau, 2012 Survey of Business Owners

The overall percent of clients in poverty increased slightly from intake to survey. While 11 percent of individuals who had incomes below the poverty threshold at intake were able to move above it by 2014, 14 percent of the survey respondents with incomes above the poverty line at intake slipped below the poverty threshold in 2014. Seventy percent of individuals had household incomes above the poverty threshold at intake and at survey, and five percent of survey respondents were in poverty at both intake and survey (Figure 5).

Balancing wage employment and business ownership

Forty-three percent of 1,086 entrepreneurs **balanced operating their business with working at another job.** Among the 445 entrepreneurs that reported the frequency they worked at another job, 54 percent worked full time (Figure 6).

Figure 5: Poverty Status - Intake to 2014

(n= 597)

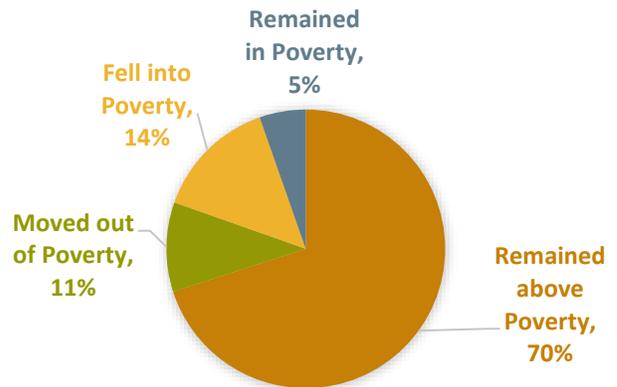
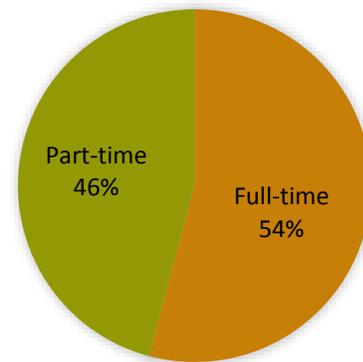


Figure 6: Frequency Of Work At Another Job (n = 445)



Benefits and costs

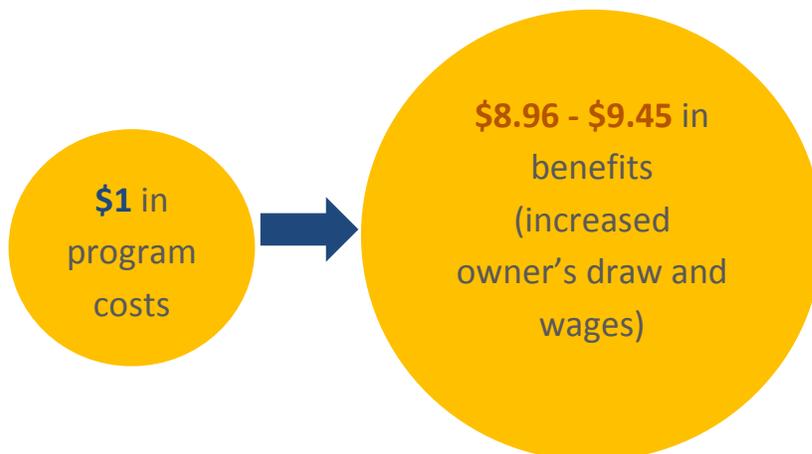
Microenterprise development organizations serve high numbers of women, minorities, and low-income clients, populations under-represented in American businesses. MDOs help these business owners start, grow, expand and hire workers at their businesses. How do these outcomes match up with the costs to produce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

FIELD's analysis compares benefits documented in the EntrepreneurTracker client outcomes survey, to the costs reported by the 19 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 \$8.96 and \$9.45 in benefits.**

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 \$2,269 and \$2,392.

Figure 7: Cost to benefit ratio



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 424 surviving businesses reported a net increase of \$1,958,278 in draw from intake to 2014. In addition, 136 new businesses reported a total draw of \$1,971,451 in 2014. Adding the dollar value of owner's draw produced by the 560 existing and new businesses results in an increase in owner's draw of \$3,929,729 (or a mean of \$7,017 per business) from intake to 2014.

To calculate the increase in wage payments to workers, average wage payments in 2014 (\$14,872) were multiplied by the number of additional jobs created per business (0.97). On average, businesses were likely to pay \$14,424 more in wages to paid workers at survey than at intake.

The total new benefits per business are therefore estimated to be \$21,442 (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 \$8.96 and \$9.45 in benefits for each \$1 in program expenses.