

# FIELD

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## Microenterprise Fund For Innovation, Effectiveness, Learning and Dissemination



## Asset Development in Microenterprise Organizations

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# Our Focus Today

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- What are micro organizations doing to promote/support asset development?
- What does research tell us about asset development in micro organizations?
- How is this work evolving?

## Microenterprise Development **is** Asset Development

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- Businesses are an asset
- Sherraden's original proposal for an asset-based welfare policy (in *Assets and the Poor*) called for encouraging savings and investment in 3 areas, including microenterprise development.
- Microenterprise organizations were early practitioners and advocates.

# What kinds of assets do microenterprise programs build?

Financial assets:

- Business and personal

Human capital/assets:

- Business development skills→employment skills
- Financial literacy skills

Social capital/assets:

- Networks and personal support

This framework is adapted from concepts in Schreiner, *Support for Microenterprise as Asset Building: Concepts, Good Practices and Measurement*. Center for Social Development, April 1, 2004.

# How do they build them?

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## **Original model:**

- Training/t.a.
- Microloans
- Peer groups

## **Second-generation models:**

- Savings - IDAs
- Financial literacy training
- Networks

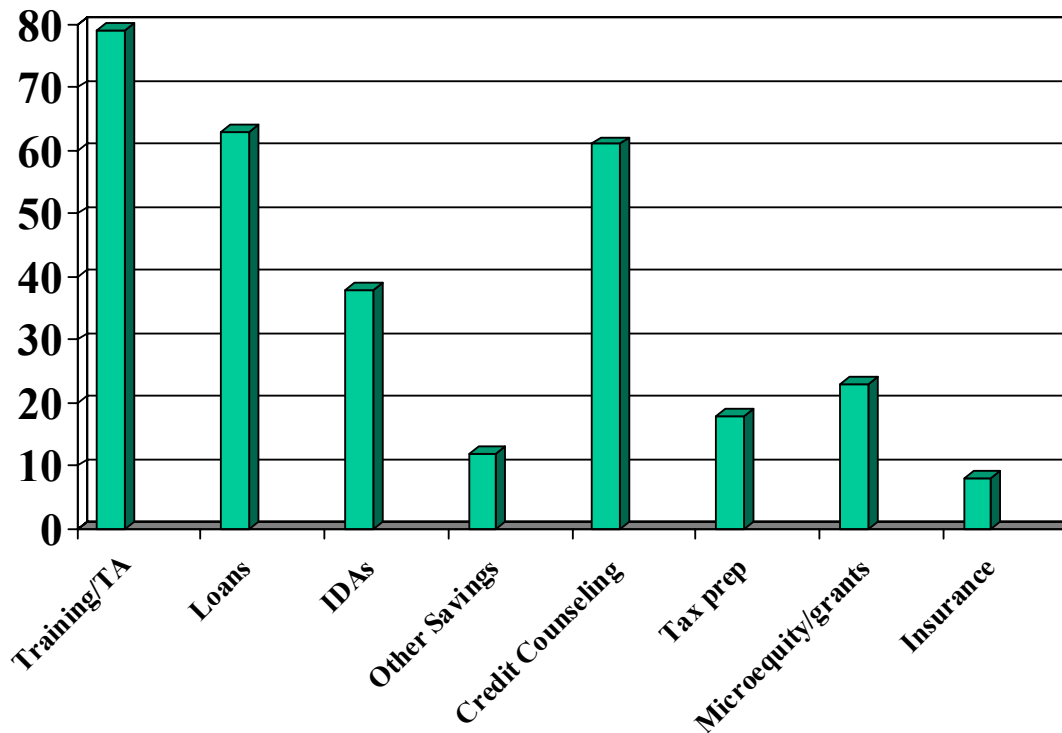
## **Next-generation models:**

- Micro-equity products
- Credit-building/repair products
- EITC outreach/preparation
- Access to insurance
- Retirement planning and savings

# How do they build them?

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Percent of Micro Programs offering Asset-Building Services



Source: FIELD, 2005 Directory of U.S. Microenterprise programs; except data on credit counseling and microequity/grants is FY2006 data from FIELD's MicroTet program.

# What does the research tell us?

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## **ADD evaluation:**

- Sherraden
- Ssewamala
- Schreiner

## **AFI Evaluation:**

- Abt Associates

## **FIELD research:**

- MicroTest
- Ms program monitoring
- Welfare to Work evaluation
- SELP learning evaluation

## **Other studies:**

- UI self-employment demonstration
- SEID evaluation

# What does the research tell us..

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## about who saves for microenterprise?

- IDA micro savers were slightly older, more advantaged in terms of education, less advantaged in terms of poverty ratio and employment (Ssewamala and Sherraden, 2004)
- Poorer participants in ADD were more likely to save for microenterprise development (Ssewamala, Lombe and Curley, 2006)
- 55% of those who made withdrawals were apparently start-ups; 70% of those still saving were “apparently planning start-ups.” (Schriener and Sherraden, 2007).
- Microentrepreneurs with a college degree, those who owned assets (homes and businesses), and those with a high income to poverty ratio had higher rates of participation and savings (Ssewamala and Sherraden, 2004).

# What does the research tell us..

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## about how much microentrepreneurs save?

- ADD microentrepreneurs had average monthly deposits of \$18.70; accumulating \$673.20 a year including match (Sswemala and Sherraden, 2004).
- Among MicroTest programs collecting outcomes data; 34% of clients surveyed saved money in 2006; they reported \$3,000 average and \$5,846 median savings.

# What does the research tell us..

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## about how microentrepreneurs use their IDA savings?

- In ADD, 97% of those who were saving for microenterprise and took a matched withdrawal used it for their business. (Ssewamala and Sherraden, 2004)
- In ADD, the average matched withdrawal for business was about \$245 (Schreiner and Sherraden, 2007).

# What does the research tell us..

about how microentrepreneurs use their IDA savings?

<b>Sample Asset Purchases by Mercy Corps Northwest Clients</b>			
<b>Description</b>	<b>Participant Contribution</b>	<b>Matching Funds 3:1</b>	<b>Total</b>
<b>Artist/woodworker</b>			
Door and gate for studio	\$ 147.00	\$ 441.00	\$ 588.00
Monitor, keyboard, mouse, usb2 cord	\$ 312.20	\$ 936.60	\$1,248.80
Camera, tile, vacuum, tools	\$ 440.80	\$1,322.40	\$1,763.20
<b>Total</b>	<b>\$ 900.00</b>	<b>\$2,700.00</b>	<b>\$3,600.00</b>
<b>Day care/preschool</b>			
Door installation for easy access	\$ 900.00	\$2,700.00	\$3,600.00
<b>Stoneworks/kitchen installations</b>			
Glide rail saw	\$ 900.00	\$2,700.00	\$3,600.00

# What does the research tell us..

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## about what program features best encourage IDA savings among entrepreneurs?

- Financial education (up to 12 hours)
- Expectations for savings (higher match caps)
- More flexible enforcement of rules
- More savings deposit locations
- Higher match rates (up to 2:1)
- Peer group meetings
- Direct deposit is appreciated
  - Source: Ssewamala and Sherraden, 2004.

# What does the research tell us..

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## about how microenterprise programs support asset acquisition and growth?

- Microenterprise program clients increase their rate of business ownership
  - In UI self-employment demonstration; statistically significant impact in both sites at 18 months; in one site at 3 years (Benus et al, 2005).
  - MicroTest outcomes data for 2006 found a 57% start rate for clients entering without a business.

# What does the research tell us..

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about how microenterprise programs support asset acquisition and growth?

- Microentrepreneurs acquire **business assets** and **net worth**:

	Business Assets		Business Net Worth	
	Median	Average	Median	Average
<b>SEID</b>	NA	\$10,501	NA	\$4,867
<b>WTW</b>	\$3,000	\$10,407	\$2,800	\$6,953
<b>Ms. Foundation Fourth Round</b>	\$7,250	\$48,123	NA	NA

# What does the research tell us..

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## About how microenterprise programs support asset acquisition and growth?

- In the WTW study, business assets and net worth each grew by about 250% over a two-year period.

# What does the research tell us..

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about how microenterprise programs support asset acquisition and growth?

- Microentrepreneurs show growth in **personal assets** over time, although the effect on personal net worth is less clear.

	Change in personal assets	% change in personal assets	Change in personal net worth
<b>SELP</b>	+ \$13,140	NA	NA
<b>WTW – self-employed only</b>	+\$4,875	1219%	-\$449
<b>WTW – “patchers”</b>	+\$1,155	226%	-\$1,550

# What does the research tell us..

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## about how IDAs support business ownership?

- Three years after account opening, the percentage of participants who were business owners rose from 15.8% to 24.1% (AFI, Mills et al, 2008).
- Participants were 84% more likely to own a business than non-participants (AFI, Mills et al, 2008).
- Business ownership effects were strongest among those who were married and those with higher household incomes (AFI, Mills et al, 2008).

# Introducing Opportunity Fund

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## What is an asset goal?

An asset is something that has monetary value.

Asset goals that you can save for in the IDA savings program are:

- College education
- Your own business



# Introducing CVCAC

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Since 1965, the Central Vermont Community Action Council has helped people achieve economic sufficiency with dignity through individual and family development.

**Our goals are to...**

- Alleviate the effects of poverty;
- Assist individuals and families to move out of poverty; and
- Advocate for long-term change for economic justice.



# COMMUNITY ECONOMIC DEVELOPMENT AT CVCAC

**Business, homeownership, education, trainings, child care, savings matches,  
and more!**

## Micro Business Development Program

We provide training and technical assistance for low to moderate-income entrepreneurs, who wish to enhance their earnings through the start-up or expansion of a small business.

## Tangible Assets

We help people save for the future through Individual Development Accounts (IDA); a matched savings program. Learn how to make your money work for you while you save up to buy a house, start a business, or further your education.

## Child Care Food Program

We've helped nearly 225 home-based providers serve nutritious meals to 2,100 children through our reimbursement program. That helps keep childcare affordable for working parents.



We also help people with self-employment tax preparation & planning, as well as credit counseling & money management.

## Vermont Women's Business Center

We provide comprehensive and statewide business development and support services tailored to the needs of women, to help them start and expand successful businesses.

## COMMUNITY CAPITAL of Vermont

We help small businesses prosper through the provision of flexible financing and ongoing technical assistance:

- Start-up and expansion loans of up to \$50,000
- Lines of credit up to \$25,000
- Post-loan technical assistance

# Sources

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# Sources

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- Ssewamala, Fred M. and Michael Sherraden, *Savings for Microenterprise in Individual Development Accounts: Lessons from the American Dream Demonstration*. Research Report, Center for Social Development, Washington University, January 2004.
- Ssewamala, Fred M., Margaret Lome and Jami C. Curley, *Using Individual Development Accounts for Microenterprise Development*. CSD Working Paper 06-08, Center for Social Development, Washington University, 2006.

# Resources

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## FIELD Funder Guides:

### Micro and asset development:

<http://fieldus.org/Publications/FunderGuide10.pdf>

### Microenterprise and IDAs:

<http://fieldus.org/Publications/FunderGuide12.pdf>

# For More Information

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