Measuring Asset Development Among San Antonio Microentrepreneurs: An ACCION Texas Impact Study

by

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Measuring Asset Development Among San Antonio Microentrepreneurs: An ACCION Texas Impact Study

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Dedication

To the memory of my parents and sister:

Arturo and Rosalinda Cavazos, and Crystal Cavazos.
Acknowledgements

First, I would like to thank God for being in my life. With him all things are possible. Secondly, I acknowledge my family who supported my decision to leave the Valley and continue my education. They are a constant stream of motivation and encouragement, flowing to me everywhere I go.

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Executive Summary

Community development financial organizations (CDFIs) foster economic development, community revitalization, human development, and personal asset building among distressed communities who do not have access to mainstream financial institutions. Microenterprise loan funds seek to capitalize small businesses with five or less employees that need $35,000 or less in start-up or working capital.

The objective of this report is to gain a better understanding of the impact of the ACCION Texas program, a microenterprise loan fund, on the businesses, households, personal lives and communities of its San Antonio clients. This report builds on descriptive statistics for 630 clients, 52 responses to an impact survey, and eight client interviews conducted in the summer of 2001. The results of this study will not only serve ACCION Texas in evaluating their impact on clients, but will also inform policy makers, government entities, community development practitioners and advocates, academics, funders and others interested in microlending as an economic development initiative.

Major Findings

Impact on clients’ business growth and stability

- Clients with two, three, and four loans experienced overall progressive positive growth in their net worth amounts, signifying that continued borrowing from ACCION Texas increases net worth. Clients with four loans experienced the most growth in net worth (85%). Their total median net worth after completion of the third loan is valued at $7,292.
- Clients with two, three, and five loans exhibited an overall slight increase in monthly revenues, between two and three percent.
- Although ACCION Texas does not offer formal technical assistance and training, about 25 to 50 percent of clients responding to the 2001 impact study report that their business management skills, sales skills, or financial management skills have improved since their involvement with ACCION Texas.
• Ninety-two percent of clients report that their bookkeeping practices have improved or somewhat improved. The most common form of bookkeeping among survey respondents is use of paper ledger (23%). Yet, 36 percent of clients report using an accountant. Compared to the 28 percent of clients who reported using a professional accountant when they entered the ACCION Texas program, more clients are using an accountant today. Also, nearly half of survey respondents report using a computer for bookkeeping.

• Forty percent of survey respondents report they have new or improved relationships with banks; however it is difficult to ascertain the type of relationships established. Only one of eight clients interviewed has graduated into a borrower relationship with a bank.

• ACCION Texas has nurtured an environment where clients trust them and feel more comfortable approaching them than a bank. This has facilitated repeat borrowing, very small loan defaults, gradual financial growth in the business and household, and an improvement in human and social assets of the client.

Impact on clients’ households

• Based on trends for clients with two, three, and four loans, there are consistent increases in monthly take home pay with each loan borrowed from ACCION Texas. Clients with two, three, and four loans exhibited a three percent, 15 percent, and 20 percent growth respectively between their first and last loans. It is apparent that clients are choosing to stabilize their monthly take home pay rather than grow their business profits.

• Due to ACCION Texas’s investment in their businesses, survey respondents claim to experience greater pride and self esteem (62%), financial stability (58%), less stress (42%), and more time with their families (29%).

• In addition, client interviews describe how ACCION Texas provides valuable “social capital” in the form of networks and trust. ACCION Texas establishes networks for clients through social gatherings, mail pieces, a client directory, and referrals for training opportunities. Some businesses receive media coverage when ACCION Texas promotes its loan program. Clients also express that ACCION Texas fosters trust through personalized attention and support.

Impact in the community-at-large

• Trends indicate that there is a strong correlation between continued borrowing from ACCION Texas and job creation in the community. Clients with four loans and five loans increased the number of jobs between the first and last loan by 76 percent and 275 percent respectively. In sum, 243 of ACCION Texas’s business clients in the San Antonio area have created or retained 343
full time employees, 166 part time employees, and 242 self-employment positions.

- ACCION Texas’s San Antonio clients infuse the local economy with $2.3 million dollars in annual sales tax revenue.
- ACCION Texas’s San Antonio clients have a combined annual household income of $11 million dollars – disposable income to spend in the local economy.

Clients are experiencing overall positive financial growth with continued borrowing from ACCION Texas. Plus, qualitative findings reveal important offerings that are omitted by quantitative trend analysis. Survey responses and interviews suggest that the relationship with ACCION Texas is improving human and social assets of clients in their professional and personal lives. The tools ACCION Texas provides will extend beyond the businesses and into the future of the clients no matter where life leads them.

**Recommendations**

This study highlights the many ways that ACCION Texas has impacted clients. Findings also suggest that further efforts are required to strengthen the development of microentrepreneurs’ financial, human, and social assets. Some needed improvements are:

1. Increase in business revenues,
2. Increase in business profits,
3. Improvements in the method of bookkeeping and frequency,
4. Stabilizing household income of the microentrepreneur, and
5. Building trust between the microenterprise client and mainstream financial institutions.

The recommendations below provide examples to microenterprise development organizations and CDFIs that may help address weaknesses in entrepreneurs’ business finances, bookkeeping methods, household incomes, and bonds with commercial banks.
Offer proper business training

Business training can help improve revenues, profits and bookkeeping practices. Additionally, training ensures the sustainability of the microbusiness. Some common business management course topics include the following:

- Define and clarify business vision,
- Develop a marketing strategy and plan,
- Establish record keeping procedures,
- Analyze business costs and develop a budget,
- Understand basic financial statements (Microenterprise Fact Sheet Series, Issue 4, 2000; Anthony, 1997; Solomon, 1992).

Some training curricula has already been established by both commercial and microenterprise organizations (Microenterprise Fact Sheet Series, Issue 4, 2000). Delivery methods for training could include weekly training workshops, monthly round-tables with featured experts, web-based consultations and discussion in cyber cafes, list-serves, and mentoring that matches an experienced business owner with a new business owner in the same industry (Microenterprise Fact Sheet Series, Issue 4, 2000). With the proper business tools individuals can increase their revenues and profits, improve their bookkeeping practices, and sustain their businesses longer.

Provide Individual Development Accounts (IDAs)

Individual Development Accounts (IDAs) encourage households to establish saving habits and build financial assets. IDAs are dedicated savings accounts that can only be used for purchasing a home, furthering education or job training, or investing in a business. Dollars saved by the individual are matched by public and private sources. Offering an IDA program to microenterprise clients would help stabilize household income, build assets, and amass the collateral needed to borrow from mainstream financial institutions.
Offer financial literacy

Financial literacy is needed to teach individuals about the importance of money management, savings, banking and credit. These teachings will help stabilize household income, repair or build credit, build financial assets, and have spillover effects into the management of the business. Furthermore, financial literacy will de-mystify commercial banking and provide self-confidence in approaching mainstream financial institutions.

Build bridges to Small Business Administration (SBA) offices and banks

Microenterprise development lenders and CDFIs must become proactive in building trust between their clients, SBAs, and banks in order to tear down clients’ psychological barriers to approaching mainstream banks and banks’ high-risk perception of microenterprises. Graduating the clients of microenterprise loan funds into the SBA loan program can offer legitimacy for those seeking future commercial bank loans because banks look favorably upon businesses backed by the government. Microenterprise development organizations could facilitate this interaction by networking clients with local SBA offices and banks.

Encourage the formation of microenterprise trade associations

Encouraging microentrepreneurs to organize into industry-specific microenterprise trade associations can help promote the microentrepreneur as a bona fide professional group with political muscle. It helps legitimize the standing of microentrepreneurs in local economies, among bigger businesses who have also organized into chambers and associations, among commercial banks, and with government agencies. Microenterprise trade associations can lobby for increased recognition as legitimate economic development vehicles, demanding more financial assistance and capacity building resources. Microenterprise development organizations can play a key role in networking microentrepreneurs who are interested in organizing as a microenterprise trade association.

These five recommendations hint at the types of initiatives that microenterprise development organizations, and other CDFIs, could employ to
strengthen business revenues, profits, improve bookkeeping methods, stabilize household incomes, and develop trust between clients and commercial banks. Addressing these needs will better improve clients’ likelihood of maintaining a successful and sustainable microenterprise, escaping poverty, and becoming active contributing members of society.
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Chapter 1. Introduction

First Things First: Defining Community Development and its Stakeholders

The Dictionary of Community Economic Development Terms defines community development as a, “Process designed to create conditions of economic and social prosperity for the whole community with active participation and the fullest possible reliance on the community’s initiative (California Community Economic Development Association, 1995, p. 22).” Community development efforts include a broad range of activities that provide disadvantaged communities the tools needed to help themselves. Initiatives may include:

- Providing access to affordable health care,
- Workforce development and training,
- ESL language courses,
- Affordable housing development and rehabilitation,
- Financial services, or
- Commercial development in blighted areas.

Community development efforts are initiated by community development corporations (CDCs), grassroots organizations located in the community and led by the community (California Community Economic Development Association, 1995, p. 22). Because they are steered by community residents and other stakeholders, CDCs are especially positioned to assess the needs of the communities they serve and access local resources (National Congress for Community Economic Development, 1999, p. 3). The “community” served by a CDC may be located in a neighborhood, a parish, a section of a city, an entire city, a group of cities or a whole state. CDCs may also be referred to as community-based organizations, community-based development organizations or community economic development organizations.
A community development financial institution (CDFI) is a type of CDC that serves economically distressed communities by providing capital and other financial products to individuals and businesses that do not have access to credit from commercial banks because they are considered too risky or their enterprises too small (Texas CDFI Coalition, 2000, p. 3). The entity that federally certifies and funds CDFIs, the U.S. Department of the Treasury CDFI Fund, defines CDFIs as follows:

CDFIs are specialized financial institutions that work in market niches that have not been adequately served by traditional financial institutions. These CDFIs provide a wide range of financial products and services, including mortgage financing for first-time home-buyers, financing for needed community facilities, commercial loans and investments to start or expand small businesses, loans to rehabilitate rental housing, and financial services needed by low-income households and local businesses. In addition, these institutions provide services that help ensure that credit is used effectively, such as technical assistance to small business and credit counseling to consumers (CDFI Fund online, retrieved 11/27/2001).

The CDFI Fund was authorized by the Riegle Community Development and Regulatory Improvement Act of 1994 to expand access to credit, investment capital and other financial services in economically disadvantaged communities. It does this by facilitating the creation and expansion of CDFIs. CDFIs certified by the CDFI Fund are eligible to apply for federal grant dollars that leverage private investments. The CDFI Fund also awards Bank Enterprise Awards as incentives for commercial banks and thrifts to invest in CDFIs. The CDFI Fund expects its programs to assist distressed communities build private markets, increase local tax revenue, and empower residents (CDFI Fund online, accessed 11/27/2001).

The number of CDFI certifications nearly quadrupled between 1996 and 2000. The CDFI Fund reports that in 1996 it certified 115 CDFIs, whereas 415 were certified in 2000 (CDFI Fund 2000 Annual Report, retrieved 3/31/02, p. 13). At the time of the fiscal year 2002 House Appropriations Hearing, the Acting Director of the CDFI Fund reported that since inception the Fund has disbursed a
total of over 500 CDFI Program awards totaling $295 million. These awards have gone to three categories of CDFI applicants: the Core Component, the Intermediary Component, and the Small and Emerging CDFI Assistance Component (Berg, 2001, p. 4). The Fund has also awarded 433 banks and thrifts $135 million under the Bank Enterprise Award Program (Berg, 2001, p. 6). The CDFI Fund is also beginning to award contracts to training providers for curriculum development and delivery of classes to existing and future CDFIs (Berg, 2001, p. 7).

There are numerous types of CDFIs and microenterprise development loan funds are one type. The different types of CDFIs include:

- Community Development Banks,
- Community Development Credit Unions,
- Community Development Loan Funds,
- Community Development Venture Capital Funds, and
- Microenterprise Development Loan Funds (National Community Capital Association online, accessed 11/27/01)

A chart comparing the different types of CDFIs is provided in Appendix A.

In Texas, as of 2000, there were an estimated 30 active CDFIs. The U.S. Department of the Treasury's CDFI Fund has certified 20 of these CDFIs (Texas CDFI Coalition, 2000, p. 2). The accomplishments of 34 community lending organizations, including 17 federally certified CDFIs (that have been active or were becoming active), were documented in a recent study by the Texas Association of Community Development Corporations (TACDC). The study shows that as of 1999 these community-based lending institutions in Texas:

- Made $69.3 million in loans and investments,
- Supported 2,019 local firms and individuals, and

The Texas Association of Community Development Corporations (TACDC) monitors the CDC statewide impact by conducting a biennial survey in
conjunction with the University of Texas at Austin, Community and Regional Planning Program in the School of Architecture. In addition, TACDC provides capacity-building services, networking opportunities, and legislative advocacy efforts for CDCs, including CDFIs. An informal coalition of Texas CDFIs also exists. It consists of the most active CDFIs in Texas, including ACCION Texas, Austin CDC, William Mann Jr. CDC, and the San Antonio Business Development Fund. During the 2001 Texas legislative session, they came together to produce a booklet profiling select CDFIs in Texas (Texas CDFI Coalition, 2000).

Sources of capital for CDFIs include foundations, banks, religious organizations, corporations, government, insurance companies, and individuals (National Community Capital Association online, accessed 11/27/01). Banks have provided lending capital, operational grants, and expertise. In 1994, the Clinton Administration established the CDFI Fund in the U.S. Department of the Treasury. The CDFI Fund mandates a 1:1 matching fund requirement for grantees (CDFI Coalition online, accessed 11/27/01). CDFIs have been very successful at leveraging federal dollars. In addition, it is important to mention that Pennsylvania, New York, New Jersey, and California have active state funds to assist CDFIs (CDFI Coalition, 2000). Other governmental agencies and legislative acts that have contributed or currently fund microenterprise efforts include:

- Model Cities Program in the 1960s;
- Small Business Administration, Economic opportunity loans (EOLs) and Microloan Demonstration Program;
- Job Training Partnership ACT (JTPA) mandated set aside funds for business assistance and was funded through Community Development Block Grants from the Department of Housing and Urban Development and the Department of Labor;
- Economic Development Administration;
- Office of Community Services, Department of Health and Human Services, Job Opportunities for Low-Income Individuals (JOLI) program;
• Empowerment Zone and Enterprise Communities programs, administered by the Department of Housing and Urban Development’s Office of Community Planning and Development;

• Office of Refugee Resettlement of the Department of Health and Human Services, Micro-Enterprise Development Project; and

• National Community Economic Partnership, a program of the Department of Health and Human Services (Servon, 1999, pp. 21-24).

**Microenterprise Development: An Overview**

The Association for Enterprise Opportunities (AEO), the national member-based association in the microenterprise development industry, defines a microenterprise as a “business with five or less employees, which requires $35,000\(^1\) or less in start up capital, and which does not have access to the traditional commercial banking sector” (AEO online, accessed 3/4/02). Microenterprises are a subset of small businesses that can have up to 500 employees. Generally, in a microenterprise business, the owner is the only worker; therefore, many use the term “self-employment” when discussing the status of the microenterprise owner (Microenterprise Fact Sheet Series, Issue 1, 2000, p. 1). AEO estimates that there are two million microentrepreneurs in the United States (Microenterprise Fact Sheet Series, Issue 1, 2000, p. 1). They choose to become microentrepreneurs to supplement low wages or have the flexibility to balance family and work. Immigrants may choose to start their own business because although they are qualified for professional jobs, the formal economy of the United States requires certifications, licenses and English language proficiency. Additionally, many low-income people find personal satisfaction in being their own boss or using their talents that are not always possible in low paying jobs (Microenterprise Fact Sheet Series, Issue 1, 2000, p. 2).

Microenterprise development programs vary in their mission statements, but they generally desire economic development, community revitalization, human development, and personal asset building. They target marginalized groups such as the low-income, minorities, women, welfare recipients, the working poor, those
who lack access to credit, young people, refugees, homeless and those living in rural areas (AEO online, accessed 3/4/02). In 2000, there was an estimated 700 microenterprise development programs in the United States (Microenterprise Fact Sheet Series, Issue 1, 2000, p. 2). AEO has outlined six core program elements exercised by microenterprise development organizations. The organizations provide the following services:

- Outreach services to recruit and educate existing and potential microentrepreneurs on the viability of participating in a microenterprise development program;
- Training and technical assistance to help microentrepreneurs plan, market, and manage their businesses;
- Credit or access to credit through a partnering financial institution. Loans range from $500 to $35,000;
- Continued assistance even after clients have completed training or borrowed a loan;
- Economic literacy and asset development such as the benefits of banking and savings, good credit ratings, credit rehabilitation, and sound bookkeeping methods;
- Access to markets to increase clients’ sales profitability. This may include efforts to facilitate networks, the distribution of a client directory of services and products, specialized training, internet and e-commerce training, business incubators, and participation in trade shows (AEO online, accessed 3/4/02 & Microenterprise Fact Sheet Series, Issue 1, p. 2).

In *Bootstrap Capital* (1999), Lisa Servon explains how microenterprise development can be a viable alternative in the war against poverty by assessing the qualitative impact of five microenterprise programs. Also, Servon outlines the history of microenterprise programs. She cites that microenterprise programs began in Bangladesh in 1979 with the creation of the Grameen Bank. The Grameen was so successful that the idea spread to other less developed countries including Asia and Latin America. In the mid eighties policy makers and organizers began looking to the program to solve welfare and poverty issues in the United States (Servon, 1999, p. 17). There are similar needs in less developed
countries (LDCs) and in the U.S. that call for microenterprise development. The similarities are centered on a consistent poverty and the lack of access these individuals have to traditional venues of credit. Yet, Servon suggests that there are some obstacles that hinder U.S. efforts compared to the efforts in LDCs where microenterprise programs have been so successful.

According to Servon, U.S. models can’t expect the same success as in LDCs because the context is different. She suggests at least six major differences that make U.S. microenterprise programs more costly to support and slower to develop. First, governments in LDCs recognize informal economies whereas the U.S. does not favor hidden transactions economies. Microenterprise programs in these countries are geared toward helping the poor and their informal businesses. There are many formal requirements in the United States, such as income tax reporting, certifications, and inspections that slow or inhibit the number of individuals desiring to start their own business. This introduces a second difference between the state of microenterprises in the United States and LDCs. U.S. microentrepreneurs need more education and training to meet these formal requirements. This education is not necessary in the informal economies of LDCs. The third difference is that on average, U.S. microentrepreneurs need more credit and advanced training than those in LDCs. Servon cites that the average initial loan extended by the Grameen Bank is $60 and by Banco Sol is $212, whereas U.S. microenterprise programs might extend loans that range between $824 and $3,255 (Servon, 1999, p. 18).

The fourth difference among microenterprise programs in the U.S. and in LDCs is that those in LDCs have experienced quicker growth. Whereas, borrowers in LDCs tend to be established businesses, data suggests that large portions of microenterprise borrowers in the United States are startup firms. There is much training needed to develop these startups. Therefore, U.S. programs must balance training – which is expensive – with lending. Another reason for the sharper growth of programs in LDCs is that self-employment is more widespread
in LDCs than in the U.S. Self-employment is the solution to survival in less developed countries because there are few social welfare programs, if any, to support the poor. The last major difference that Servon cites between microenterprise programs in LDCs and in the U.S. is that programs in LDCs are bigger, more established, and are supported nationally and internationally. U.S. programs are smaller, newer and are more likely to be supported locally (Servon, 1999, p. 19). Yet, Servon presents anecdotal evidence to prove that microenterprise development programs still provide positive impacts that push the poor out of poverty in the U.S.

**About ACCION Texas**

ACCIÓN Texas was established in 1994 as an affiliate of ACCION International, one of the pioneers of microenterprise development who has established 14 programs in Latin America since its inception in 1961. The inception of ACCION International began when an American law student and his friends raised $90,000 to send 30 volunteers to Venezuela. In its first decade, ACCION International placed over 1,000 volunteers and $9 million in Venezuela, Brazil, Peru, and Columbia to work with residents to identify community needs. They installed sewer lines, electricity, built community centers and schools, and began training programs (ACCIÓN International online, accessed 4/16/02). It was not until 1973 that the first ACCION microcredit fund began in Brazil. ACCION International leaders began to notice that despite what the projects accomplished, there was still major urban poverty in Latin America and few economic opportunities. Many residents started their own informal businesses to survive economically and they needed small loans with reasonable interest rates (ACCIÓN International online, accessed 4/16/02).

ACCIÓN International began to launch similar microenterprise programs in the U.S. in 1991 beginning in New York. Currently there are eight U.S. affiliates in California, Georgia, Illinois, Massachusetts, New Mexico, New York,
Rhode Island, and Texas (ACCION Texas online, accessed 4/16/2002). Although ACCION Texas is part of a broader affiliation of microenterprises it is an independent nonprofit organization with its headquarters in San Antonio and its own Board of Directors comprised of community, business and banking leaders from its various lending regions.

The mission of ACCION Texas is to provide “credit to people with ‘micro’ businesses that do not have access to loans from commercial sources (ACCION Texas 2000 Annual Report).” ACCION Texas expects that small loans will strengthen businesses, increase and stabilize household incomes, create jobs, and contribute to the economic development of communities.

ACCION Texas began lending in the San Antonio area in 1994, and in 1998 they expanded lending into other areas of Texas through the creation of offices in the Rio Grande Valley, Houston, Dallas, Forth Worth, Austin and El Paso. It also recently formed “virtual offices” in regions outside the lending area through partnerships with organizations including Small Business Development Centers (SBDCs) throughout Texas, Mexican American Network of Odessa, Inc. (MANO), Connections to Success in Galveston, Brush Country Resource Center in San Diego, and FUTURO in the Upper Rio Grande Valley (ACCION Texas 2000 Annual Report).

ACCION Texas’s 2000 Annual Report indicates that a total of 2,349 loans have been disbursed all over Texas among 1,472 clients in the amount of $8,916,281. The historical loss rate is four percent. Clients are involved in a variety of business enterprises including Mary Kay beauty consultants, food vendors, construction contractors, taxi drivers, mechanics, day care centers, learning centers, in-home care for the elderly, and other mostly home-based businesses.

ACCION Texas has received major funding from the U.S. Department of the Treasury CDFI Fund between 1996 and 2000. In 2000, it also received $750,000 from the Small Business Administration (SBA). In addition, it received
a grant from the Meadows Foundation and the Economic Development Administration of the U.S. Department of Commerce to buy and renovate its own building, which they moved into in late 2001. ACCION Texas has received numerous grants and donations from banks, foundations, individuals (including Board members and clients), local governments and federal agencies, among others. Their 2000 total grants and contributions equaled $2,174,296 and their revenue from interest, fees, and other income equaled $789,134 for total combined revenue of $2,963,430. Their 2000 total expenses equaled $2,392,089 (ACCION Texas 2000 Annual Report).

Research Objective and Questions

The primary research objective of this report is to gain a better understanding of the impact of the ACCION Texas program on its San Antonio clients in the growth of their businesses, households, personal lives and communities. The study was initiated by ACCION Texas as an intern project in the summer of 2001. This professional report builds on the research data collected during the summer, focusing on San Antonio clients. The results of the professional report will not only serve ACCION Texas in evaluating their impact on clients, but will also inform policy makers, government entities, community development practitioners and advocates, academics, funders and others interested in microlending as an economic development initiative.

The following research questions define the analysis of this study:

6. What is the quantitative and qualitative impact of the ACCION Texas program on clients’ business growth and stability?
7. What is the quantitative and qualitative impact of the ACCION Texas program on individuals and households?
8. What is the quantitative and qualitative impact of the ACCION Texas program on the community-at-large?
Methodology

The study began in the summer of 2001 as an intern project to study the impact of the loan program on Texas-wide clients. The summer research project involved quantitative analysis of client information, distribution of a one-page survey to all existing clients, and limited interviews in the San Antonio area.

Both quantitative and qualitative data are essential to this study to form a more comprehensive and complete analysis of the research objective, and more importantly to provide a broader picture of the true extent of ACCION Texas’s impact on its clients – voices that cannot be heard when employing quantitative analysis alone.

ACCIÓN Texas maintains a large database of over 1,500 clients whose information is gathered at the time of each loan application. Many of ACCION’s clients are repeat borrowers; this implies we can analyze changes from one loan to the next. The focus of this study is individual loan clients in the San Antonio area, who numbered 630 as of July 25, 2001. San Antonio clients are described by socio-economic and business descriptors in chapter three. Furthermore, clients who have borrowed between two and five loans are measured for changes between each loan application. For example, clients with three loans are evaluated for changes that occurred between their first and second loan and between their second and third loan. Total net worth, monthly revenues, and monthly profits are used to measure business changes. Monthly take-home pay and monthly household income measure household changes and full time jobs and part time jobs measure community impact.

To complement the quantitative analysis, a self-administered survey was distributed by mail and personal interviews were conducted to present the clients’ perspective of how their business, households, communities, and other areas have been impacted by self-employment and ACCION Texas’s investment. Fifty-two clients from the San Antonio area responded to the survey. There was a nine
percent response rate in the San Antonio area. Also, eight personal interviews with San Antonio clients with more than one loan were conducted. A more detailed description of the research methodology is provided in Appendix B.

**Report Outline**

Chapter two highlights existing literature on the community development industry, especially as it pertains to community development corporations, asset building, community development financial institutions and microenterprise development. The findings of the research questions are presented in chapters three through five. Chapter three provides descriptive statistics on the subsection of clients in the San Antonio area and quantitative interpretation of continued involvement in the ACCION Texas program in the business, household, and community of the loan client. Chapter four details the qualitative findings of eight interviews with San Antonio clients and responses to the 2001 impact survey. Chapter five summarizes the findings of the ACCION Texas impact study and outlines recommendations that will expand ACCION Texas’s impact on microentrepreneurs across Texas.
Notes

1 In December 1999, legislation changed the maximum level of a microenterprise loan in the Small Business Administration Microloan Program (Association for Enterprise Opportunity (AEO) online, accessed on March 4, 2002 at http://www.microenterpriseworks.com.)
2 Although Servon cites Grameen Bank as the start of microenterprise lending in 1979, ACCION International began lending in Latin America in 1973.
4 ACCION Texas offers both individual and group loans. However, the large majority of loans tend to be individual loans. This analysis of this study omits clients who have borrowed group loans.
Chapter 2. Literature Review

Community Development Corporation (CDC) Literature
History, Strategy and Accomplishments

As grassroots organizations, CDCs are principally accountable to the residents of their community. However, CDCs are pulled to social justice while meeting criteria outlined by professional organizations that fund and support CDCs and who are themselves accountable to outside funders (Stoutland, 1999, p. 195). There is tension between the activist side and the technical-professional side of community development. The political activist side believes that CDCs will not get the resources they need unless they fight those in power, whereas the techno-professional side believes that those in power will relinquish resources when CDCs prove themselves in a competent, efficient and effective way (Stoutland, 1999, p. 195).

When scholars discuss the evolution of CDCs, they trace three generations of CDCs beginning in the 1960s and spanning through the late nineties. In the 1960s, CDCs numbered between 40 and 100 (Stoutland, 1999, p. 196). They were large multifaceted organizations with a significant number of programs and large projects, but tended to be focused on business activities and workforce development and less so on housing (Stoutland, 1999, p. 196). African American activists founded the most prominent CDCs from the first generation. They grew out of the “civil rights movement, separate ghetto economic development efforts and black capitalism (Stoutland, 1999, p. 197).” Other CDCs in this generation and succeeding generations were also ethnic organizing movements or religious-based organizations (Stoutland, 1999, p. 197). The first funding sources for CDCs came from the Special Impact Program (SIP) of the Office of Economic Opportunity (OEO) and Model Cities. SIP continued to fund CDCs from 1968 through 1981 (Stoutland, 1999, p. 197).
In the second-generation of the CDC movement, the late 1970s, there were an estimated several hundred to a thousand CDCs (Stoutland, 1999, p. 197). This generation of CDCs tended to be more focused on specific programs than those of the sixties. Some focused on providing capital, loans, and technical assistance to businesses rather than managing the businesses. Many developed affordable housing programs. Although they focused on smaller and fewer programs, as a whole, CDCs offered a much broader array of programs and services than ever before and reached a broader audience of constituents of all ethnicities and geographic locations (Stoutland, 1999, p. 198). Programs such as the Department of Housing and Urban Development’s Section 8 New Construction and Moderate Rehabilitation Programs provided much of the funding (Stoutland, 1999, p. 198).

Despite large federal cuts in funding starting in 1981, CDCs doubled between the 1970s and 1980s. During the 1980s, there were an estimated 2,000 CDCs nationwide (Stoutland, 1999, p. 198). Characteristics that defined CDCs during the third generation were flexibility, creativity and perseverance. CDCs found new ways to finance their programs by turning to local sources such as local government and public-private partnerships (Stoutland, 1999, p. 199). Intermediaries also became crucial sources of funding and technical assistance in the 1980s. Federal initiatives developed national funding intermediaries like the Local Initiative Support Corporation (LISC), the Enterprise Foundation, and the Neighborhood Reinvestment Corporation (NRC) (Stoutland, 1999, p. 199). Intermediaries pool funding from different sources and funnel it to CDCs. During this time, most CDCs were specialized in housing development and continue doing so today. This generation of CDCs is also characterized less as “grassroots activist” and more as “technocratic” – mirroring for-profit operations and focusing more on technical and professional aspects of their work such as greater efficiency and effectiveness (Stoutland, 1999, p. 199).

In the late 1990s, there occurs a shift back to earlier ideologies. CDCs are again emphasizing “activist-participatory” methods. They are focusing on both
physical and social development initiatives. CDCS are encouraging resident participation and partnering with other nonprofits, governments, and for-profit organizations (Stoutland, 1999, pp. 200-201).

CDC studies have generally employed case study and best practice methods. They have targeted the largest and most successful CDCs, and less research has been conducted on smaller, developing CDCs and those that have failed (Stoutland, 1999, p. 202). Two areas studied are internal management and external resources. CDCs are more likely to be successful the longer they exist, by having a comprehensive strategy, and having the skills and tactics to operate as well as for-profits (Stoutland, 1999, p. 204).

Three types of resources needed by CDCs are financial, technical, and political resources. There is much research about the financial resources used by CDCs. In general, they feel “underfunded and undersupported” (Stoutland, 1999, p. 205). Because of this, they patch together various forms of financing to run their organization and programs. There are at least fifteen sources of financing used by CDCs today. Some of the primary sources of funding for CDCs include federal funding from HUD such as the Low-Income Housing Tax Credit (LIHTC) program and Community Development Block Grant program, received by 94 percent and 55 percent of CDCs respectively (Stoutland (citing Christopher Walker (1993)), 1999, p. 206). Other funding sources include state governments, local governments, intermediaries, foundations, banks, and corporations. Due to the need for creative financing, government reporting and the complex nature of some of the financing such as the low income housing tax credits (LIHTCs), CDCs spend much of their time packaging financing deals when they could be producing more (Stoutland, 1999, p. 207). Support networks are stepping up to help with financing, technical aspects, and political support. The support networks of CDCs include intermediaries, city-level systems in CDC-dense areas, foundations, financial institutions, educational institutions, consultants, and trade associations (Stoutland, 1999, p. 208).
There is little research that attempts to apply performance measures to CDC accomplishments. It is a difficult task to attempt to rate CDC accomplishments because they are not confined to any one activity (Stoutland, 1999, p. 211). According to Stoutland, there are two studies that have attempted to evaluate CDCs are the Urban Institute’s interim evaluation of the second round of funding by the National Community Development Initiative (The Urban Institute, 1996) and Rachel Bratt and colleagues in their study, “The Status of Nonprofit-Owned Affordable Housing: Short-term Successes and Long-term Challenges” (1998) (Stoutland, 1999, p. 212). The authors of the Urban Institute report evaluated CDCs on the basis of organizational capacity, fund mobilization, capacity building, and local partnerships. Bratt and colleagues used rent collection and building conditions to assess the level of property management (Stoutland, 1999, p. 212).

Key elements in the unique CDC strategy include comprehensiveness, community control and resident participation, positive spillovers, and commitment of CDC directors. Neighborhood blight is brought on by a variety of issues, so why shouldn’t revitalization utilize comprehensive programming. Stakeholders are divided on whether CDCs should continue to use comprehensive strategies or whether specialization in an area is better for the organization and community (Stoutland, 1999, p. 214). Community control and resident participation are important factors in the mission of CDCs. The issue is one of providing services to residents funded by government agencies, yet as activist organizations CDCs at times have to be adversarial with government to harness the resources needed.

**Ethnic-based Community Development Models**

In *The Road Not Taken: Alternative Strategies for Black Economic Development in the United States* (1996), Sigmund C. Shipp compares four U.S. economic development models implemented by the Black community with his model of success, the Mondragon Cooperative Movement, founded by the Basque people, an ethnic minority in Spain. The Basque community, like the Black
community in the U.S., has a history of oppression – segregation, political powerlessness and discrimination by the mainstream culture. Shipp therefore suggests that the Black community use this status to develop an economy within the community; however, he stresses that a model of group advancement such as the Basque has implemented would be more successful than models of individual advancement (Shipp, 1996, p. 79).

During Francisco Franco’s dictatorship of Spain, the Roman Catholic Church assisted the Basque people with their struggle for independence. In particular, Don Jose Maria Arizmendiarrrieta, a priest in the Basque region in the early 1940s, envisioned that education and cooperative action would raise the Basque community out of economic and social oppression. Because the public education system at that time was not conducive to the upward mobility of the poor, he founded an independent school, Accion Catolica, where the curriculum stressed technical and industrial training along with the teachings of cooperativism. Five of Arizmendiarrrieta’s students went on to create ULGOR, the first cooperative enterprise – an appliance manufacturer. Shipp writes, “This variant of business ownership replaced individualistic competition with a concern for the well-being of workers and other humane social values (Shipp, 1996, p. 81).” Indeed, ULGOR’s capital was raised from the cooperative members and a portion of their profits were reinvested in the community in the form of educational, cultural, and charitable programs (Shipp (citing Roy Morrison (1991)), 1996, p. 82).

Today, the Mondragon Cooperative System is considered one of the most successful cooperative systems in the industrialized world (Shipp, 1996, p. 82). It consists of over 170 co-ops, including businesses, schools, housing, health facilities, and banks that serve the needs of over 100,000 people. Furthermore, 21,000 jobs have been created (Shipp, 1996, p. 82).

Researchers have highlighted eight characteristics of the Mondragon model that account for the cooperative’s success. They are:
1) Serves an oppressed minority;
2) Main objective is collective economic development;
3) Avoids control by a managerial or technical elite;
4) Promotes democratic control of its governing system;
5) Promotes social development as indispensable to the goal of economic development;
6) Requires cooperative entrepreneurship;
7) Provides comprehensive social services and training; and
8) Economic activities extend outside the ethnic community and local market (Shipp, 1996, p. 82).

Shipp compares these characteristics to the characteristics of the four economic development models used by Black communities.

In the Booker T. Washington model business ownership provides access to group economic advancement in the Black community through a “trickle down” of profit from the owners to the workers. Washington believed economic nationalism would create self-sufficiency within the Black community and eventual equality in the eyes of White America (Shipp, 1996, pp. 82 & 83). Shipp writes that the Washington Model is similar to the Mondragon Model in two ways. First, it promotes the advancement of an ethnically oppressed community and second, its purpose is to enhance the group as a whole (Shipp, 1996, p. 83). However, Shipp also adds that entrepreneurial advancement only benefits a few individuals and not the entire group – something he refers to as elitism (1996, p. 83). The Mondragon model distrusts elite control. Elite control interferes with democratic control of the group. Shipp suggests that the entrepreneurship strategy is not comprehensive enough to provide solutions to the many other challenges facing the Black community (1996, p. 84).

According to Shipp, the Community Development Corporations (CDCs) model originally mirrored the Mondragon model. It served the needs of poor and oppressed people. Governance was based on democratic control where local
residents had a voice in the decision-making. Social development was believed to form the foundation for economic development. CDC profits were reinvested into the community in the form of programs and services that benefited residents. And lastly, the advancement of the community as a whole would be achieved through self-sufficiency (Shipp, 1996, p. 85). However, he states that as CDCs began to focus on individualist entrepreneurial activities and profit making, they deviated from the Mondragon cooperative ideal and instead joined the capitalist environment. Using this strategy, they impacted few people and did not contribute to group economic advancement (Shipp, 1996, p. 85). He also adds that only a few CDCs were able to become self-sufficient and profitable enough to reinvest into the communities they served (Shipp, 1996, p. 85).

Because of conformity, Shipp states that the social goals of CDCs could not be reached. To survive, CDCs increased their focus on profit making and hired business professionals to operate their organizations (Shipp, 1996, p. 86). Furthermore, Shipp, citing William Tabb (1979), states that community reinvestment is not strengthened by capitalist ventures because the collective advancement of the community cannot be met by investing in “black entrepreneurs who operated for personal profits (Shipp, 1996, p. 86).” Shipp urges comprehensive initiatives.

Marcus Garvey’s Universal Negro Improvement Association (UNIA) shares many characteristics with the Mondragon model. It was meant to serve a group of oppressed people, namely African people throughout the world. In Garvey’s model, the most important element was economic development. He believed that a solid foundation of economic development would in turn lead to political and civil rights (Shipp, 1996, p. 87). UNIA was able to establish business collaboratives, such as the Negro Factories Corporation comprised of businesses in the service, retail, and manufacturing industries. There was also an industrial and transportation affiliate, the Black Star Line that would transport African Americans to and from Africa and UNIA goods all over the world. UNIA and its
affiliates employed over 1,000 workers between 1920 and 1924 (Shipp, 1996, p. 87). Garvey sought to create a separate self-reliant Black economy (Shipp, 1996, p. 87). Garvey’s model was different from Washington’s model in that it did not promote individual entrepreneurialism where personal profit was the primary motive. Instead he promoted collective advancement with democratic decision-making (Shipp, 1996, p. 87). The model also emphasized social development as a means to boost economic development. Garvey’s model committed to the establishment of vocational and academic schools for Black youth, but only one school ever opened its doors and only for a short period of time before suffering financial trouble (Shipp, 1996, p. 88). UNIA began to fall apart in 1927 after Garvey was targeted by the U.S. Department of Justice as a “subversive” black radical, indicted for mail fraud and deported out of the U.S. (Shipp, 1996, p. 88).

The W.E.B. Du Bois community development model in theory encompassed all the factors that would come to make the Mondragon model a success in later years. Du Bois’s ideology is characterized by two stages. The first stage mirrors Booker T. Washington’s economic development model. Du Bois was a proponent of capitalism as a means to raise Blacks out of ethnic oppression. However, he later, “came to question capitalism’s ability to bring about black collective advancement and its propensity to create an exploitive elite” among African Americans that would reproduce the oppressiveness of white America (Shipp, 1996, pp. 89 & 90). Du Bois came to believe that only an economic cooperative would bypass an exploitive capitalist state and build group advancement. He also promoted voluntary separation, or a “Nation within a Nation” where Black self-determination would be practiced to advance the collective community (Shipp, 1996, p. 90). Like the Mondragon model, Du Bois distrusted elite management and promoted democratic control.

Du Bois envisioned a multi-dimensional network of Black churches, schools, newspapers, restaurants, factories and industries where Blacks would experience civil treatment, livable wages, and the income generated would be
reinvested into the community development model (Shipp, 1996, pp. 90 & 91).
Du Bois’s community development model also proposed comprehensive social
programming where education, medical service, legal services and other
professional services would be provided by and benefit the group rather than
private individuals. Moral instruction would be gained from Black churches, and
enlightenment and pride would be drawn from Black art and literature (Shipp,
1996, p. 91). Du Bois’s model was never implemented because of opposition from
the National Association for the Advancement of Colored People (NAACP), of
which Du Bois was a member. They opposed racial segregation; however some
say that Du Bois’s model promoted “internal racial economic cooperation” rather
than segregation (Shipp (citing Harold Cruse (1986)) 1996, p. 91).

Shipp argues that the Booker T. Washington model for economic
development and the Community Development Corporations model have few
similarities with the Mondragon model. They are not as effective primarily
because they emphasize individual advancement and there is great potential for
takeover by a managerial elite that emphasizes profit making rather than
advancement of the community. Shipp presents the Garvey and Du Bois systems
as virtually similar to the Mondragon cooperative model. They each promote
collective advancement, democratic control, and profit reinvestment. Shipp states
that the Du Bois model is the most similar to the Mondragon because it completely
rejects capitalism. He cites that black entrepreneurialism is always presented as
the solution to community development when it has great limitations and benefits
few. He advocates the Mondragon, Garvey, or Du Bois models of economic self-
sufficiency as solutions for Black community development in the United States
(Shipp, 1996, p. 92).

**Asset building in distressed communities**

A report sponsored by the Fannie Mae Foundation indicates that in recent
years there has been a large sudden increase of fringe financial outlets across the
U.S. and particularly in distressed communities who generally do not have access to mainstream financial services because of 1) lack of proximity to mainstream institutions, 2) unfamiliarity with banking and savings services, 3) belief that they do not write enough checks to warrant an account, or 4) lack of trust of mainstream institutions (Carr and Schuetz, 2001, p. 7). Pawnshops, check cashers, payday lenders, rent-to-own shops and title lenders attribute their rapid growth to the unmet needs of distressed households (Carr and Schuetz, 2001, p. 7).

There is no doubt that fringe lenders provide needed services to low-income communities; however, troubling implications result. Fringe financial outlets are generally located in minority communities, proliferating second-rate financial services in the most distressed communities. Fringe financial outlets provide financial services at a much higher cost than mainstream institutions using high interest rates and fees of up to 25 percent monthly or 30 to 300 percent annually (Carr and Schuetz, 2001, pp. 7 & 10).

The report goes on to explain how much money low-income households are unnecessarily losing in high interest rates and fees that could serve to develop long-term net asset accumulation. For example, the authors cite Robert Manning in his book Credit Card Nation: a rent-to-own shop may charge a customer $9.99 per week for 78 weeks for a TV that is valued at $196. At the end of the pay period customers will have paid out a total of $779, losing $583 that could have been used for long-term net asset accumulation (Carr and Schuetz, 2001, p. 10). However, even if poor households were able to save this money they are generally unable to access mainstream financial services (Carr and Schuetz, 2001, pp. 10 & 11).

Sub-prime mortgage lending is also on the rise in low income and minority communities. According to a HUD report, high-cost sub-prime mortgage loans accounted for 51 percent of home loans in black neighborhoods in 1998 compared with nine percent in white neighborhoods (Carr and Shuetz, 2001, p. 11). Many households that borrow sub-prime market loans are qualified for prime market
loans (Carr and Shuetz, 2001, pgs. 12). Sub-prime market interest rates are usually three to four percentage points higher than prime market loan rates. Like fringe financial services, this type of sub-prime borrowing also undermines the long-term asset building of low income and minority households.

The reasons for rapid growth of fringe financial institutions and sub-prime mortgage lenders are due to restructuring in both the mainstream financial service industry and fringe financial service industry. Banks are consolidating and being pressured to increase profits through closure of unprofitable services and branches – generally those used by low-income and minority households. Fringe financial outlets are also consolidating and expanding their number and services. The second reason rapid growth has occurred is that fringe and mainstream lenders are merging. Wall Street is participating in securitization of sub-prime mortgages and banks control five of the top ten sub-prime lenders and ten of the top 25 sub-prime lenders (Carr and Schuetz, 2001, p. 14). Fringe financial outlets are practicing effective marketing strategies and customized personal service to attract and retain customers. These strategies include personalized attention and small weekly payments made in person that allow the institution to foster relationships and promote other products (Carr and Schuetz, 2001, p. 14).

The Fannie Mae report indicates that financial markets have an important role in revitalizing distressed communities.

Mainstream financial institutions are the engines of wealth creation and upward financial mobility in America. Improving access to, and utilization of, the mainstream engines of wealth creation would by itself promote significant community investment. (Carr and Schuetz, 2001, p. 14)

To improve the financial services available to minority and distressed communities, the authors suggest the following:

- Improve the availability of data on financial services transactions and aggressively enforce consumer protection, fair lending, and equal credit opportunity laws and regulations;
• Improve the availability of products and services that meet the unique needs of lower-income and lower-wealth individuals;
• Offer consumer financial education and outreach programs (Carr and Schuetz, 2001, p. 15).

Furthermore, the authors offer five strategies to bring customers of fringe financial outlets, typically check-cashing outlets, into the mainstream financial service sector. They outline successful case studies of credit unions, CDFIs and microfinance institutions.
• Open specialized bank branches that offer check-cashing services;
• Offer “starter” bank accounts tailored to the unique needs of clients including low cost low balance checking and savings accounts;
• Offer separate “savings-building” accounts that allow customers to input a fixed amount over a certain period of time with penalties for early closure or failing to make specified deposits;
• Offer small unsecured non-revolving loans to customers with good credit records or deposit-secured credit cards or loans made against “savings-building” accounts to those with poor credit histories;
• Partner with community-based organizations to build trust in the community and extend financial literacy programs (Carr and Schuetz, 2001, pp. 21 & 22).

The Ford Foundation published a report on the importance of asset building not only for the purpose of reducing poverty but also for enabling disadvantaged communities to have control over their lives as productive members of society (Ford Foundation, 2002). Initiatives funded by the Ford Foundation are portrayed as case studies for the development of assets. The foundation uses the term “asset” as an extensive descriptor of all resources including financial holdings, natural resources, social bonds, and human assets (Ford Foundation, 2002). Asset development can be built upon the innate resources already possessed by an individual or community such as creativity, intelligence, motivation, and perseverance, among other characteristics.

An asset offers a way out of poverty because it is not simply consumed, it is a “stock” that endures and can be used in many ways to generate
economic, psychological, and social benefits that foster resilience and social mobility (Ford Foundation, 2002).

The inequities of today are rooted in historical and current public policies and cultural norms that have restricted education and services to distressed communities. They have restricted “creating, inheriting, purchasing, and in other ways building assets” of women, minorities, and low-income people (Ford Foundation, 2002). The report suggests that an asset building approach reforms these ills by developing and spreading assets that will reduce poverty and enrich lives from generation to generation (Ford Foundation, 2002).

**Social Capital Theory and Community Development**

The concept of social capital has been researched and popularized by Robert Putnam. His contributions to the literature began with his research of regional governments in Italy during the 1970s and 1980s (*Making Democracy Work: Civic Traditions in Modern Italy*, 1993a), and more recently his work has focused on the decline of civic participation in America (*Bowling Alone*, 1995). He suggests that Jane Jacobs first coined the term social capital, as we know it today, in her book, *The Death and Life of Great American Cities* (1961). He credits James S. Coleman for developing the theoretical framework of social capital in his article “Social Capital in the Creation of Human Capital,” (1988) and his book, *The Foundations of Social Theory* (1990).

Social capital “refers to features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit (Putnam, 1995, p. 67).” For example, borrowing the analogy from James Coleman, a group of farmers may share tools and equipment that make their farm work easier. The farmers don’t own all the latest equipment, and they do not have the financial capital to purchase all the latest equipment, but it becomes their norm to share tools. This cooperation makes their physical labor more efficient and fosters trust in each of the farmers in the network. The trust keeps them willing to cooperate with each other. They may even come to share experiences and farming
skills that benefit each other’s work. Like physical capital and human capital, communities that have social capital are likely to struggle less than individualistic communities. Further, social capital enhances existing physical and human capital. Social capital strengthens all other forms of capital (Putnam, 1995, p. 67). Social capital can be increased through almost any type of group association – formal and informal – including neighborhood associations, PTAs, church attendance, even bowling.

Putnam urges economic developers to take note that, “The social capital embodied in norms and networks of civic engagement seems to be a precondition for economic development, as well as for effective government (Putnam, 1993b).” First, networks of civic engagement foster generalized reciprocity, which fosters trust. A society based on trust is more efficient than a distrustful society (Putnam, 1993b). Secondly, he suggests “networks of civic engagement also facilitate coordination and communication and amplify information about the trustworthiness of other individuals (Putnam, 1993b).” Word spreads through civic engagement and reputations are “cultivated” facilitating trust (or distrust) of individuals or groups. Lastly, the coordination, communication, and information disseminated through civic engagement can also serve as storage of past collaborative experiences that can be used as a “template” for future collaboration (Putnam, 1993b).

Government institutions should not dismiss the power of social capital as a friend of effective public policy. “Wise policy can encourage social capital formation, and social capital itself enhances the effectiveness of government action (Putnam, 1993b).” Putnam makes a plea for a more creative and comprehensive strategy in improving communities – one that is focused on community development based on the formation of social capital, as well as investment in financial, physical and human capital. Social capital is just as important as all other forms of capital (Putnam, 1993b).
Putnam acknowledges the important role that social capital in ethnic communities plays in the provision of political empowerment and access to resources such as job contacts and financial capital. Putnam’s article discusses the wealth of social capital in Black churches. The church may organize job banks or vouch for congregation members seeking employment or financial assistance (Putnam, 1993b).

In *Ethnic Economies* (2000), Light and Gold explain why some minority individuals attain economic success by relying on social capital formation within their community, especially when the community is an ethnic enclave (p. 110). In the excerpt below, Light and Gold give an example of how social capital is best exemplified in an ethnic enclave.

…Cuban-owned firms bought the semifinished products of other Cuban firms, worked on the products themselves, and then passed the improved products on to other Cuban firms, which finally sold it at retail. These ethnic linkages permitted Cuban firms to extract maximum value from every dollar…Cuban merchants built upon ethnic networks, ethnic trust, and common language for reasons of expediency. That is, Cuban business owners dealt with other Cuban business owners because they already knew and trusted them and could speak to them in their native language. (Light and Gold (citing Wilson and Portes (1980)), 2000, p. 13)

Cuban business owners felt more comfortable and were more efficient dealing with other Cubans. Transacting business with each other and sharing a common experience has helped them maximize their business profits.

As editors of *Housing Policy Debate* (Vol. 9, Issue 1, 1998), Robert E. Lang and Steven P. Hornburg define and outline the evolution of social capital theory as it relates to helping the poor through housing and economic development policy. The premise of the editors’ introduction is to help policy makers understand the concept of social capital – its definition, benefits, and challenges – so that they may better focus their policy making efforts. In light of the threat of devolution, understanding the social capital of a community may help prepare policy makers to make adjustments in their policy approach.
Two common categories of social capital discussed by social scientists include *social glue*, which brings people and groups together by trust and comfort, and *social bridges*, links between people and/or groups (Lang & Hornburg, 1998, p. 4). According to the editors, the level of civic participation or the depth of participation in a community can measure social capital. Citing the works of Robert Putnam, the editors state that policy makers who want to encourage social capital will be challenged by the decline in civic participation (Lang & Hornburg, 1998, p. 4). The responsibility today lies in developing and supporting social capital to leverage the opportunities of the poor. (Lang & Hornburg, 1998, p. 13).

**Community Development Financial Institution (CDFI) Literature**

Access to capital has declined in poor communities because traditional financial institutions have restructured their operations to compete in the global economy. They have moved out of communities serving distressed residents (National Community Capital Association (NCCA), *Bridges*, n.d.). Traditional financial institutions generally do not make loans to low-income individuals wanting to start their own businesses or grassroots organizations working within low-income communities. For that reason, Community Development Financial Institutions (CDFIs) are becoming the capital-solution for low-income individuals and those organizations serving low-income populations (NCCA, *Bridges*, n.d.).

CDFIs are needed because they reach disadvantaged people and communities that aren’t reached by mainstream financial institutions. CDFIs help alleviate poverty by providing access to capital to start and expand small businesses, build and purchase homes, and supply needed community services to foster vigorous economies. (NCCA, *Bridges*, n.d.). They invest in affordable housing developers, small businesses, community facilities, microenterprises, and individuals needing affordable credit. CDFIs also provide financial assistance and technical assistance to their customers (NCCA, *Bridges*, n.d.). CDFIs provide
both financial and social returns to the community including quality job creation, social services, and affordable homes (NCCA, *Bridges*, n.d.).

As of fiscal year 2000, the CDFI Fund, the largest single sources of capital and technical assistance funds for CDFIs in the U.S., has certified 415 CDFIs in rural and urban America, including 47 states and the District of Columbia, Puerto Rico, and the Virgin Islands (CDFI Fund 2000 Annual Report, p. 13). The Core Component program provides grants, loans, equity investments, shares, or deposits to certified CDFIs (2000 Annual Report, pp. 6 & 7). They have awarded a total of 275 Core funds totaling $267 million dollars since 1996 (Berg, 2001, p. 5).

**Figure 2.1**
**Increase in CDFI Certifications**

Table 2.1
CDFI Fund Highlights – Core Component

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<td>Total Amount of Awards</td>
<td>$37.1</td>
<td>$33.3</td>
<td>$44.3</td>
<td>$78.1</td>
<td>$74.2</td>
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<tr>
<td>Number of applications received</td>
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<td>159</td>
<td>131</td>
<td>153</td>
<td>160</td>
</tr>
<tr>
<td>Number of awards</td>
<td>30</td>
<td>50</td>
<td>42</td>
<td>78</td>
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The CDFI fund also provides comprehensive statistics on the performance of CDFIs in the U.S. They have conducted an annual survey of Core award recipients since 1996, and publish findings in their annual report. The data in Table 2.2 presents aggregate totals for 72 of 78 Core award recipients from the 1996 and 1997 funding cycle. Together they received $68 million from the CDFI Fund and have disbursed $3 billion in loans and investments. This implies they are leveraging each CDFI fund dollar with $44 dollars from other sources. The CDFIs are impacting low-income, minority, and female constituents. The 72 CDFI fund recipients helped finance 6,116 enterprises, 51,623 affordable housing units, and 823 community development facilities. They also stimulated the creation or retention of 41,128 jobs in the U.S. The numbers below include CDFI outcomes from the time of notification of their award through fiscal year 1999.

Table 2.2
Performance of Core Awardees from the time they received notification of award through FY 1999

| #/dollar amount of loans and investments closed | 46,191 / $3.0 billion |
| #/dollar amount of checking and savings accounts | 174,519 / $442.5 million |
| # of enterprises financed | 6,116 |
| # of jobs created or retained | 41,128 |
| # of affordable housing units to be developed or rehabilitated | 51,623 |
| # of community development facilities financed | 823 |

Demographics of Awardees
% that are low-income | 72% |
% that are minorities | 65% |
% that are women | 53% |

Source: U.S. Department of the Treasury, CDFI Fund, Fiscal Year 2000 Annual Report, p. 22
Microenterprise Development Literature

Cristina Himes (former director of U.S. Operations for ACCION International) and Lisa J. Servon (Edward J. Bloustein School of Planning and Public Policy at Rutgers University) evaluate the impact of the ACCION network program in *Measuring Client Success: An Evaluation of ACCION’s Impact on Microenterprises in the United States* (1998). The objective of the study is to gain a better understanding of the impact of the ACCION microlending model on U.S. microentrepreneurs. It is targeted at policy makers, funders, practitioners and others interested in microlending in the United States.

The authors begin by outlining five research questions and the methodology employed in their study. The research questions are listed below.

- What are the measurable outcomes in business stability and growth among the microenterprises that receive credit from the ACCION programs?
- Are there any differences in the measurable outcomes between low-income clients and more moderate-income clients?
- To what extent do the ACCION programs contribute to the measurable outcomes identified?
- What are the qualitative outcomes, including outcomes defined in terms of the microentrepreneurs’ own goals, of the ACCION programs?
- Are there characteristics that define outcomes among various types of clients:
  - Clients who stay active in ACCION and those who do not;
  - Clients who show growth while active in ACCION and those who do not; and
  - Clients who create jobs while active in ACCION and those who do not? (Himes & Servon, 1998, p. 4)

The authors combine both quantitative and qualitative research methods to extrapolate greater balance and understanding of the research data. Quantitative analysis is based on ACCION’s database of client information as gathered from loan applications. Most of ACCION’s clients are multiple-loan clients, therefore the database allows for longitudinal research of clients at each time of application.
Himes and Servon focus their quantitative analysis on three client groups: those who received 1) two loans, 2) three loans, and 3) four loans. Clients who received three and four loans are considered long-term clients. Evaluating changes of short-term and long-term clients approximates the impact of continued borrowing from ACCION. There were a total of 849 clients with complete quantitative data available in these combined categories. Trend analysis was conducted in three areas of the clients’ lives using the following indicators:

- **Business impact** was evaluated using business profits and equity;
- **Household impact** was evaluated using take-home income and total household income;
- **Community impact** was evaluated using full-time equivalent jobs. (Himes & Servon, 1998, p. 12)

The authors also evaluate the above stated indicators on a subgroup of low-income clients, defined by the Department of the Treasury’s CDFI fund as 80% of the metropolitan areas median family income according to the 1990 Census.

Major findings of the quantitative analysis show that long-term clients (three and four-loan clients) show overall growth in their business compared to two-loan clients. Other major findings indicate:

- On average, clients who received three loans achieved the most consistent growth in monthly profits (47%), equity (42%), and take home income (38%) over an average period of 17 months (Himes & Servon, 1998, pp. 11, 15 & 17).

- Low-income clients who received four loans showed the greatest increase in profits (96%). The authors suggest that once low-income clients reached a certain level of household income, on average $25,000, they begin to reinvest profits into their business. Low-income clients with four loans increased their equity by 46% (Himes & Servon, 1998, pp. 11, 16 & 18).

- Loan to loan, there are no distinct growth patterns for businesses; however take home pay and the sum of take home pay and business profits showed consistent positive growth during the tenure with ACCION (Himes & Servon, 1998, pp. 11, 19, & 20).
• Long-term clients do not show growth in job creation; however they do retain the number of jobs they started with. Clients with two loans show a 26% net increase in the number of jobs (Himes & Servon, 1998, pp. 11 & 23).

A subsection of clients who received their first loan between January and June 1995 are evaluated on the basis that they have been with ACCION long enough to have borrowed four loans. The quantitative findings of this subsection of clients indicate the following changes over time:

• Clients who showed no growth while borrowing from ACCION programs tended to have financial troubles or closed their businesses (Himes & Servon, 1998, p. 33).

• Of those who go out of business, their participation in the ACCION programs did not correlate with the dilemmas that caused business failure (Himes & Servon, 1998, p. 32).

• Voluntarily inactive one-loan clients did not leave because of dissatisfaction with ACCION whereas the involuntarily inactive one-loan clients (those declined for a second loan) expressed more dissatisfaction (Himes & Servon, 1998, p. 35).

• ACCION’s clients are just as likely to survive over two years as government reported businesses with one to four employees (Himes & Servon, 1998, p. 36).

• There is a significant correlation between strong financial growth and involvement with ACCION (Himes & Servon, 1998, p. 37).

Qualitative research methods included in-depth interviews with 72 current and former clients who borrowed their first loan in the first half of 1995 or, in the case of El Paso, in the first half of 1996. This strategy allowed the researchers to capture at least two years of growth for clients participating in the interviews (except for El Paso which had only opened its doors one year prior to the study). The sample of clients interviewed was randomly selected on the basis of four categories of interest: 1) Financial Growth clients, 2) Job creators, 3) No-growth clients, and 4) One-loan clients. An equal number of clients was desired for each category, however financial growth clients were more accessible for interviews than any other category. Interviews with financial growth clients equaled 29, with
job creators equaled 16, with no-growth clients equaled 11, and with one-loan clients equaled 16.

Major qualitative findings from interviews indicate that microentrepreneurs not only see self-employment as a means to fulfill their financial goals, but also as a means to become productive and active members of their households and communities; they value ACCION for believing in them; and while job creation was not increased, the jobs retained are quality jobs (Himes & Servon, 1998, pp. 76 & 77). More specifically, clients indicate the following:

- The qualitative benefits of owning a microbusiness are described on three different levels as show in table 2.3 (Himes & Servon, 1998, p. 76).

**Table 2.3**

**Qualitative benefits of self-employment**

<table>
<thead>
<tr>
<th>Level of benefit</th>
<th>Qualitative benefits</th>
</tr>
</thead>
</table>
| Individual       | • Pride  
                  | • Control  
                  | • Self-realization |
| Family           | • Flexible schedules  
                  | • Unity |
| Community        | • Quality employment  
                  | • Participation in the community |

Table source: Measuring Client Success by Cristina Himes and Lisa Servon, 1998, p. 76.

- Clients value the faith ACCION endows in their businesses as much as the financial assistance. Over half of the clients interviewed reveal gratitude for the opportunity presented by ACCION; they express a sense of greater security or self confidence due to ACCION’s support and; value the networks of other microentrepreneurs (Himes & Servon, 1998, p. 76).

- Strengthening microenterprises financially or by providing confidence contributes to clients personal satisfaction and pride in owning their own business (Himes & Servon, 1998, p. 77).

- Clients were evenly divided in the number of skilled and unskilled workers employed. Unskilled workers are paid between $6 and $8 per hour. Skilled workers are paid between $7 and $18 per hour. The majority of employers offered training on the job but few offered formal benefits such as health insurance. To make up for this, employers offered informal benefits such as
flexibility in work schedules, in-kind goods and services, and support of ongoing education (Himes & Servon, 1998, p. 77).

Himes and Servon conclude their study of the ACCION U.S. network by stating the need for more literature on the efforts and outcomes of microenterprise development programs. Their recommendations include the following:

- The need for control group analysis;
- Studies should include qualitative analysis to help interpret quantitative findings;
- Longitudinal analysis is needed to show trends over time;
- Data for clients who graduate or leave microenterprise programs should be collected even after they leave the programs;
- Indicators of success should be objectively defined measures and standards that encompass the clients’ own objectives;
- Evaluation indicators should recognize the diversity of clients and their businesses;
- More research is needed on other options available to microentrepreneurs (Himes & Servon, 1998, pp. 79 & 80).

In Bootstrap Capital: Microenterprises and the American Poor (1999), microenterprise programs are offered as an alternative strategy to alleviate poverty. Microenterprise programs provide needed credit and training in areas that have high poverty levels, and indeed the programs have multiplied over the years to meet that niche (Servon, p. 3). Servon describes microenterprise programs as “lenders of last resort” who take risks on motivated low-income individuals who want to be self-employed but cannot obtain financing from commercial banking institutions (1999, p. 3). Servon states that although the microenterprise development philosophy has captured the attention and appropriations of policy makers at all levels, alleviating poverty and using microenterprise development as “the” solution to combat poverty is more complex that it appears. She states that more research is needed to understand how these programs work (1999, p. 4).

There are both favorable and unfavorable arguments that make the issue complicated. Some favorable arguments include:
• Bipartisan support;
• High payback rates;
• The idea that it can pay for itself;
• Provide disadvantaged communities an entry into mainstream economy; and
• Creation of new businesses and jobs that may revitalize low-income communities (Servon, 1999, p. 4).

Opponents of the microenterprise development programs say:
• Programs are expensive;
• They fail to create many jobs; and
• The jobs created are not good jobs (Servon, 1999, p. 4).

Servon admits that these points each have some element of truth, but that they tend to simplify the complex nature of the programs, the personal situations of the individuals and communities served, and relationships between the microenterprise lenders and borrowers.

In “Microenterprise as an Exit Route from Poverty” (1998) Lisa Servon and Timothy Bates, study whether microenterprise development programs can raise low-income, disadvantaged minority groups out of poverty and into the mainstream economy. The authors use quantitative data from the U.S. Bureau of the Census, 1991 Characteristics of Business Owners (CBO) survey and interview data from clients of microenterprise programs. Using statistics and qualitative analysis, Servon and Bates determine the characteristics of disadvantaged small business owners and their firms that are most likely to be economically self-sufficient (Servon & Bates, 1998, p. 5). They acknowledge that a microenterprise program success can translate into a broad array of characteristics – such as higher self-esteem – but they define success more narrowly in the study, using quantitative variables.

Servon and Bates find little evidence in support of the widespread belief that “hard work, frugal living, and a small amount of financial capital are sufficient
ingredients for business success (Servon & Bates, 1998, p. 6).” Instead they find that:

- Small, young firms are most profitable when their owners are well educated and/or possess specific skills;
- The more profitable, minority-owned, young firms are competitive with the mainstream economy;
- Many types of businesses, but especially the more profitable ones, call for major financial and human capital in the first two years;
- The type of business does matter. Personal service and retail are the least profitable of all business activities (Servon & Bates, 1998, p. 6).

They assert that new businesses that lack income, assets, and a strong support network will have the most difficulty surviving the startup stage (Servon & Bates, 1998, p. 6).

In the recommendations section, Servon and Bates state that microenterprise development can offer some low-income people self-sufficiency if microenterprise programs have targeted, concentrated strategies, but it is not a universal solution (Servon and Bates, 1998, p. 27). Based on their findings, Servon and Bates make the program and policy recommendations below:

- Programs should secure larger loans for those who have the expertise to build strong businesses because evidence shows that emerging, more profitable business sectors necessitate greater amounts of capital.
- Programs should assist businesses in broadening their market. Many do business in narrow, low-income, minority markets that limit business growth and profitability.
- Programs should offer prospective business owners specific training in profitable, emerging businesses. For example, assisting single mothers in entering more profitable business ventures that will support the household.
- Focus resources on entrepreneurs who are most likely to succeed in self-employment. This does not mean using the same standardized filters as traditional financial institutions found to be discriminatory. However, it is inefficient to set up for failure those individuals without the skills to succeed in business.
• Microenterprise development as a strategy needs better evaluation, including control groups and comprehensive longitudinal studies (Servon & Bates, 1998, pp. 27 & 28).

This literature review provides a backdrop on community development and its stakeholders that is important to contextualize the impact study of ACCION Texas. The issues faced by CDCs and CDFIs – such as tensions between the activist and technical-professional sides, individual advancement versus community advancement, federal funding cuts, and creative financing – affect microenterprise programs, too. Likewise, it is important to recognize that microenterprise organizations do more than just provide financial assistance to microentrepreneurs. They cultivate many other “assets” among their constituents. Other assets developed include human resources and social capital. Although ACCION Texas is a credit-led organization, findings show that they provide some of these other kinds of assets to their clients.
Chapter 3. Quantitative Trends

ACCION Texas Client Profile: Demographic Statistics

This chapter reports on the quantitative impact of 630 ACCION Texas clients in the San Antonio area who borrowed a loan between June 1994 and July 2001.¹ As Table 3.1 shows, 630 clients have borrowed 1,349 loans in San Antonio since the inception of the organization. The most frequent loan amount provided to clients is $3,000; however loans have ranged from $100 to $27,000. ACCION Texas has extended a total of $5.7 million in business loans to the San Antonio area. Their historical loss rate stands at 5 percent,² in other words 71 of the 1,349 loans extended have been written off as losses. It should be noted that 45 percent of San Antonio clients return for another loan after their first loan with ACCION Texas.

Table 3.1
Cumulative Portfolio Totals for San Antonio Area³

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients Served</td>
<td>630</td>
</tr>
<tr>
<td>Number of Loans Disbursed</td>
<td>1,349</td>
</tr>
<tr>
<td>Most Frequent Loan Amount</td>
<td>$3,000</td>
</tr>
<tr>
<td>Total Dollars Disbursed</td>
<td>$5,674,369</td>
</tr>
<tr>
<td>Total Amount Outstanding</td>
<td>$1,615,440</td>
</tr>
<tr>
<td>Historical Loss Rate</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: ACCION Texas Database.

Socio-economic Statistics

Tables 3.2 through 3.4 profile the average ACCION Texas client in San Antonio. Since all clients have at least one loan from ACCION Texas, the statistics are based on data from the time of entry into the loan program. Eighty-two percent of clients in the San Antonio area report they belong to an ethnic minority group. Hispanics represent 70 percent of ACCION Texas clients in San Antonio compared to the total Hispanic population in San Antonio, which is 59
percent (U.S. Census Bureau online, accessed 4/2/02). The gender makeup of clients is almost evenly distributed with 53 percent of clients being male and 47 percent being female. According to the Census Bureau, San Antonio’s population is reportedly 48 percent male and 52 percent female (U.S. Census Bureau online, accessed 4/2/02). The majority of clients report having a high school degree only or some college education, 35 percent and 22 percent respectively. Twenty-four percent reported less than a high school degree. Almost all clients have dependents. Only two percent of clients report they have no dependents. Nearly two-thirds of clients have between one and three dependents.

**Table 3.2**

Client Demographics at Program Entry: Race and Ethnicity, Gender, Education and Number of Dependents

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Number of Clients</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hispanic</td>
<td>433</td>
<td>70%</td>
</tr>
<tr>
<td>White</td>
<td>114</td>
<td>18%</td>
</tr>
<tr>
<td>African American</td>
<td>57</td>
<td>9%</td>
</tr>
<tr>
<td>Other Ethnicity</td>
<td>19</td>
<td>3%</td>
</tr>
<tr>
<td>Total</td>
<td>623</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number of Clients</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>333</td>
<td>53%</td>
</tr>
<tr>
<td>Female</td>
<td>297</td>
<td>47%</td>
</tr>
<tr>
<td>Total Reporting</td>
<td>631</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Number of Clients</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Junior High and Less</td>
<td>106</td>
<td>17%</td>
</tr>
<tr>
<td>Some High School</td>
<td>42</td>
<td>7%</td>
</tr>
<tr>
<td>High School Degree</td>
<td>220</td>
<td>35%</td>
</tr>
<tr>
<td>Some College</td>
<td>140</td>
<td>22%</td>
</tr>
<tr>
<td>Four Year College Degree</td>
<td>99</td>
<td>16%</td>
</tr>
<tr>
<td>More than 4 Years of College</td>
<td>23</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td>556</td>
<td>101%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of Dependents</th>
<th>Number of Clients</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>10</td>
<td>2%</td>
</tr>
<tr>
<td>1-3</td>
<td>385</td>
<td>61%</td>
</tr>
<tr>
<td>4-6</td>
<td>227</td>
<td>36%</td>
</tr>
<tr>
<td>7-9</td>
<td>8</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>630</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: ACCION Texas Database.
The median monthly household income at program entry for a client of ACCION Texas is $2,464, or $29,568 median annual household income. This is higher than the median household income for the average San Antonio resident, which according to the U.S. Census Bureau is $23,584 (accessed online on 4/2/02). Only six percent of clients report they receive public benefits assistance.

Table 3.3  
Household Income of San Antonio Clients

<table>
<thead>
<tr>
<th>Measure</th>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>$2,729</td>
</tr>
<tr>
<td>Median</td>
<td>$2,464</td>
</tr>
<tr>
<td>Minimum</td>
<td>$0</td>
</tr>
<tr>
<td>Maximum</td>
<td>$21,600</td>
</tr>
<tr>
<td>Count</td>
<td>630</td>
</tr>
</tbody>
</table>

Source: ACCION Texas Database.

Table 3.4  
Public Assistance

<table>
<thead>
<tr>
<th>Public Assistance</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>35</td>
<td>6%</td>
</tr>
<tr>
<td>No</td>
<td>574</td>
<td>94%</td>
</tr>
<tr>
<td>Total</td>
<td>609</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: ACCION Texas Database.

Business Statistics

Typically, most ACCION Texas clients have a median of two years existence as a business before entering the program. Nearly a third of San Antonio clients have less than one year operating as a business. More than half of clients report that they have a service oriented business and 28 percent report their business is industry/production-related. Most clients report their business operates out of their home or a storefront, 44 percent and 38 percent respectively.

Thirty percent of clients report they rely on a professional accountant for bookkeeping. Twenty-three percent do some basic bookkeeping on a paper ledger and 22 percent do some regular bookkeeping. A quarter of clients do not track at
all. Those who do not keep accounting records have no means to identify how much they earn in revenues or how profitable is their business. These tend to be smaller startup businesses and “shoebox” savers – who keep their cash savings at home rather than in a bank. This portion of clients will have the most difficulty getting future credit from ACCION Texas or a bank due to poor bookkeeping habits. It is difficult to borrow when the amount of revenues earned and expenses incurred cannot be established. The business may be unknowingly operating in the red. ACCION Texas is most concerned about this group and seeks to identify their progress (Riojas, 5/16/01).

Table 3.5
Years in Business

<table>
<thead>
<tr>
<th>Measure</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>4</td>
</tr>
<tr>
<td>Median</td>
<td>2</td>
</tr>
<tr>
<td>Minimum</td>
<td>0</td>
</tr>
<tr>
<td>Maximum</td>
<td>37</td>
</tr>
<tr>
<td>Startups (Less Than 1 Year)</td>
<td>31%</td>
</tr>
<tr>
<td>Count</td>
<td>631</td>
</tr>
</tbody>
</table>

Source: ACCION Texas Database.
Table 3.6
Business Demographics at Program Entry: Type of Business, Location of Business, and Bookkeeping Practices

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Number of Clients</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry/ Production</td>
<td>175</td>
<td>28%</td>
</tr>
<tr>
<td>Commerce/ Retail</td>
<td>77</td>
<td>12%</td>
</tr>
<tr>
<td>Services</td>
<td>349</td>
<td>56%</td>
</tr>
<tr>
<td>Artisan/ Arts and Crafts</td>
<td>27</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td>628</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Location of Business</th>
<th>Number of Clients</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home</td>
<td>267</td>
<td>44%</td>
</tr>
<tr>
<td>Storefront</td>
<td>233</td>
<td>38%</td>
</tr>
<tr>
<td>Office</td>
<td>12</td>
<td>2%</td>
</tr>
<tr>
<td>Market</td>
<td>26</td>
<td>4%</td>
</tr>
<tr>
<td>Factory/ Warehouse</td>
<td>3</td>
<td>0%</td>
</tr>
<tr>
<td>Street (i.e. taxi or food vendor)</td>
<td>71</td>
<td>12%</td>
</tr>
<tr>
<td>Total</td>
<td>612</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bookkeeping Practices</th>
<th>Number of Clients</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>146</td>
<td>25%</td>
</tr>
<tr>
<td>Some Basic Tracking/ Written</td>
<td>136</td>
<td>23%</td>
</tr>
<tr>
<td>Some Regular Reports</td>
<td>129</td>
<td>22%</td>
</tr>
<tr>
<td>Professional</td>
<td>173</td>
<td>30%</td>
</tr>
<tr>
<td>Total</td>
<td>584</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: ACCION Texas Database.

Reading the Trend Tables

The primary method of calculating the quantitative impact of microcredit borrowing from ACCION Texas is measuring the percent change of clients’ financial data as they progress in their relationship with ACCION Texas. The data is drawn from the ACCION Texas database of clients. The clients assessed are San Antonio-based and borrowed a loan from ACCION Texas between June 6, 1994 (inception) and July 25, 2002. ACCION Texas maintains an extensive database of client information collected with each loan application. Clients are not monitored between loans; however, almost half of first-time borrowers return for multiple loans. This provides the means to measure growth of repeat clients. Currently clients with one loan are not measurable at this time and there are too
few clients in the six-loan through 14-loan categories to show significant trends. The four categories of borrowers that are measured in this study are those who have borrowed: 1) two loans, 2) three loans, 3) four loans, and 4) five loans.

**Table 3.7**  
**Categories of Analysis (in Bold) for the San Antonio Area**

<table>
<thead>
<tr>
<th>Client-Loan Categories</th>
<th>Number of Clients</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-loan clients</td>
<td>349</td>
<td>55%</td>
</tr>
<tr>
<td>Two-loan clients</td>
<td>118</td>
<td>19%</td>
</tr>
<tr>
<td>Three-loan clients</td>
<td>63</td>
<td>10%</td>
</tr>
<tr>
<td>Four-loan clients</td>
<td>41</td>
<td>7%</td>
</tr>
<tr>
<td>Five-loan clients</td>
<td>21</td>
<td>3%</td>
</tr>
<tr>
<td>Six-loan through 14-loan clients</td>
<td>38</td>
<td>6%</td>
</tr>
<tr>
<td>Total Clients in San Antonio</td>
<td>630</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: ACCION Texas Database.

The study seeks to measure impact in three areas: business, household, and community. The measurable indicators selected to document business growth are net worth (assets minus liabilities), business revenues, and profits as reported by the clients at the time of application. Quantitative indicators measuring household impact include take-home pay from the business and total household income (including other jobs and income from other family members). Quantitative variables for measuring community impact are part-time and full-time job creation.

Tables 3.8 through 3.12 indicate the financial change from one loan to the next for each of the four loan categories studied. The average and median statistic is calculated for the financial indicators (Net Worth, Revenue, Profit, Take-Home Pay, and Household Income) at each loan interval. The median value is then used to calculate the percentage change and absolute value from one loan to the next. For example, for clients with two loans, Table 3.8 shows that the median change in net worth from the first loan application (at program entry) to the second loan application (after one loan is completed) is 15 percent. The median absolute value of their net worth grew $810 after the completion of their first loan with ACCION Texas. Job creation in the community is measured by total absolute growth from
the first loan to the last loan for clients with two loans, three loans, four loans, and five loans.

**Trends in Business Growth**

Clients with two loans, three loans, and four loans show overall progressive net worth gains between their first and last loans indicating that there is a positive correlation between continued borrowing and growth of net gains. Table 3.8 indicates that the more loans a client takes out, the higher the gains in net worth. Four-loans clients show the greatest gains (85%).

The greatest rate of growth for each group occurs after the first loan (except for clients with five loans); loans thereafter do not have as great an impact. The net worth amount for clients with three loans decreased after the second loan. The growth rate of the clients with four loans diminishes after each subsequent loan. This pattern goes against the overall total findings. One explanation may be that with each subsequent loan, the borrowed loan amount increases, adding to the business liability. The added liability decreases the net worth of the business if the assets remain constant.

Clients with five loans do not show progressive growth in their median net worth amounts. Their overall net worth declined by six percent after the fourth loan. The only positive growth occurred after the third loan. Since the sample of clients in this category is very small, the statistics may not be significant.

However, for clients with five loans, analysis of growth based on the average net worth (instead of the median) indicates that this group of clients grew in net worth by over $2,000 between their first and last loans. In this scenario, long-term clients are better off after the completion of their fourth loan compared to their position at program entry.

Although the pattern is not perfect, clients with four loans do show greater absolute net worth gains compared to clients with three loans and clients with two
loans. Increasing the net worth value of a business may eventually help the owner graduate to a commercial bank loan because net worth can be used as collateral.

### Table 3.8
**Trends in Net Worth**

<table>
<thead>
<tr>
<th>Business Net Worth</th>
<th>Two-loans clients(d)</th>
<th>Three-loans clients(e)</th>
<th>Four-loans clients(f)</th>
<th>Five-loans clients(g)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of clients</td>
<td>118</td>
<td>63</td>
<td>41</td>
<td>21</td>
</tr>
<tr>
<td>At Program Entry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$9,110</td>
<td>$7,895</td>
<td>$12,420</td>
<td>$11,006</td>
</tr>
<tr>
<td>Median</td>
<td>$5,350</td>
<td>$3,798</td>
<td>$3,943</td>
<td>$7,483</td>
</tr>
<tr>
<td>After one loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$11,807</td>
<td>$9,190</td>
<td>$12,858</td>
<td>$11,593</td>
</tr>
<tr>
<td>Median</td>
<td>$6,160</td>
<td>$4,645</td>
<td>$5,444</td>
<td>$7,483</td>
</tr>
<tr>
<td>% Change (Median)</td>
<td>15%</td>
<td>22%</td>
<td>38%</td>
<td>0%</td>
</tr>
<tr>
<td>Absolute change</td>
<td>$810</td>
<td>$847</td>
<td>$1,501</td>
<td>$0</td>
</tr>
<tr>
<td>After two loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>$9,682</td>
<td>$21,806</td>
<td>$14,848</td>
</tr>
<tr>
<td>Median</td>
<td></td>
<td>$4,449</td>
<td>$6,861</td>
<td>$6,500</td>
</tr>
<tr>
<td>% Change (Median)</td>
<td></td>
<td>-4%</td>
<td>26%</td>
<td>-13%</td>
</tr>
<tr>
<td>Absolute change</td>
<td></td>
<td>($196)</td>
<td>$1,417</td>
<td>($983)</td>
</tr>
<tr>
<td>After three loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td>$21,303</td>
<td>$23,623</td>
</tr>
<tr>
<td>Median</td>
<td></td>
<td></td>
<td>$7,292</td>
<td>$7,600</td>
</tr>
<tr>
<td>% Change (Median)</td>
<td></td>
<td></td>
<td>6%</td>
<td>17%</td>
</tr>
<tr>
<td>Absolute change</td>
<td></td>
<td></td>
<td>$431</td>
<td>$1,100</td>
</tr>
<tr>
<td>After four loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td>$13,281</td>
</tr>
<tr>
<td>Median</td>
<td></td>
<td></td>
<td>$7,000</td>
<td></td>
</tr>
<tr>
<td>% Change (Median)</td>
<td></td>
<td></td>
<td></td>
<td>-8%</td>
</tr>
<tr>
<td>Absolute change</td>
<td></td>
<td></td>
<td></td>
<td>($600)</td>
</tr>
<tr>
<td>Total % Change (Median)</td>
<td>15%</td>
<td>17%</td>
<td>85%</td>
<td>-6%</td>
</tr>
<tr>
<td>Total Absolute Change</td>
<td>$810</td>
<td>$651</td>
<td>$3,349</td>
<td>($483)</td>
</tr>
</tbody>
</table>

Source: Own calculations based on ACCION Texas database.

Monthly business revenues show a slight overall positive growth in all categories, except clients with four loans. Clients with three loans show the greatest total percent change in growth (3%), growing in absolute revenue by $75
after the completion of two loans, whereas revenues of clients with four loans declined overall by three percent.

Clients with five loans experienced the largest growth in monthly revenues after borrowing their third loan. This group grew by 13 percent and had an absolute value increase of $500 in monthly business revenues. However, their business revenues later decreased by 17 percent after the fourth loan, putting them only slightly better than when they came into the program.

All client categories show revenue increases after the completion of their first loans with clients with two loans showing the smallest increase (2%) and clients with four loans showing the greatest increase (8%). However, only clients with five loans showed any positive growth in revenues from subsequent loans. Like the findings in the net worth table show, the greatest growth in monthly revenues occurs with the initial loan. All other client categories stabilized or decreased their growth rate after the first loan.

One explanation for why revenues exhibit minimal growth is that clients may be reluctant to reflect revenue increases for fear of paying higher income taxes.
### Table 3.9
*Trends in Revenues*

<table>
<thead>
<tr>
<th>Business Net Worth</th>
<th>Two-loans clients $9^9$</th>
<th>Three-loans clients $9^9$</th>
<th>Four-loans clients $9^9$</th>
<th>Five-loans clients $9^9$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of clients</td>
<td>118</td>
<td>63</td>
<td>41</td>
<td>21</td>
</tr>
<tr>
<td>At Program Entry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$3,810</td>
<td>$3,269</td>
<td>$5,967</td>
<td>$4,942</td>
</tr>
<tr>
<td>Median</td>
<td>$2,500</td>
<td>$2,400</td>
<td>$3,200</td>
<td>$3,500</td>
</tr>
<tr>
<td>After one loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$6,741</td>
<td>$3,881</td>
<td>$6,591</td>
<td>$4,707</td>
</tr>
<tr>
<td>Median</td>
<td>$2,546</td>
<td>$2,500</td>
<td>$3,443</td>
<td>$3,665</td>
</tr>
<tr>
<td>% Change (Median)</td>
<td>2%</td>
<td>4%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>Absolute change</td>
<td>$46</td>
<td>$100</td>
<td>$243</td>
<td>$165</td>
</tr>
<tr>
<td>After two loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$4,166</td>
<td>$7,013</td>
<td>$34,004</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>$2,475</td>
<td>$3,443</td>
<td>$3,800</td>
<td></td>
</tr>
<tr>
<td>% Change (Median)</td>
<td>-1%</td>
<td>0%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Absolute change</td>
<td>$(25)</td>
<td>$0</td>
<td>$135</td>
<td></td>
</tr>
<tr>
<td>After three loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>$7,416</td>
<td>$34,893</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td></td>
<td>$3,100</td>
<td>$4,300</td>
<td></td>
</tr>
<tr>
<td>% Change (Median)</td>
<td></td>
<td>-10%</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Absolute change</td>
<td></td>
<td>$(343)</td>
<td>$500</td>
<td></td>
</tr>
<tr>
<td>After four loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td>$22,687</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td></td>
<td></td>
<td>$3,572</td>
<td></td>
</tr>
<tr>
<td>% Change (Median)</td>
<td></td>
<td></td>
<td>-17%</td>
<td></td>
</tr>
<tr>
<td>Absolute change</td>
<td></td>
<td></td>
<td>$(728)</td>
<td></td>
</tr>
<tr>
<td>Total % Change (Median)</td>
<td>2%</td>
<td>3%</td>
<td>-3%</td>
<td>2%</td>
</tr>
<tr>
<td>Total Absolute Change</td>
<td>$46</td>
<td>$75</td>
<td>$(100)</td>
<td>$72</td>
</tr>
</tbody>
</table>

Source: Own calculations based on ACCION Texas database.

What is most striking about the reported profits is that for almost all client categories, the median monthly profit at program entry was zero dollars, with the exception of clients with four loans who entered with $295 in median monthly profits. This phenomenon indicates that microentrepreneurs are taking home whatever is left after paying expenses. They have not grown enough to maintain a
profit level. Clients may not even be taking home earnings from their businesses in the early stages of business operation. They may only make enough to break even. Conversations with ACCION Texas staff and clients indicate that many clients confuse profits as synonymous with take home pay or do not track expenses well enough to know whether they are making profits. For example, in some responses to the impact survey clients wrote the same dollar amount for monthly profits and take-home pay, even though the sum of both is greater than the monthly revenue they reported. Some answered unknown to profits and take home pay indicating they do not know what they are keeping after expenses. And yet others wrote “whatever is left over” for take-home pay.

Zero profits at program entry also means that there is no basis from which to calculate the rate of growth. In a case such as this, absolute change in value provides an idea of any dollar growth that may have occurred between the first and last loans. For example, clients with three loans experienced an overall median absolute change in monthly profits of $133 between their first and third loans. In this case clients are seeing their profits increase. This is the only group that saw overall growth of profits. Clients with two loans and five loans showed no growth at all, maintaining their zero dollar profit levels. Clients with four loans decreased their overall profits by $160, about a 50 percent decline.

These findings may be a result of inadequate bookkeeping methods or lack of understanding of financial concepts as mentioned earlier. It may also be due to the limited capacity to plan for future business growth because of insufficient capital, lack of foresight or technical skills. Perhaps clients are not accurately documenting business profits because they are so strained for cash that each dollar is earmarked for business and personal expenses even before it is earned. It appears that businesses may just be “surviving” or “maintaining current levels” rather than experiencing growth. Minimal revenue increases and zero profit levels of growth in the clients’ businesses support this conclusion. This is especially expected of startup businesses, which comprise 31 percent of the sample. Clients
do not appear to be reinvesting profits into their businesses. Business growth is difficult to achieve this way.

Table 3.10
Trends in Profits

<table>
<thead>
<tr>
<th>Business Net Worth</th>
<th>Two-loans clients$^{12}$</th>
<th>Three-loans clients$^{13}$</th>
<th>Four-loans clients$^{14}$</th>
<th>Five-loans clients$^{15}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of clients</td>
<td>118</td>
<td>63</td>
<td>41</td>
<td>21</td>
</tr>
<tr>
<td>At Program Entry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$493</td>
<td>$465</td>
<td>$1,340</td>
<td>$662</td>
</tr>
<tr>
<td>Median</td>
<td>$0</td>
<td>$0</td>
<td>$295</td>
<td>$0</td>
</tr>
<tr>
<td>After one loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$687</td>
<td>$617</td>
<td>$1,446</td>
<td>$819</td>
</tr>
<tr>
<td>Median</td>
<td>$0</td>
<td>$69</td>
<td>$457</td>
<td>$0</td>
</tr>
<tr>
<td>% Change (Median)</td>
<td>-</td>
<td>-</td>
<td>55%</td>
<td>-</td>
</tr>
<tr>
<td>Absolute change</td>
<td>$0</td>
<td>$69</td>
<td>$162</td>
<td>$0</td>
</tr>
<tr>
<td>After two loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$604</td>
<td>$1,248</td>
<td>$3,360</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>$133</td>
<td>$178</td>
<td>$117</td>
<td></td>
</tr>
<tr>
<td>% Change (Median)</td>
<td>93%</td>
<td>-61%</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Absolute change</td>
<td>$64</td>
<td>($279)</td>
<td>$117</td>
<td></td>
</tr>
<tr>
<td>After three loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$1,089</td>
<td>$3,732</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>$135</td>
<td>$0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Change (Median)</td>
<td>-24%</td>
<td>-100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute change</td>
<td>($43)</td>
<td>($117)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>After four loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>$1,790</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td></td>
<td>$0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Change (Median)</td>
<td></td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute change</td>
<td></td>
<td>$0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total % Change (Median)</td>
<td></td>
<td>-</td>
<td>-54%</td>
<td>-</td>
</tr>
<tr>
<td>Total Absolute Change</td>
<td>$0</td>
<td>$133</td>
<td>($160)</td>
<td>$0</td>
</tr>
</tbody>
</table>

Source: Own calculations based on ACCION Texas database.

Trends in Income Growth of the Household

The patterns of growth in monthly take home pay mirror the growth in net worth. Again, clients with two loans, three loans, and four loans show progressive
cumulative growth: clients with two loans grew the least (3%) and clients with four loans grew the most (20%). This indicates that continued borrowing from ACCION Texas increases monthly take home pay in the long run. Also the greatest growth rate occurs between the first and second loans (except for the client with five loans), thereafter growth in monthly take home pay is maintained or decreased.

Clients with five loans again evade the trend based on median amounts, showing instead an overall negative decline of one percent. Five loan clients do show almost a 50 percent positive growth rate between the fourth and fifth loans.

If clients with five loans are analyzed from the perspective of average amounts, results show that they more than doubled their take home income between the first and fifth loans. This would indicate that the longer a client stays with the ACCION Texas program the more likely his or her take home pay will increase – double in the case of clients with five loans.

Although revenues and profits show nearly no growth, take-home pay is increasing. An increase in take home pay explains why profits are not growing. Clients are opting to stabilize their take home pay instead of growing the business. Microentrepreneurs’ households are seeing financial benefits by taking home an extra $30 to $200 a month in disposable income, or total annual take home pay of $10,992 to $17,820.
Table 3.11
Trends in Take Home Pay

<table>
<thead>
<tr>
<th>Business Net Worth</th>
<th>Two-loans clients(^6)</th>
<th>Three-loans clients(^7)</th>
<th>Four-loans clients(^8)</th>
<th>Five-loans clients(^9)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of clients</td>
<td>118</td>
<td>63</td>
<td>41</td>
<td>21</td>
</tr>
<tr>
<td>At Program Entry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$1,187</td>
<td>$792</td>
<td>$1,236</td>
<td>$1,447</td>
</tr>
<tr>
<td>Median</td>
<td>$1,138</td>
<td>$800</td>
<td>$1,000</td>
<td>$1,500</td>
</tr>
<tr>
<td>After one loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$1,214</td>
<td>$970</td>
<td>$1,530</td>
<td>$1,475</td>
</tr>
<tr>
<td>Median</td>
<td>$1,169</td>
<td>$1,000</td>
<td>$1,422</td>
<td>$1,500</td>
</tr>
<tr>
<td>% Change (Median)</td>
<td>3%</td>
<td>25%</td>
<td>42%</td>
<td>0%</td>
</tr>
<tr>
<td>Absolute change</td>
<td>$31</td>
<td>$200</td>
<td>$422</td>
<td>$0</td>
</tr>
<tr>
<td>After two loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$935</td>
<td>$1,671</td>
<td>$1,411</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>$916</td>
<td>$1,222</td>
<td>$1,350</td>
<td></td>
</tr>
<tr>
<td>% Change (Median)</td>
<td>-8%</td>
<td>0%</td>
<td>-10%</td>
<td></td>
</tr>
<tr>
<td>Absolute change</td>
<td>($84)</td>
<td>0</td>
<td>($150)</td>
<td></td>
</tr>
<tr>
<td>After three loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$1,570</td>
<td>$1,543</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>$1,200</td>
<td>$1,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Change (Median)</td>
<td>-16%</td>
<td>-26%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute change</td>
<td>($222)</td>
<td>($350)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>After four loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$3,312</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>$1,485</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Change (Median)</td>
<td>49%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute change</td>
<td></td>
<td>$485</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total % Change (Median) | 3% | 15% | 20% | -1%
Total Absolute Change | $31 | $116 | $200 | ($15)

Source: Own calculations based on ACCION Texas database.

The monthly growth rates of Household Income tend to complicate the positive findings of the monthly take home pay results. It would appear that positive growth in take home pay would correlate with positive increases in household income for matching client categories. Instead, only clients with three loans show household growth that mirrors its take home growth. Clients with
three loans and five loans show the greatest positive impact in average monthly household income at five percent and 12 percent respectively. The average monthly household income of clients with three loans grew by an absolute value of $121 and clients with five loans grew by an absolute value of $260 between their first and last loans.

Clients with two loans and four loans show an overall minor decrease in monthly household income. The minor decreases in monthly household income may be due to clients leaving their full or part time wage paying employment and attempting to make their part time microenterprise into a full time income source. Many microentrepreneurs work full time or part time wage-earning jobs. During this transition, the household income is uncertain until the client stabilizes the revenue generated by the microenterprise business. External circumstances could also play a part, such as the involuntary loss of the client’s or spouse’s job or unexpected medical expenses. More information is needed to make definite conclusions. What is evident is that clients with three loans and clients with five loans do show overall absolute growth of monthly household income in the range of $121 to $260.
Table 3.12
Trends in Household Income

<table>
<thead>
<tr>
<th>Business Net Worth</th>
<th>Two-loans clients&lt;sup&gt;20&lt;/sup&gt;</th>
<th>Three-loans clients&lt;sup&gt;21&lt;/sup&gt;</th>
<th>Four-loans clients&lt;sup&gt;22&lt;/sup&gt;</th>
<th>Five-loans clients&lt;sup&gt;23&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of clients</td>
<td>118</td>
<td>63</td>
<td>41</td>
<td>21</td>
</tr>
<tr>
<td>At Program Entry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$2,991</td>
<td>$2,555</td>
<td>$2,681</td>
<td>$2,406</td>
</tr>
<tr>
<td>Median</td>
<td>$2,468</td>
<td>$2,250</td>
<td>$2,400</td>
<td>$2,240</td>
</tr>
<tr>
<td>After one loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$2,740</td>
<td>$2,576</td>
<td>$2,699</td>
<td>$2,481</td>
</tr>
<tr>
<td>Median</td>
<td>$2,418</td>
<td>$2,300</td>
<td>$2,250</td>
<td>$2,300</td>
</tr>
<tr>
<td>% Change (Median)</td>
<td>2%</td>
<td>2%</td>
<td>-6%</td>
<td>3%</td>
</tr>
<tr>
<td>Absolute change</td>
<td>($50)</td>
<td>$50</td>
<td>($150)</td>
<td>$60</td>
</tr>
<tr>
<td>After two loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$3,178</td>
<td>$3,037</td>
<td>$2,321</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>$2,371</td>
<td>$2,358</td>
<td>$2,174</td>
<td></td>
</tr>
<tr>
<td>% Change (Median)</td>
<td>3%</td>
<td>5%</td>
<td>-5%</td>
<td></td>
</tr>
<tr>
<td>Absolute change</td>
<td>$71</td>
<td>$108</td>
<td>($126)</td>
<td></td>
</tr>
<tr>
<td>After three loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$3,023</td>
<td>$2,606</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>$2,285</td>
<td>$2,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Change (Median)</td>
<td>-3%</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute change</td>
<td>($73)</td>
<td></td>
<td>$326</td>
<td></td>
</tr>
<tr>
<td>After four loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>$3,756</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td></td>
<td>$2,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Change (Median)</td>
<td></td>
<td>0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute change</td>
<td></td>
<td></td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Total % Change (Median)</td>
<td>-2%</td>
<td>5%</td>
<td>-5%</td>
<td>12%</td>
</tr>
<tr>
<td>Total Absolute Change</td>
<td>($50)</td>
<td>$121</td>
<td>($115)</td>
<td>$260</td>
</tr>
</tbody>
</table>

Sources: Own calculations based on ACCION Texas database.

Community Trends

Job Creation

Table 3.13 and 3.14 report aggregate full time and part time job creation from the first loan to the last loan for each category of clients. Table 3.13 indicates that there is a strong correlation between the number of loans borrowed
and job creation. Clients with two loans grew by the smallest amount (17%) and clients with five loans grew by the largest amount (275%). As a whole the four client groups added 90 full time jobs to the San Antonio area. Table 3.14 reports that part time jobs grew at almost equal rates, between 42 and 55 percent, among all four sample groups. The four client groups added a total of 55 part time jobs. More full time jobs were created than part time jobs.

In sum, 243 of ACCION’s business clients employ 343 full time employees and 166 part time employees. In addition, 243 self-employment positions have been created for the microentrepreneurs. This brings the total to about 752 total jobs. These are jobs that may not exist otherwise.

The fact that clients increase the number of employees each time they borrow indicates that continued support from ACCION Texas helps businesses grow and add jobs to the local area.

Table 3.13
Aggregate Number of Full Time Employees for All Microenterprises

<table>
<thead>
<tr>
<th>Aggregate Number of Full Time Employees</th>
<th>Two-loans clients</th>
<th>Three-loans clients</th>
<th>Four-loans clients</th>
<th>Five-loans clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of clients</td>
<td>118</td>
<td>63</td>
<td>41</td>
<td>21</td>
</tr>
<tr>
<td>Sum at Program Entry</td>
<td>122</td>
<td>74</td>
<td>45</td>
<td>12</td>
</tr>
<tr>
<td>Sum at last loan</td>
<td>143</td>
<td>76</td>
<td>79</td>
<td>45</td>
</tr>
<tr>
<td>Total % Change</td>
<td>17%</td>
<td>3%</td>
<td>76%</td>
<td>275%</td>
</tr>
<tr>
<td>Total Absolute Change</td>
<td>21</td>
<td>2</td>
<td>34</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: Own calculations based on ACCION Texas database.
Table 3.14
Aggregate Number of Part Time Employees for All Microenterprises

<table>
<thead>
<tr>
<th>Aggregate Number of Part Time Employees</th>
<th>Two-loans clients</th>
<th>Three-loans clients</th>
<th>Four-loans clients</th>
<th>Five-loans clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of clients</td>
<td>118</td>
<td>63</td>
<td>41</td>
<td>21</td>
</tr>
<tr>
<td>Sum At Program Entry</td>
<td>47</td>
<td>23</td>
<td>26</td>
<td>15</td>
</tr>
<tr>
<td>Sum At last loan</td>
<td>73</td>
<td>33</td>
<td>37</td>
<td>23</td>
</tr>
<tr>
<td>Total % Change</td>
<td>55%</td>
<td>43%</td>
<td>42%</td>
<td>53%</td>
</tr>
<tr>
<td>Total Absolute Change</td>
<td>26</td>
<td>10</td>
<td>11</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: Own calculations based on ACCION Texas database.

Economic Benefits to the San Antonio Area

Tables 3.15 and 3.16 describe the sales tax revenue and consumer spending power that is contributed by ACCION Texas’s clients to the San Antonio economy. According to reported business revenues, ACCION Texas’s clients are generating $2.3 million a year in sales tax revenue. These are revenues that contribute to the overall economic benefit of the city of San Antonio. These same clients may also pay property taxes.

In addition, microentrepreneurs have an aggregate consumer spending power of $11 million per year. One must also consider the consumer spending power of the 409 part time and full time employees hired by the microentrepreneurs.

The point is that ACCION Texas’s clients are contributing to the overall positive growth of the economy of San Antonio and this is possible through the credit provided by ACCION Texas.
Table 3.15
Annual Sales Revenue Generated by San Antonio Clients

<table>
<thead>
<tr>
<th>Revenue Amount</th>
<th>Revenue Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Monthly Revenues</td>
<td>$2,445,072.07</td>
</tr>
<tr>
<td>Total Monthly Sales Tax Revenue at 7.25%</td>
<td>$191,326.89</td>
</tr>
<tr>
<td>Total Annual Sales Tax Revenue</td>
<td>$2,295,922.67</td>
</tr>
</tbody>
</table>

Source: Own calculations based on ACCION Texas database.

Table 3.16
Annual Spending Power of San Antonio Clients

<table>
<thead>
<tr>
<th>Consumer Spending Amount</th>
<th>Consumer Spending Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Monthly Household Income</td>
<td>$919,170.00</td>
</tr>
<tr>
<td>Total Annual Household Income</td>
<td>$11,030,040.00</td>
</tr>
</tbody>
</table>

Source: Own calculations based on ACCION Texas database.

In conclusion, repeat clients experienced growth in their businesses, personal incomes, and in their community. Financially, ACCION Texas clients experienced the most growth in total net worth and monthly take home pay. In each of these cases, clients’ net worth and take home income grew progressively from loan to loan with the exception of clients with five loans. Clients with four loans had the greatest change in net worth (85%) and take home pay (20%). The greatest incremental growth in net worth and take home pay occurred after the initial loan.

Little impact was observed in monthly business revenues, profits, and household income. Clients with two loans, three loans, and five loans experienced small increases in their business revenues – between $46 and $75 dollars. Clients with three loans and five loans saw the biggest growth in this area. As for business profits, only clients with three loans saw positive growth ($133). Clients with two loans and five loans experienced zero growth in profits and clients with four loans
experienced a decline in profits. Positive trends in monthly take home pay may explain why there is no profit growth. Clients with three loans and five loans experienced small growth in their household incomes, five percent and 12 percent respectively, whereas clients with two loans and four loans experienced a two percent and five percent decline respectively.

In the area of community impact, clients have created about 750 full time, part time, and self-employment positions with their businesses. All clients experienced progressively consistent job growth between the first and last loan in full time employment positions. Clients with five loans experienced the largest increase in full time employment (275%). Part time jobs grew consistently among all client categories, between 40 and 50 percent. In addition, microentrepreneurs are capable of contributing over $2 million in sales tax revenue to the San Antonio area and has $11 million consumer spending power.

Quantitative findings suggest that with continued borrowing from ACCION Texas clients experience overall positive growth in their businesses, households, and in the communities they live.
Notes

1 Although ACCION Texas also provides group loans, this study focuses only on individual borrowers, who represent the overwhelming majority of borrowers.
2 The data analysis is based on client information gathered from ACCION Texas’s database system as of July 25, 2001.
4 Complete data for trend analysis of clients with two loans was available for 115 clients at program entry and 114 clients at the second loan application.
5 Complete data for trend analysis of clients with three loans was available for 63 clients at program entry, 61 clients at the second loan application, and 60 clients at the third loan application.
6 Complete data for trend analysis of clients with four loans was available for 40 clients at program entry, 40 clients at the second loan application, 40 clients at the third loan application, and 39 clients at the fourth loan application.
7 Complete data for trend analysis of clients with five loans was available for 21 clients at program entry, at the second loan application, third loan application, and fourth loan application. Complete data for 19 clients was available at the fifth loan application.
8 Complete data for trend analysis of clients with two loans was available for 115 clients at program entry and 114 clients at the second loan application.
9 Complete data for trend analysis of clients with three loans was available for 63 clients at program entry, 61 clients at the second loan application, and 60 clients at the third loan application.
10 Complete data for trend analysis of clients with four loans was available for 40 clients at program entry, 40 clients at the second loan application, 40 clients at the third loan application, and 39 clients at the fourth loan application.
11 Complete data for trend analysis of clients with five loans was available for 21 clients at program entry, at the second loan application, third loan application, and fourth loan application. Complete data for 19 clients was available at the fifth loan application.
12 Complete data for trend analysis of clients with two loans was available for 115 clients at program entry and 114 clients at the second loan application.
13 Complete data for trend analysis of clients with three loans was available for 63 clients at program entry, 61 clients at the second loan application, and 60 clients at the third loan application.
Complete data for trend analysis of clients with four loans was available for 40 clients at program entry, 40 clients at the second loan application, 40 clients at the third loan application, and 39 clients at the fourth loan application.

Complete data for trend analysis of clients with five loans was available for 21 clients at program entry, at the second loan application, third loan application, and fourth loan application. Complete data for 19 clients was available at the fifth loan application.

Complete data for trend analysis of clients with two loans was available for 115 clients at program entry and 114 clients at the second loan application.

Complete data for trend analysis of clients with three loans was available for 63 clients at program entry, 61 clients at the second loan application, and 60 clients at the third loan application.

Complete data for trend analysis of clients with four loans was available for 40 clients at program entry, 40 clients at the second loan application, 40 clients at the third loan application, and 39 clients at the fourth loan application.

Complete data for trend analysis of clients with five loans was available for 21 clients at program entry, at the second loan application, third loan application, and fourth loan application. Complete data for 19 clients was available at the fifth loan application.

Complete data for trend analysis of clients with two loans was available for 115 clients at program entry and 114 clients at the second loan application.

Complete data for trend analysis of clients with three loans was available for 63 clients at program entry, 61 clients at the second loan application, and 60 clients at the third loan application.

Complete data for trend analysis of clients with four loans was available for 40 clients at program entry, 40 clients at the second loan application, 40 clients at the third loan application, and 39 clients at the fourth loan application.

Complete data for trend analysis of clients with five loans was available for 21 clients at program entry, at the second loan application, third loan application, and fourth loan application. Complete data for 19 clients was available at the fifth loan application.
Chapter 4. Qualitative Findings

Population of Survey Respondents and Interviewees

A survey was mailed to active and former ACCION Texas clients in July 2001 to gauge clients’ perceptions of ACCION Texas’s impact in their business, personal lives, and community. The cover letter and survey mailed to clients can be found in Appendices C and D. Over 1,500 surveys were sent to clients all over Texas. The overall response rate for the survey was nine percent, and eight percent for the San Antonio area (not including returned mail). There are two reasons that may explain the low response rate. First, although it’s the most typical method of dissemination, mailed surveys are generally known to have the worst response rate. Personal interaction increases the response rate (Babbie, 2002, p. 257). No follow up phone calls or mail pieces were conducted. These may have boosted the response rate. Another reason that may have contributed to the low response rate is that a Spanish version of the survey was not included and 70 percent of ACCION Texas’s clients are Hispanic, some of which may only speak Spanish. The analysis below focuses on 52 random respondents in the San Antonio area only.

Some quantitative variables identifying survey respondents are highlighted in Table 4.1. This table compares demographic variables of survey respondents and clients interviewed to aggregate percentages of all San Antonio clients. Mostly, qualitative results are highlighted in this report. The qualitative findings offer a glimpse of clients’ perceptions of the impact of ACCION Texas’s loan program in their businesses, personal lives, and community. The eight personal interviews garnered many interesting insights about the impact that ACCION Texas has on its clients. Appendices F and G provide additional findings from interviews and the impact survey that were not included in this chapter.
Table 4.1 reports that the sample of survey respondents is generally similar to the population of clients in the San Antonio area. They are predominantly Hispanic and educated, with a high percentage of survey respondents reporting they have some college education or higher. The types of business and location of the business of the survey sample easily mirror the percentages of the broader San Antonio population. The median monthly household incomes of both the total population and survey sample are virtually similar. The survey respondents are generally more experienced business owners than the average ACCION Texas client in San Antonio, and those agreeing to be interviewed are even more experienced. The small sample of clients who agreed to be interviewed (eight) is difficult to compare to the broader population. They are more disproportionately Hispanic, male, educated and have far greater business ownership experience compared to the total population of San Antonio clients. However, other business demographics compare favorably to the total population.

**Table 1.1**

*Cross Comparison of Total San Antonio clients to survey respondents and those interviewed*

<table>
<thead>
<tr>
<th>Descriptive Variables</th>
<th>Total San Antonio Clients</th>
<th>Survey Respondents</th>
<th>Clients Interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Socio-economic data</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethnicity: Hispanic</td>
<td>70%</td>
<td>63%</td>
<td>88%</td>
</tr>
<tr>
<td>Gender: Male</td>
<td>53%</td>
<td>46%</td>
<td>63%</td>
</tr>
<tr>
<td>High School Degree Only</td>
<td>35%</td>
<td>27%</td>
<td>0% ²</td>
</tr>
<tr>
<td>Some College or Higher</td>
<td>42%</td>
<td>54%</td>
<td>88%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$2,452</td>
<td>$2,426</td>
<td>$2,019</td>
</tr>
<tr>
<td><strong>Business Demographics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of Business: Services</td>
<td>55%</td>
<td>52%</td>
<td>50%</td>
</tr>
<tr>
<td>Type of Business: Industry/Production</td>
<td>28%</td>
<td>33%</td>
<td>25%</td>
</tr>
<tr>
<td>Median Years Owned Business</td>
<td>2</td>
<td>4</td>
<td>4.5</td>
</tr>
<tr>
<td>Percentage of Startups</td>
<td>31%</td>
<td>25%</td>
<td>13%</td>
</tr>
<tr>
<td>Location of Business: Home</td>
<td>44%</td>
<td>48%</td>
<td>50%</td>
</tr>
<tr>
<td>Location of Business: Storefront</td>
<td>38%</td>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>Number of Full time employees</td>
<td>767</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td>Number of Part time employees</td>
<td>289</td>
<td>32</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>630</td>
<td>52</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: ACCION Texas database, survey responses and interviews.
ACCION Texas’s Impact on the Client’s Business

Financial Support

In *Measuring Client Success: An Evaluation of ACCION’s Impact on Microenterprises in the United States* (1998), Himes and Servon calculate the financial growth rates of clients with two through four loans from the various ACCION affiliates including New York, New Mexico, San Antonio, Chicago, San Diego, and El Paso. Also, from interviews, they find that clients have identified different levels of financial assistance provided by the ACCION network.

Financial assistance helps in the following scenarios:

- none or minimal,
- business survival,
- maintaining the business,
- maintaining the business at a higher level (working capital),
- propelling the business (capital investment), or

For the purpose of this study, the levels of financing outlined by Himes and Servon are borrowed. Financial support for business survival and maintaining the business are two types of assistance that help the business “stay afloat” but do not contribute to growth (Himes & Servon, 1998, p. 40). Assistance offered for survival is usually based on a crisis situation like a potential bankruptcy or family emergency (Himes & Servon, 1998, p. 42). Assistance offered to maintain the business generally helps to maintain the current level of business productivity (Himes & Servon, 1998, p. 43). Financing that helps the business grow to a higher level includes working capital for inventory. There is also financing that helps advance the business though capital investments for equipment that will modernize the business. Lastly, at least one client interviewed for this study mentioned that ACCION Texas helped provide capital for his startup that was having trouble
stabilizing its finances. The following examples were gathered from interviews with San Antonio clients.

**Startup**

Thirty percent of ACCION Texas’s clients are startup businesses. ACCION Texas helps startup businesses stabilize the balance sheet. As the client below states, startups are generally unstable in the beginning. That uncertainty can get a business into financial trouble if they don’t have the level of business and cash to pay off expenses.

We were able to get a bank loan at the start of our business, but the business was new and unstable. One month was good, the next bad. We got bad credit because of that. We had late payments and credit card debt. Finally we went to ACCION. (Insurance medical examiner, male)

**Survival**

ACCION Texas has also been known to be flexible during times of crisis. Microbusinesses have limited revenues; so one crisis can break a microbusiness that is barely maintaining itself. In the examples below ACCION Texas came through for clients who experienced financial crisis due to personal issues.

That was a very down period. ACCION kept me with this stuff financially because of the loan we had made. It got me through all that. Just knowing that I had to pay my loan every month kept me working. And I wanted to keep my apartment – being able to keep my business here physically, even if I did not doing work during that period. A few months later, once I started getting energized again, things were okay—murals and all. I started promoting and caring more. I got over my brother dying. I went back and did more work on the comic book…I talked to Loraine several times. She always had good things to say. Her sympathy understanding and her ability to work with me during that period gave me strengthen. Janie was also a big help during that time. I guess talking to friendly people and faces was a big difference. Not to mention the financial part. I did not have to lose my business or move out or anything. It was life saving to be honest. It kept things going. I don’t know how more dramatic that can get. (Artist, male)

My husband and I once got a $20,000 mortgage loan from Nations Bank. But when my husband left me, he left all the financial responsibility on me.
I couldn’t afford to pay the house. They were going to take it away from me. I went to ACCION, to Lorraine, and she helped me keep my house. They lent me the money so I wouldn’t lose my house. The house is now paid off. (Music vendor, female)

*Maintaining the current level of business or helping it reach a higher level with working capital*

Capital allows microbusinesses to purchase the materials and inventory needed to compete with other businesses and tie them over until their customers can pay them. It would be more difficult to manage the business without this leeway, or it could also lead to eventual business failure. It is much more difficult to profitably stabilize the business without a capital investment. The clients explain how ACCION Texas has helped them get the materials they need – sometimes they take advantage of discounted prices – and enabled them to pay suppliers up front.

There’s always the challenge that there is a bigger company with more employees, more resources, more money and are they going to take away my business. There is the challenge of financing. I can bid say $10,000 but am I going to have enough money to buy the materials. That’s where ACCION comes in. …Most residential customers pay a percentage of the job up front and then the balance when I finish. With most commercial businesses they pay after 30 days. So that’s a financial challenge because when I finish a job I need to get paid right now. Sometimes they take a long time and I have to work it out with my suppliers – if I can’t borrow a loan to pay them right away then they have to wait or I don’t get that job. (Interior decorator, female)

The loans I got from ACCION went to shelf units, recorder, videos, projectors, paints, paper. Physically when I have gotten a loan is when I needed a lot of materials. In a couple of cases I needed to rent a scaffold otherwise I wouldn’t be able to get any work. As far as if I had an ACCION loan and I know it’s there, then I would just use that money to rent the scaffold or use that money to get the project started. Directly that is how it helped me. It also helped me in advertising. That helped a lot…I probably could have done it without ACCION money but they allowed me to do it right away. (Artist, male)
We are definitely more financially stable. We are able to pay our bills on time. We can take advantage of discounts (due to bulk purchases). There is no financial burden. People aren’t hounding you for their money.
(Metalworker, male)

*Helped Advanced the business through capital investment for equipment*

In some instances, clients express that ACCION had helped them make capital purchases such as for a vehicle or computer. This equipment helps the microbusiness to expand and likely the profit margin increases, too. With equipment and modernized technology, microentrepreneurs are able to do new income generating activities or be more efficient. The production possibility curve shifts outward, allowing the business to produce more and generate more revenues.

It’s the kind of business (Mary Kay) where you can sell everything and collect all the money, deliver everybody’s stuff and keep the profits and reinvest it. That’s what I had been doing on a small time basis, but then I wanted to get an inventory involved. So that took a lot more money…I got one (loan), paid it off, got another, paid it off, and I told my husband after this last one for the computer that I’ll probably get another one because they make it so convenient to work it out. (Mary Kay consultant, female)

I needed more money to advance the business. That was the idea. I like ACCION because of the ease of getting a loan – it wasn’t difficult. And it’s quick…I got a loan because I needed a truck to do pickups and deliveries. I can’t be without a vehicle for my business. The second loan I used to buy equipment - because the electronics today are very expensive. The third was to repair my truck and to buy a computer. (Electronics repair shop owner, male)

**Business Skills Gained Since Involvement with ACCION**

Table 4.2 highlights the business skills gained by survey respondents since their involvement with ACCION Texas. Respondents were allowed to select more than one skill. More than a third of respondents indicate that they acquired business management and sales skills. About a quarter of clients indicate that they gained computer skills and financial management skills. Twenty-seven percent of survey respondents did not respond to this question. We might assume this is due to the fact that they have not acquired new skills.
Although ACCION Texas does not offer a formal system of technical assistance or training, clients are finding ways to increase their business skills. It may be through informal one-on-one conversations with staff or the informal network of like-minded organizations and government agencies provided by ACCION Texas. The Vice President of Finance is always willing to sit down and speak to clients about their bookkeeping practices. At least one client interviewed mentioned the fact that a staff member helped him figure out a profitable hourly labor rate.

The skills I have gained are financial planning and organizational skills. I’ve learned to manage my dollars and time to make profits. Actually, it was Ralph – from ACCION – who helped us set our labor rate at $50 an hour. Before we weren’t charging enough to cover our expenses. He taught us how to figure a rate that included insurance, workers comp, auto insurance, fixed expenses, everything. We were coming up short before because we weren’t charging enough. I have incentive to buy new trucks and equipment and to work efficiently. I have confidence in a financial base. (Metalworker, male)

In addition, ACCION Texas offices refer clients to the Small Business Development Center or other educational venues when asked. Some ACCION Texas field offices also distribute newsletters to their clients offering information on where to go to advance the business. All these are informal networks that may contribute to the increase in business skills reported by clients.

Table 1.2

<table>
<thead>
<tr>
<th>Survey Responses</th>
<th>Number of Clients</th>
<th>Percent of Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer Skills</td>
<td>12</td>
<td>23%</td>
</tr>
<tr>
<td>Business Management Skills</td>
<td>21</td>
<td>40%</td>
</tr>
<tr>
<td>Financial Management Skills</td>
<td>14</td>
<td>27%</td>
</tr>
<tr>
<td>Sales Skills</td>
<td>19</td>
<td>37%</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>6%</td>
</tr>
<tr>
<td>No Response</td>
<td>14</td>
<td>27%</td>
</tr>
</tbody>
</table>

Source: Data gathered from 2001 Impact Survey responses.
**Bookkeeping Practices Since Involvement with ACCION**

During planning for the survey instrument, ACCION Texas expressed two major concerns about their clients. One concern is that microenterprise businesses use primitive financial management, or the “shoe box” method, that is, they prefer to keep their money in a shoe box, coffee can, or somewhere else in the home rather than in a bank account. They come to ACCION with a roll of receipts when asked for financial statements (Riojas, 5/16/01). This may be due to the fact that about a third of ACCION clients are start-up businesses (Riojas, 5/16/01). Therefore ACCION Texas is interested in the bookkeeping methods of their clients. A second question posed by ACCION Texas is whether clients are moving on to new and improved relationships with commercial banks. One of the major goals of microenterprise programs is to graduate microenterprise borrowers into mainstream borrowing by building their credit (Stearns, 1992, p. 14).

ACCION Texas’s preferred method of bookkeeping for clients is computer maintained record keeping coupled with a professional accountant. However, table 4.3 shows that clients’ most commonly practiced method of bookkeeping is basic tracking by paper ledger only. Twenty-three percent of survey respondents use this paper method. ACCION Texas believes this method to be the second least reliable bookkeeping method. The findings of the survey are similar to statistics of the San Antonio population at program entry reported in chapter three. Twenty-three percent of total San Antonio clients reported during their first loan application that they use some basic written record keeping.

The worst method of bookkeeping is no method at all. Two survey respondents report they do not track their profits and expenses. Twenty-five percent of all San Antonio clients reported no bookkeeping method during their first loan application with ACCION Texas. Based on these numbers, it can be inferred that clients have improved their bookkeeping practices since they entered the ACCION Texas program.
The most preferred bookkeeping method for ACCION Texas, the use of both a computer and accountant, is practiced by 15 percent of survey respondents. In sum, at least 36 percent of survey respondents report using a professional accountant – either alone or combined with other methods such as paper or computer. It can be inferred that the use of a professional accountant as reported on the impact survey has also increased by eight percent, compared to those who reported using an accountant during their first application with ACCION Texas.

ACCION Texas’s second most preferred method, a computer alone, is the second most popular method for respondents with 21 percent reporting they use it. A notable finding that surfaces from client responses to this particular question is that nearly half of respondents have access to computers – including those who use a computer and accountant, computer only, or paper and computer. These three methods are ACCION Texas’s top three preferred methods for their clients.

Although nearly half of clients use computers for their bookkeeping, results show there is room for advancement in the financial management practices of ACCION clients, particularly the 27 percent who report they do not track or only use paper ledgers for bookkeeping.

Table 1.3
Types of Bookkeeping Methods Used by Survey Respondents (listed in order from most preferred to least preferred)

<table>
<thead>
<tr>
<th>Survey Response</th>
<th>Number of Clients</th>
<th>Percent of Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer &amp; Accountant</td>
<td>8</td>
<td>15%</td>
</tr>
<tr>
<td>Computer Only</td>
<td>11</td>
<td>21%</td>
</tr>
<tr>
<td>Paper &amp; Computer</td>
<td>6</td>
<td>12%</td>
</tr>
<tr>
<td>Paper &amp; Accountant</td>
<td>3</td>
<td>6%</td>
</tr>
<tr>
<td>Accountant Only</td>
<td>8</td>
<td>15%</td>
</tr>
<tr>
<td>Paper Only</td>
<td>12</td>
<td>23%</td>
</tr>
<tr>
<td>Don’t Track</td>
<td>2</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>No Response</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>52</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Data gathered from 2001 Impact Survey responses.
Most clients interviewed acknowledged using an accountant. At least three used a computer and accountant method. Another two used paper and an accountant. One elected to use paper and file taxes himself. One client did not speak about her accounting methods.

We use QuickBooks Pro for our bookkeeping. I track our records on a weekly basis or sooner. (Daughter of metalworker)

I use QuickBooks, databases, and at the end of the year I have a retired IRS man named Israel Carcien. I got him through y’all [ACCIÓN]. He checks my books at the end of the year for about $300. He’ll look it over and tell me where I’m legal and where I’m not…I keep all my receipts, and when I bring them back I punch them. Then I give them to the secretary and she files it away. (Insurance agent, male)

It [computer] does keep my books – it keeps my sales, the percentages I take off, freebies, it keeps the taxes that I pay, my orders – it keeps everything. I create reports yearly for my tax guy unless I want it sooner. (Mary Kay consultant, female)

I have an accountant. Each invoice that I write – on the front of the invoice I say what I’ve sold, tax, down payment, balance. On the back I figure out my cost. At the end of the year my accountant gets all that information and that’s the ledger that she uses to figure out how much did I buy, how much did I pay in shipping, whatever. She does that on a yearly basis. (Interior decorator, female)

My ledger…. I’ve got one in the car for my mileage. I have all my papers in here. I have folders of files. I don’t have a computer. Everything is out on paper. I do everything on paper—my bids, my contracts, everything. It’s all here by projects. I do things the old fashion way – paper work…When I get ready to do my income taxes I do them myself because I know everything that comes in and goes out. I don’t think an accountant—they could not understand my notes…Maybe once a month, I think, I sit down and look at my books. At the end of a project usually, I look at what came in and what went out. I keep tabs on that and, how much assets I have, whether I can take time off, or not. (Artist, male)

Table 4.4 reports that a majority of respondents (60%) report they track their sales and expenses on a monthly basis. The next most popular frequency of bookkeeping is on a quarterly basis (17%). Two clients do not track their finances,
the same clients as in Table 4.3. Whatever method used, it appears that clients are tracking their books fairly regularly, although there is room for improvement. Weekly or daily would be the most beneficial bookkeeping frequency for microenterprises, in terms of making timely and accurate financial decisions for the business.

**Table 1.4**

**Frequency of Respondents’ Bookkeeping**

<table>
<thead>
<tr>
<th>Survey Response</th>
<th>Number of Clients</th>
<th>Percent of Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly</td>
<td>3</td>
<td>6%</td>
</tr>
<tr>
<td>Monthly</td>
<td>31</td>
<td>60%</td>
</tr>
<tr>
<td>Quarterly</td>
<td>9</td>
<td>17%</td>
</tr>
<tr>
<td>Yearly</td>
<td>3</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>Do not Track</td>
<td>2</td>
<td>4%</td>
</tr>
<tr>
<td>No Response</td>
<td>3</td>
<td>6%</td>
</tr>
<tr>
<td>Total</td>
<td>52</td>
<td>101%</td>
</tr>
</tbody>
</table>

Source: Data gathered from 2001 Impact Survey responses.

Table 4.5 indicates that 92 percent of respondents report their bookkeeping practices have improved or somewhat improved since their involvement with ACCION Texas. This is good news for ACCION Texas. The results indicate that they are encouraging clients to maintain better financial practices. Clients who reported not having a bookkeeping method at program entry have decreased from 26 percent to four percent. This further supports the finding that ACCION Texas’s support is contributing to improved bookkeeping practices.

**Table 1.5**

**Improvement in Bookkeeping Practices Since Involvement with ACCION Texas**

<table>
<thead>
<tr>
<th>Survey Response</th>
<th>Number of Clients</th>
<th>Percent of Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved</td>
<td>28</td>
<td>54%</td>
</tr>
<tr>
<td>Somewhat Improved</td>
<td>20</td>
<td>38%</td>
</tr>
<tr>
<td>Not Improved</td>
<td>4</td>
<td>8%</td>
</tr>
<tr>
<td>Total</td>
<td>52</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Data gathered from 2001 Impact Survey responses.
Bank Relationships Since Involvement with ACCION

An important goal of microenterprise loan funds is for their clients to eventually “graduate” from their program with the proper collateral, credit history, and a sufficient level of credit as needed to become a client of the formal financial sector (Stearns, 1992, p. 14). For that reason, ACCION Texas is interested to know whether their clients are building new or improved relationships with commercial banks. Table 4.6 indicates that 40 percent of survey respondents express they are progressing in this area. However, only one of the clients interviewed has actually graduated to a relationship with a mainstream commercial institution.

We previously had a line of credit with a bank, but there came a time when things got tight and we lost our line of credit. That’s when ACCION really helped us. We started with a small loan and kept increasing from there. Eventually, Chase Bank approached us. They said we were bankable and didn’t need ACCION anymore. We have been with them ever since. A few weeks ago they contacted us to let us know that we’re eligible for an unsecured loan. But during the financial strain, ACCION was there for us. (Daughter of metalworker)

Table 1.6
Respondents Report on Their Relationships with Commercial Banks

<table>
<thead>
<tr>
<th>Survey Response</th>
<th>Number of Clients</th>
<th>Percent of Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>9</td>
<td>17%</td>
</tr>
<tr>
<td>Improved</td>
<td>12</td>
<td>23%</td>
</tr>
<tr>
<td>No Response</td>
<td>31</td>
<td>60%</td>
</tr>
<tr>
<td>Total</td>
<td>52</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Data gathered from 2001 Impact Survey responses.

More information is needed to assess what types of new or improved relationships are being established by the 40 percent who responded positively on the impact survey. It could be that they are just beginning to inquire about what it takes to be a bank borrower. Most of the clients interviewed are not in a business relationship with a bank at this time because they do not want to be in one, have
never thought about it before, or are just now beginning to think about it. Some are intimidated by the idea of a commercial bank and that’s why they have not attempted to borrow from one. One client called a bank and attempted to infer whether she might be eligible for a loan but received negative feedback. Another client was spurred to begin forming a business relationship with her bank by the impact survey questions. And yet another reason why clients have not sought a bank loan may be because they have debt and know they still have to establish their credit before being qualified for a commercial loan.

I have never gotten a bank loan for my business. The only assistance I’ve ever really gotten was from ACCION. It was about two or three times, it’s kind of vague how many times. (Artist, male)

I haven’t attempted to go to a bank for a business loan yet. I have a vision of a bank being like…like you go to them and they pull out this big-big calculator and add up all your life. Oh, no! I can’t deal with that intimidation. (Music vendor, female)

I don’t know if I’ll apply for more loans from ACCION. After that survey that I got in the mail. I started thinking that maybe I need to start developing a relationship with a bank. I have my own bank – I move from Frost bank to Advance Security national bank. They solicited me. I have a good relationship with my bank. I don’t have a borrowing relationship. But I have a very good relationship with my bank. The people there – I have trust – they know my name. I have to get some things in order before I can approach them for a loan. They do know me as a business owner. I do have a business relationship with them, but I have never borrowed money from them. (Interior decorator, female)

Yes [have new relationship with a bank], but not a business relationship. I go strictly to ACCION for the business. I haven’t gone anywhere else… Getting a small business loan is a lot of work – going through your bank and this and that and they want to know everything about you. And then they turn you down because you’re not a big enough business. I didn’t try going through a bank. I called a bank and asked [for a loan]. But, I guess there were too many people that have gotten in and weren’t successful. I don’t know. Not just in Mary Kay but in other things also. (Mary Kay consultant, female)
I think I’m already on my third or fourth loan. I know the goal is to try and get me to do business with a bank… I have been to a bank to get a loan before, but it’s been awhile. Now that I think about it I hope I don’t have to go to a bank. So far I’ve been able to do things on a thirty-day credit. That copier I bought on thirty-day credit. What I do is I find a campaign, which I already have in place – that I have already sold a plan to. And I say that’s going to pay for that. Thirty-day credit is good. I’d like to go to the bank, but I don’t think I need to right now. Most of the equipment I have is what I need. If I need anything else I just pay it as I go. I did go for a $10,000 loan with ACCION. I was turned down for a while because I had been behind. I’m back on track slowly. I think right now I’m thirty days or twenty days late, but we’re catching up. If I were to get another loan I would have to get that in line, and then I think my balance with you guys is $3600 or $3500. I’m trying to wipe that out. Maybe I’ll get another one; maybe I might not need it. I do know that we are trying to service a lot of debt. If I can get that from behind me maybe I won’t need ACCION. I just need to catch up on all my debts. I still have debts from [another business that failed]. (Insurance agent, male)

**ACCION Texas compared to a Commercial Bank: Issues of Social Bonding**

Clients interviewed frequently compared ACCION Texas to their experience or perception of commercial banks. They spoke of their trust in ACCION Texas and comfortableness with them. Clients claim that the staff at ACCION Texas remembers their names, faces, and family. Clients don’t get the same from banks. It is evident from these interviews that the key to ACCION Texas’s success (low loss rate, repeat borrowing, high rate of referrals) as a model microenterprise program among its peers and clients has to do with the personal one-on-one relationships formed with clients. Also, clients refer to the cultural sensitivity that ACCION Texas exhibits with Hispanic individuals. Hispanic clients express that this quality makes them feel welcome and accepted. One client claims that ACCION Texas is like “family.” The examples below best express how ACCION Texas is forming social bonds with clients that are lacking in commercial financial institutions.

I like the way you guys (ACCION) keep in touch with us. Whereas the banks they may keep in touch with you but really all they’re concerned about is getting their money back and that’s it. And it’s at a higher interest.
usually than what ACCION is. Everything felt right about ACCION and I’ve gotten three loans from ACCION since then…. It’s something that I wouldn’t hesitate to refer someone to because it’s a lot different going to you guys than it is going to Frost Bank. You might go through the same procedures but you don’t feel it – you don’t feel intimidated like you do going to a bank. (Mary Kay consultant, female)

They [ACCION Texas] came to my house and they met with me – and I’m not sure if they still do this. But they, like any other lender, needs to see that I’m a for real person…ACCION came, they saw the for real person and said okay we’ll go to the next step. They came and took their time to see it. Whereas the other lender said we don’t know you from the other person. But here on paper it says whether you are good or not. That’s a big difference. …It’s a different approach and it’s a very warm approach. I think at first they only helped Hispanics, but probably now they help everybody. And I don’t know if it has to do with the culture and the way you approach somebody. (Mary Kay consultant, female)

This business was their [ACCION’s] business. They were concerned. They were interested in meeting the family members. Bankers are not interested in that. ACCION wants you to succeed. They offer all their resources. I guess it’s because of Janie – she must have that motherly instinct. No bank will try to do that. You don’t get that feeling from a bank. (Metalworker, male)

The Anglos can borrow with no problems – from banks, from their grandparents...We didn’t have those resources. My grandparents didn’t have money! That’s why ACCION is so helpful. (Metalworker, male)

If I grow, ACCION grows. If ACCION grows, I know I will grow, too. We’re like a community. We’re connected. We each try to do our best by nurturing our little grain of sand and that’s how we help each other. ACCION gives us a lot of attention and support. They listen to us first. They teach us to think about our business. Why do we want our own business, how can we get ahead in our business…ACCION is like a family. They listen to me, they understand. They give me moral and financial support. That is what we need most as small businesses and especially the minority businesses. (Music vendor, female)

**ACCION Texas’s Impact on the Personal Lives of Clients**

In their study of all ACCION affiliates in the U.S., Christina Himes and Lisa Servon (1998) found that microenterprise clients identified other personal and
professional impacts, besides financial investment, from borrowing from the ACCION U.S. network. The impacts cited by clients in their study include:

- Opportunity,
- Confidence/ Independence,
- Security,
- Cash Management, and

Opportunity, security, and cash management are related to the financial resources ACCION provided, so the only social impacts recognized by clients in their study are confidence and networking. Clients who mentioned networking as an impact of borrowing from ACCION primarily came from locations in New Mexico, El Paso, and San Diego where regular client gatherings and referrals are promoted (Himes & Servon, 1998, p. 51). When discussing the impact of networking, clients referred primarily to networking among clients (Himes & Servon, pp. 50 & 51).

According to the ACCION Texas impact survey, nearly 75 percent of clients experience between one or three changes in their personal life as a result of ACCION Texas’s investment in their business. A majority of clients (62%) claim they have greater pride or self esteem because ACCION Texas has invested in their business. This result is more significant than the findings of Himes and Servon’s (1998) study. In their study, 26 percent of businesses that experienced growth claim ACCION affiliates also gave them confidence and independence (Himes & Servon, 1998, p. 47).


Other major findings from the ACCION Texas impact survey are provided in Table 4.7. Forty-two percent of respondents indicate they have less stress or better health and 29 percent say they are able to spend more time with their family.
as a result of ACCION Texas’s investment in their business. Some respondents elected to describe other ways that ACCION Texas has impacted their lives. Those responses are listed in table 4.8.

**Table 1.7**  
**ACCION Texas’s Impact On Respondents’ Personal Lives**

<table>
<thead>
<tr>
<th>Survey Response</th>
<th>Number Responding</th>
<th>Percent of Total Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>More Time With Family</td>
<td>15</td>
<td>29%</td>
</tr>
<tr>
<td>More Time for Community</td>
<td>10</td>
<td>19%</td>
</tr>
<tr>
<td>Greater Pride or Self Esteem</td>
<td>32</td>
<td>62%</td>
</tr>
<tr>
<td>Less Stress or Better Health</td>
<td>22</td>
<td>42%</td>
</tr>
<tr>
<td>Financial Stability</td>
<td>30</td>
<td>58%</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>13%</td>
</tr>
<tr>
<td>No Response</td>
<td>4</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Data gathered from 2001 Impact Survey responses.

**Table 1.8**  
**Other Personal and Professional Impacts Due to ACCION Texas**

<table>
<thead>
<tr>
<th>Write-in Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>More time for sports and leisure</td>
</tr>
<tr>
<td>ACCION loan helps hold us over through the bad months</td>
</tr>
<tr>
<td>They allowed me to have a vehicle to work and be my own boss</td>
</tr>
<tr>
<td>I get more financial help from other banks (because of ACCION Texas)</td>
</tr>
<tr>
<td>Ability to Grow</td>
</tr>
<tr>
<td>Opportunity for Growth</td>
</tr>
</tbody>
</table>

Source: Data gathered from Client Survey 2001

Client interviews further reinforce three of the top four survey responses to how ACCION Texas has impacted clients’ personal lives as reported in Table 4.7. Interviews provide a rich description of exactly how ACCION Texas is providing pride and self-confidence, less stress, and more time for families. In addition, client interviews suggest that ACCION Texas offers valuable networks to clients.

**Pride / Self Confidence**

Clients express an increase in confidence because of ACCION Texas’s belief in them. Mostly, they value that ACCION Texas was able to see past their imperfect credit history and trust them enough to offer them a loan.
express that ACCION Texas’s belief in them boosted their confidence in themselves and that their businesses could succeed.

So it is a confidence booster when somebody knows you by your name and knows you for more than what your credit report looks like. I’ve been with them [ACCION Texas] for a long time and now they are my customers. I’m helping them with their new building. It’s a self-confidence booster when they know you well – and they do what any bank does, the same routine. But I guarantee you my credit report doesn’t look like what a person going to a bank looks like, but they [ACCION Texas] know that they are going to get paid. And that’s what is such a tremendous confidence booster. (Interior decorator, female)

It’s important for the customer to know that there is more to them than that paper (credit report). Especially when you are building your business for the first time because you are scared to begin with and you need that little boost, that little self-esteem that you can do it. Get out there and work and do it… So that’s what makes a difference from one bank to the next. You need that little bit of help – for someone to believe in you. Sometimes it takes more than just your family telling you that you can do it. You need a little bit of money backing too. And it helps when a banker says, yes, you can do it. That makes a difference in people’s self esteem and how they see themselves and how they try to build their business. Their inevitable success. (Mary Kay consultant, female)

The small loan that I got at the beginning was very instrumental in building my confidence too, knowing that I wasn’t the only one out there that wasn’t bank ready and needed help from a source like ACCION. I had a real good experience in the beginning and still have. (Insurance agent, male)

One client expressed that ACCION Texas’s support even helped her make the important personal decision to adopt three children because she had the confidence that she would be able to support them financially.

I don’t think that I would have had the courage to adopt three children without that backing [of ACCION]. Without knowing that I would be able to make a living. But ACCION gives me the confidence that I can do it. On a personal level it’s an accomplishment knowing that I’m going to be able to do what I do and I don’t have that worry of where am I going to get that money from and I’m going to lose it all if I don’t get the money…My financial situation is more stable because of the loans. (Interior decorator, female)
Less Stress

At least one client attributed the relationship with ACCION Texas to less stress in her life. Less stress was related to her ability to rely on ACCION Texas for financial assistance in her business. Other clients interviewed also expressed that they had less stress; however, those comments were more directly linked to being self-employed than to ACCION Texas (see Appendix F for other interview findings).

After 12 years I guess I would say I have less stress. I know my business inside and out now. So I don’t stress about what I don’t know. I don’t stress about who’s bigger than me – about what company’s bigger than me anymore. I used to. That’s a positive thing because I know that I have a positive source and I know that if I get that big job I’ve got a source (of money) and I don’t stress about that anymore. (Interior decorator, female)

More Time for Family

At least one client acknowledged that ACCION Texas has allowed him to spend more time with his family because he does not have to work as much to make ends meet. Most other clients interviewed also cite they are able to spend more time with their families; however they attribute this factor to being self-employed and not to ACCION Texas directly (see Appendix F for other interview findings).

I do spend more time with family. I don’t have to do 4 or 5 projects at the same time. It’s weird that we have more projects (about 12) with fewer people with less experience but we put out more work. (Metalworker, male)

Social Assets: Networks and Trust

Although ACCION Texas does not have a formal system of technical assistance or training, it has established networks and relationships with third parties that have helped clients in addition to financial assistance. Clients also acknowledge that ACCION Texas keeps them informed of annual gatherings and events. One example is ACCION Texas’ Annual Fideo Festival. The Fideo Festival is a fundraising event open to the public, where ACCION Texas clients
set up booths and offer their goods and services. These events offer clients an opportunity to market their businesses and network with each other.

Lisa Servon (1999) documents similar interprogram and intraprogram networks in her study of microenterprise programs. Interprogram networks are those networks established between community-based organizations or other like-minded institutions to further the benefits to constituents (Servon, 1999, p. 112). Intraprogram networks are those networks established within the microenterprise such as among borrowers or between a microenterprise program staff and the borrower (Servon, 1999, p. 98). The two examples of networking provided below document that ACCION Texas offers social capital, as well as financial capital to its clients (Putnam, 1993b).

Model clients also have the unique privilege of being marketed to the public as success stories of ACCION Texas. Each year ACCION Texas selects an entrepreneur of the year who receives widespread media coverage.

I’m doing a Community Minority Business Advancement Program – seven-week program. Someone from ACCION contacted me last year to ask if I wanted to take the program and I said no. I was contacted again this year by the school, so I said okay because I am much more comfortable now because of ACCION, but I’m still not moving along as well as I would like to. I think that I know as much as I can about design but the growth isn’t there. So that’s why I took the course to learn what I could do better. Because I think that I know my business – my industry – in and out. I’m just not growing as fast as I would like to. This is the third week and I’ve learned things like networking. I’ve met people from different chambers [of commerce]. (Interior decorator, female)

ACCION is always sends me stuff in the mail. They have get togethers and stuff but most of the time I can’t go because I’m busy with the full time teaching. (Mary Kay consultant, female)

ACCION has affected other areas of my life by giving us exposure – TV, newspaper, to the market. People know that we produce highly skilled craftsmanship. (Metalworker, male)
Trust is another key element of social capital. In fact, Robert Putnam (1993b, n.p.) states that networks of civic engagement foster trust. ACCION Texas has extended itself beyond the lender-borrower (intraprogram) network to form personal relationships or trust. ACCION Texas trusts the borrower to pay back the loan and the borrower trusts ACCION Texas more than a bank. The following quotations give examples of how ACCION Texas has nurtured trust among its clients.

If I grow, ACCION grows. If ACCION grows, I know I will grow, too. We’re like a community. We’re connected. We each try to do our best by nurturing our little grain of sand and that’s how we help each other. ACCION gives us a lot of attention and support. They listen to us first. They teach us to think about our business. Why do we want our own business, how can we get ahead in our business…They give me moral and financial support. (Music vendor, female)

I talked to Loraine several times. She always had good things to say. Her sympathy, understanding and her ability to work with me during that period gave me strength. Janie was also a big help during that time. I guess talking to friendly people and faces was a big difference. Not to mention the financial part. I did not have to lose my business or move out or anything. It was life saving to be honest. It kept things going. I don’t know how more dramatic that can get. (Artist, male)

I started out from the house, and Loraine she is the one who came to my house and checked me out. She’s the one who took a chance with me. I’ll never forget that. She’s seeing me grow from out of the house into an office. (Insurance agent, male)

In summary, ACCION Texas offers important financial support for clients as acknowledged by both quantitative and qualitative findings. However, qualitative findings also reveal important offerings that are dismissed by the quantitative trend analysis. Survey responses and interviews suggest that the relationship with ACCION Texas is improving human and social assets of clients. In the 2001 impact survey, clients report their business management, sales, and financial management skills are improving. Also, almost all clients say their bookkeeping practices have improved since their involvement with ACCION
Texas. It can be inferred from survey responses that the number of clients using a professional accountant has increased 8 percent since they entered the program. Also, nearly half of clients are using computers for financial management.

Forty percent of survey respondents report that relationships with their banks have improved; however there is not sufficient evidence to suggest that they are going on to have borrowing relationships with banks. Only one of eight clients interviewed successfully graduated to a bank-borrowing relationship. Others interviewed express intimidation, disinterest, failed attempt, or were just now getting around to considering it. Those interviewed went on to express how much more comfortable and trusting they were of ACCION Texas compared to a commercial bank. They feel they have personalized attention from ACCION Texas. This may explains why ACCION Texas is more successful at serving this population compared to a bank.

In addition, clients report that ACCION Texas has impacted their personal lives. Both survey respondents and clients interviewed feel, as a result of ACCION Texas’s investment in their business, they have greater pride and self esteem, less stress and more time for their families. ACCION Texas is impacting more than clients’ businesses. They provide human and social development that is changing the lives of their clients. Clients are not only strengthened as microentrepreneurs, they are better members of society.
Notes

1 Percentages and numbers are calculated based on survey respondents’ and interviewees’ first loan application and not on their responses to the survey or interview questions. This forms a more consistent comparison across the board with total San Antonio clients, who are described according to their first loan application in chapter 3.

2 There was no data available for one client interviewed, so percentages are based out of 7 rather than 8 clients interviewed.

3 Totals that are over a hundred percent are due to rounding.
Chapter 5. Conclusion

The research questions outlined in chapter one are addressed in this chapter. Major findings from the quantitative and qualitative research are highlighted. In addition, lessons learned during the course of the impact study are described and recommendations are provided for improving microenterprise development efforts.

Tying it All Together: Major Findings

What is the quantitative and qualitative impact of the ACCION Texas program on clients’ business growth and stability?

- Clients with two, three, and four loans experienced overall progressive positive growth in their net worth amounts, signifying that continued borrowing from ACCION Texas increases net worth. Clients with four loans experienced the most growth in net worth (85%). Their total median net worth after completion of the third loan is valued at $7,292. Median percentage rates were utilized. Clients with five loans exhibited an overall decline (-6%); however an analysis of average percentage growth rates instead of median percentage rates indicates growth of over $2,000 in net worth, or about 21 percent.

- Clients with two, three, and five loans exhibited an overall slight increase in monthly revenues, between two and three percent. Clients with four loans declined in monthly revenues by three percent; however analysis of average monthly revenues (versus median) indicates growth of $1,500 a month, or 24 percent, between the first and fourth loans.

- Although ACCION Texas does not offer formal technical assistance and training, about 25 to 50 percent of clients responding to the 2001 impact study report that their business management skills, sales skills, or financial management skills have improved since their involvement with ACCION Texas.

- Ninety-two percent of clients report that their bookkeeping practices have improved or somewhat improved since their involvement with ACCION Texas. The most common form of bookkeeping among survey respondents is use of paper ledger only (23%). Yet, 36 percent of clients report using an accountant – accountant only (15%), accountant and paper ledger (6%), or accountant and computer (15%). Compared to the 28 percent of clients who reported using a professional accountant when they entered the ACCION
Texas program, more clients are using an accountant today. Also, nearly half of clients report using a computer for bookkeeping – either alone or combined with another method. A majority of survey respondents (60%) record-keep on a monthly basis.

- Forty percent of survey respondents report they have new or improved relationships with banks; however it is difficult to ascertain the type of relationships established. Only one of eight clients interviewed has graduated into a borrower relationship with a bank. Interview findings suggest that some clients are intimidated by a bank, some have recently received negative feedback from a bank and are not pursuing a business relationship, some know they are ineligible because of large debts, some have just never thought about going to a bank, and yet others are currently in the process of pursuing the relationship.

- ACCION Texas has nurtured an environment where clients trust them and feel more comfortable approaching them than a bank. This has facilitated repeat borrowing, very small loan defaults, gradual financial growth in the business and household, and an improvement in human and social assets of the client.

**What is the quantitative and qualitative impact of the ACCION Texas program on individuals’ households?**

- Based on trends for clients with two, three, and four loans, there are consistent increases in monthly take home pay with each loan borrowed from ACCION Texas. Clients with two, three, and four loans exhibited a three percent, 15 percent, and 20 percent growth respectively between their first and last loans. This is an added $30 to $200 in extra monthly take home pay. When considering average instead of median amounts, clients with five loans show 129 percent increases in take home income. Given that business profits are not growing, it is apparent that clients are choosing to stabilize their monthly take home pay rather than grow their business profits.

- Due to ACCION Texas’s investment in their businesses, clients report they have experienced greater pride and self esteem (62%), financial stability (58%), less stress (42%), and more time with their families (29%). Interviews support these survey findings.

- In addition, client interviews describe how ACCION Texas provides valuable “social capital” in the form of networks and trust. ACCION Texas establishes networks for clients through social gatherings, mail pieces, a client directory, and referrals for training opportunities. Some businesses receive media coverage when ACCION Texas promotes its loan program. Clients also express that ACCION Texas fosters trust through personalized attention and support.
What is the quantitative and qualitative impact of the ACCION Texas program on the community-at-large?

- Trends indicate that there is a strong correlation between continued borrowing from ACCION Texas and job creation in the community. Clients with four loans and five loans increased the number of jobs between the first and last loan by 76 percent and 275 percent respectively. Long-term borrowers (four and five loans) increased their full time employment rates by a far greater number than their short-term counterparts (two and three loans). Also, trends suggest that short-term borrowers are more likely to hire part time employees than full time employees. Long-term borrowers hire just as many part time employees as short-term borrowers, but they hire many more full-time employees than short-time borrowers. This suggests that microbusinesses are electing to stabilize their establishment and finances before adding more full time employees. In sum, 243 of ACCION Texas’s business clients in the San Antonio area have created or retained 343 full time employees, 166 part time employees, and 242 self-employment positions.

- ACCION Texas’s San Antonio clients infuse the local economy with $2.3 million dollars in annual sales tax revenue.

- ACCION Texas’s San Antonio clients have a combined annual household income of $11 million dollars – disposable income to spend in the local economy.

What does it all Mean? Lessons Learned

Evidence exists that microenterprise programs facilitate the financial growth of micro businesses by providing access to micro credit. This study adds to that conclusion. It is evident that microentrepreneurs need technical assistance and training to maximize the financial benefits and sustainability of their businesses. This will allow microentrepreneurs to build their personal wealth. It is true that community development financial institutions (CDFIs) are already spread thin in program dollars and staff, so creative ways must be explored to provide training and technical assistance to small business owners in as many ways possible. Utilizing technology may be a viable option for ACCION Texas since a large portion of survey respondents report they have access to computers. Policy makers must realize that in order to double the results of CDFIs, support in the form of appropriations is necessary.
Microentrepreneurs may eventually become bankable on paper, but this study uncovers that psychological barriers must be tackled before microentrepreneurs feel comfortable seeking commercial bank loans. The social capital – networks, norms, and trust (Putnam, 1993b) – that is fostered by microenterprise programs may help facilitate the psychological graduation of microcredit borrowers by building familiarity with the lending process and trust in mainstream financial institutions. Microlenders are the bridge between microentrepreneurs and banks. Banks should also learn to emulate the social bonds established by microlending programs. This would further aid the process of graduating microcredit borrowers into the financial mainstream.

Microenterprise lending programs provide nontraditional assets that must be recognized and valued by the mainstream as tools that will propel the microentrepreneur in all that he or she does – in the professional and personal sphere, today and tomorrow. Intangible assets may include higher confidence and self esteem, more and better quality time with family, business networks, personal networks, less stress, improved business skills, improved computer skills, or greater opportunities. Moreover, small business literature suggests that one of the essential factors for success in business ownership is inter-generational transmission of ‘entrepreneurial’ know-how. For example, many successful business owners attribute their success to a parent or close relative having owned and operated a business. At least five of the eight clients interviewed shared that family members also owned businesses. Microenterprise owners are providing homegrown ‘business’ knowledge to their extended family members and next of kin. These nontraditional assets must figure into the list of accomplishments fostered by CDFIs.

Where do we go from here? Recommendations

This study highlights the many ways that ACCION Texas has impacted clients. Findings also suggest that further efforts are required to strengthen the
development of microentrepreneurs’ financial, human, and social assets. Some needed improvements are:

- Increase in business revenues,
- Increase in business profits,
- Improvements in the method of bookkeeping and frequency,
- Stabilizing household income of the microentrepreneur, and
- Building trust between the microenterprise client and mainstream financial institutions.

The recommendations below provide examples to microenterprise development organizations and CDFIs that may help address weaknesses in entrepreneurs’ business finances, bookkeeping methods, household incomes, and bonds with commercial banks.

**Offer proper business training**

Microenterprise clients need training on the proper ways to run a business. Business training can help improve revenues, profits and bookkeeping practices. Additionally, training ensures the sustainability of the microbusiness. CDFIs provide a variety of levels of business training for small businesses. Some make it a prerequisite for borrowing, while others offer it in stages depending on the capacity of the client. Some common business management course topics include the following:

- Define and clarify business vision,
- Identify the target market,
- Identify and assess the competition,
- Develop a pricing strategy,
- Develop a marketing strategy and plan,
- Develop a sales technique,
- Develop sales and production cycles,
- Develop business specific processes and procedures,
- Establish record keeping procedures,
• Analyze business costs and develop a budget,
• Make cash-flow projections,
• Use break-even analysis,
• Understand basic financial statements,
• Research and seek financing and funding,
• Identify and develop the components of a draft business plan,
• Advertise, and
• Keep track of inventory (Microenterprise Fact Sheet Series, Issue 4, 2000; Anthony, 1997; Solomon, 1992).

Microenterprise clients can grow their businesses by taking business coursework. The courses could be offered on an ‘as needed’ basis. Some training curricula has already been established by both commercial and microenterprise organizations, including Making Cents, The National Foundation for Teaching Entrepreneurship (NFTE), The NxLevel Training, The Education Training and Enterprise Center, Good Work, The Northeast Entrepreneur Fund, The Institute for Social and Economic Development’s Microenterprise Training Curriculum, and the Detroit Entrepreneurship Institute (Microenterprise Fact Sheet Series, Issue 4, 2000).

Some delivery methods for training include weekly training workshops, monthly round-tables with featured experts, web-based consultations and discussion in cyber cafes, list-serves, and mentoring that matches an experienced business owner with a new business owner in the same industry (Microenterprise Fact Sheet Series, Issue 4, 2000). CDFIs could encourage participation by providing formal certification, lowering interest rates, or allowing a month’s free payment of forgiveness. By nature, some types of businesses are more profitable than others, but with these tools individuals can increase their revenues and profits, improve their bookkeeping practices, and sustain their businesses longer.

**Provide Individual Development Accounts (IDAs)**

Individual Development Accounts (IDAs) encourage households to establish saving habits and build financial assets. IDAs are dedicated savings
accounts that can only be used for purchasing a home, furthering education or job training, or investing in a business. Dollars saved by the individual are matched by public and private sources. Usually, participants receive financial literacy training (Corporation for Enterprise Development (CFED) online, accessed 4/30/02). In *Assets and the Poor* (1991), Michael Sherraden, reports that assets improve household stability, stimulate development of other assets, including human capital, provide a foundation for risk-taking, and enhance the welfare of offspring, among other effects. Offering an IDA program to microenterprise clients would help stabilize household income, build assets, and amass the collateral needed to borrow from mainstream financial institutions. Currently, IDA programs exist in 150 communities in the U.S., half of U.S. states have passed some form of IDA legislation, seven states have IDA pilot programs, and several national foundations are supporting the Downpayments on the American Dream Policy Demonstration (ADD), a demonstration of 2,000 IDA accounts in 13 cities (CFED online, accessed 4/30/02).

**Offer financial literacy**

Financial literacy is needed to teach individuals about the importance of money management, savings, banking and credit. These teachings will help stabilize household income, repair or build credit, build financial assets, and have spillover effects into the management of the business. Furthermore, financial literacy can begin to tear down the psychological barriers that inhibit low-income people and minorities from approaching mainstream banking institutions. Financial literacy will de-mystify commercial banking and provide self-confidence in approaching mainstream financial institutions. The Corporation for Enterprise Development (CFED), National Endowment for Financial Education (NEFE), and Fannie Mae Foundation have developed a workbook, *Finding Paths to Prosperity* (2001), that contains practical information on money management and financial planning, covering topics such as goal setting, attitudes toward money, building assets, why saving is important and how to save, cutting expenses, record keeping,
how to be a smart consumer, the basics about credit and debt, financial institutions and the services they provide, and how to invest (The National Endowment for Financial Education (NEFE), 2001). The workbook and training guide are available for download from the internet or can be ordered online at http://www.idanetwork.org.

**Build bridges to Small Business Administration (SBA) offices and banks**

Microenterprise development lenders and CDFIs must become proactive in building trust between their clients, SBAs, and banks in order to tear down clients’ psychological barriers to approaching mainstream banks and banks’ high-risk perception of microenterprises. Graduating the clients of microenterprise loan funds into the SBA loan program can offer legitimacy for those seeking future commercial bank loans because banks look favorably upon businesses backed by the government. Microenterprise development organizations could facilitate this interaction by networking clients with local SBA offices and banks. This can be accomplished by partnering with SBA offices and banks to offer business training and expertise to microentrepreneurs. Also, microenterprise development organizations can refer qualified long-term clients to local SBA offices or banks, and initiate meetings where their presence lessens the intimidation and reinforces the qualifications of clients. Furthermore, microenterprise organizations can help build client trust in the SBA program and mainstream financial institutions by consistently involving them in social and professional gatherings.

**Encourage the formation of microenterprise trade associations**

Encouraging microentrepreneurs to organize into industry-specific microenterprise trade associations can help promote the microentrepreneur as a bona fide professional group with political muscle. It helps legitimize the standing of microentrepreneurs in local economies, among bigger businesses who have also organized into chambers and associations, among commercial banks, and with government agencies. As ‘micro’ businesses, microentrepreneurs have little or no voice. They are marginalized and misunderstood businesses with limited
resources. The SBA is perhaps the only government entity that recognizes the legitimacy and importance of microentrepreneurs through direct financial assistance. Other than the SBA, microentrepreneurs realistically only have access to financial resources through microenterprise development organizations, which are non-governmental agencies. Microenterprise trade associations can lobby for increased recognition as legitimate economic development vehicles, demanding more financial assistance and capacity building resources. This is an extremely viable idea for microenterprises, especially at the local level. Microenterprise development organizations can play a key role in networking microentrepreneurs who are interested in organizing as a microenterprise trade association. It is another means by which microentrepreneurs can help advance their businesses and households.

These five recommendations hint at the types of initiatives that microenterprise development organizations, and other CDFIs, could employ to strengthen business revenues, profits, improve bookkeeping methods, stabilize household incomes, and develop trust between clients and commercial banks. Addressing these needs will better improve clients’ likelihood of maintaining a successful and sustainable microenterprise, escaping poverty, and becoming active contributing members of society.
## Appendix A. Comparison of CDFI Types

<table>
<thead>
<tr>
<th>CDFI Type</th>
<th>Community Development Bank</th>
<th>Community Development Credit Union</th>
<th>Community Development Loan Fund</th>
<th>Community Development Venture Capital Fund</th>
<th>Microenterprise Development Loan Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td>To provide capital to rebuild lower-income communities through targeted lending and investment.</td>
<td>To promote community ownership of assets and savings, provide affordable credit and retail financial services to lower-income people with special outreach to minority communities.</td>
<td>To aggregate capital from individual and institutional social investors at below-market rates and re-lend this money primarily to non-profit housing and business developers in urban and rural lower-income communities.</td>
<td>To provide equity and debt with equity features for medium sized businesses to create jobs, entrepreneurial capacity and wealth that benefit low-income people and communities.</td>
<td>To foster social and business development through loans and technical assistance to low-income people involved in very small businesses or self-employed and unable to access conventional credit.</td>
</tr>
<tr>
<td><strong>Start-up Considerations</strong></td>
<td>Large Capital Requirement; Compliance with regulatory agencies</td>
<td>Need to Organize Communities; Compliance with regulatory agencies</td>
<td>Flexible start-up requirements</td>
<td>Large Capital Requirement</td>
<td>Flexible start-up requirements</td>
</tr>
<tr>
<td><strong>Governance &amp; Ownership</strong></td>
<td>For profit corporation; stock ownership; community representation on board</td>
<td>Nonprofit financial cooperatives owned and operated by lower-income persons</td>
<td>Non-profit, democratic - community, investor, borrower and technical experts serve on board and loan committees.</td>
<td>For-profit or nonprofit. Varied community representation.</td>
<td>Nonprofit. Democratic: in peer lending model, borrower groups make loan decisions</td>
</tr>
<tr>
<td><strong>Borrowers</strong></td>
<td>Non-profit community organizations; individual entrepreneurs, small businesses, housing developers</td>
<td>Members of credit union (usually individuals)</td>
<td>Non-profit community organizations, social service provider facilities &amp; small businesses</td>
<td>Invest in small to medium-sized businesses in distressed communities</td>
<td>Low-income individuals, entrepreneurs</td>
</tr>
<tr>
<td>CDFI Type</td>
<td>Community Development Bank</td>
<td>Community Development Credit Union</td>
<td>Community Development Loan Fund</td>
<td>Community Development Venture Capital Fund</td>
<td>Microenterprise Development Loan Fund</td>
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</tr>
<tr>
<td>Regulation</td>
<td>Federally regulated &amp; insured by the Federal Depository Insurance Corp., the Federal Reserve, Office of the Comptroller of the Currency &amp; state banking agencies</td>
<td>Federally &amp; state regulated &amp; insured by the National Credit Union Administration</td>
<td>Self-regulated; except for non-profit 501(c)(3) restrictions and state securities law where applicable</td>
<td>Variable. Depends on funding sources.</td>
<td>None.</td>
</tr>
<tr>
<td>Capital Sources</td>
<td>Deposits (often below market investments) from individuals and institutions, govt.</td>
<td>Member deposits &amp; limited non-member deposits from social investors, govt.</td>
<td>Foundations, banks, religious orgs., corporations, govt., insurance companies and individuals</td>
<td>Foundations, corporations, individuals, govt.</td>
<td>Foundations, govt.</td>
</tr>
<tr>
<td>Financial Products &amp; Services Offered</td>
<td>Mortgage financing, home improvement, commercial business, nonprofit &amp; student loans. Consumer banking services</td>
<td>Consumer banking services (e.g., savings accounts, check cashing, personal loans, home rehabilitation loans</td>
<td>Construction, pre-development, and facilities &amp; business start-up and expansion loans</td>
<td>Commercial equity investments and loans with equity features</td>
<td>micro-business start-up and expansion</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>Usually subcontractors or separate subsidiary</td>
<td>Credit counseling, business planning</td>
<td>Extensive guidance before, during, and after loan transaction</td>
<td>Extensive technical assistance to portfolio companies, including taking seats on their boards of directors</td>
<td>Substantial training and technical assistance in social and business development</td>
</tr>
</tbody>
</table>

Appendix B. Methodology

Objective and Research Questions

The primary research objective of this report is to gain a better understanding of the impact of the ACCION Texas program on its San Antonio clients in the growth of their businesses, households, personal lives and communities. The study was initiated by ACCION Texas as an intern project in the summer of 2001. This professional report builds on the research data collected during the summer, focusing on San Antonio clients. The results of the professional report will not only serve ACCION Texas in evaluating their impact on clients, but will also inform policy makers, government entities, community development practitioners and advocates, academics, funders and others interested in microlending as an economic development initiative.

The following research questions define the analysis of this study:

9. What is the quantitative and qualitative impact of the ACCION Texas program on clients’ business growth and stability?

10. What is the quantitative and qualitative impact of the ACCION Texas program on individuals and households?

11. What is the quantitative and qualitative impact of the ACCION Texas program on the community-at-large?

Quantitative Analysis

Database population

ACCION Texas maintains a large database of over 1,500\textsuperscript{31} clients whose information is gathered at the time of each loan application. Many of ACCION Texas’s clients are repeat borrowers; this implies we can analyze changes from one loan to the next. The focus of this study is individual loan clients in the San Antonio area, who numbered 630 as of July 25, 2001.\textsuperscript{32}
Logic of Trend Analysis

Socio-economic and business descriptive statistics for 630 San Antonio clients provide an idea of the types of clients ACCION Texas serves. Furthermore, trend analysis of client growth from loan to loan forms the basis by which to evaluate the impact of ACCION Texas on its San Antonio clients. The four levels of borrowing experience: two loans, three loans, four loans, and five loans are proxies for measuring the impact of continued borrowing with ACCION Texas. The methodology for trend analysis is borrowed from a study commissioned by ACCION International that measures the client impact of the entire U.S. network of ACCION affiliates (Himes and Servon, 1998).

Trend Analysis Design

First, group-loan clients are eliminated from the San Antonio population because they are so few and complicate the analysis. In the future, they must be measured as a separate category altogether. Clients with one loan are also removed from the population. There is currently no basis by which to measure their growth. ACCION Texas does not monitor clients between loans. Only clients who return for additional loans can be measured for growth that occurred between the first and last loan applications.

Next, client categories are established. Categories help determine the level of impact of ACCION Texas at different reference points. The four client categories are 1) two loans, 2) three loans, 3) four loans, and 4) five loans. They are each separated into different databases. The number of clients in each of these categories is 118, 63, 41, and 21 clients respectively. There are too few clients with six or more loans to include in the study.

Quantitative impact on business, household, and community are evaluated. Impact in the business is measured using the variables net worth, monthly revenues, and monthly profits. Impact in the household is measured using the variables monthly take home pay and monthly household income. Community impact is measured using part-time and full-time employment positions. In
addition, the total annual sales tax revenues generated and total annual disposable income of clients is calculated.

Furthermore, clients who have borrowed between two and five loans are measured for changes between each loan application. For example, clients with three loans are evaluated for changes that occurred between their first and second loan and between their second and third loan. This provides an idea of the level of growth that occurs as the borrowing relationship with ACCION Texas progresses.

**Qualitative Analysis**

**Survey Population**

The 2001 impact survey targeted all active and inactive ACCION Texas clients as of July 25, 2001. The survey was mailed to 1,509 clients all over the state of Texas.

**Logic of Survey**

Given limited resources – human, financial, and time – a survey provides a relatively inexpensive and quick method of gathering qualitative information from the targeted population that supplements quantitative findings. Based on the sample of respondents, broader inferences can be drawn about the larger population of clients. Inferences from a survey may not be as detailed as those from an interview, however a larger sample of respondents can be reached making survey findings more representative of the total population.

**Survey Design**

To complement the quantitative analysis, a self-administered survey was distributed to clients through mail in July 2001. In consideration of clients’ time, the survey was limited to one page. The surveys sought to gather information on clients’ perceptions of how ACCION Texas has impacted their businesses, households, communities, and other areas of their life. The questionnaire included multiple-choice answers and also allowed the client to write-in responses. The survey asked demographic questions, as well as questions about business skills
gained, personal impact, bookkeeping methods, relationships with banks, education, and financial status. The survey instrument is included in Appendix D. Two drawings for $50 were promoted to encourage survey responses.

**Survey Responses**

In all, 126 clients responded to the survey and 149 pieces were returned with no forwarding addresses. Ninety-seven of the returned pieces of mail were from the San Antonio area. Accordingly, the statewide response rate was nine percent and eight percent in the San Antonio area. Fifty-two survey responses were received from the San Antonio area. This response rate provides a limited view of the total population, however a comparison of demographic variables for the total San Antonio population and the San Antonio survey respondents indicates that the survey sample is very similar to the total population. See Table 4.1.

There are two reasons that may explain the low response rate. First, although it’s the most typical method of dissemination, mailed surveys are generally known to have the worst response rate. Personal interaction increases the response rate (Babbie, 2002, p. 257). No follow up phone calls or mail pieces were conducted. These may have boosted the response rate. Another reason that may have contributed to the low response rate is that a Spanish version of the survey was not included and 70 percent of ACCION Texas’s clients are Hispanic, some of which may only speak Spanish.

**Interview Population**

Repeat borrowers were targeted for interviews on the basis that their long-term involvement with ACCION Texas could provide richer descriptions and a general willingness to participate in interviews. However, near the end of the research project three interviews with clients with one loan were conducted to find out why clients with one loan do not return to ACCION Texas. Interviews with clients with one loan have been omitted from this study.
Logic of Interviews

Interviews with San Antonio area clients sought to provide rich descriptive narrative on the impact that ACCION Texas has on its clients. The findings of the interviews balance one-dimensional analysis of the quantitative findings.

Interview Design

Fourteen personal interviews were conducted with clients in the San Antonio area. Computer-generated numbers randomly selected clients. These clients were called one by one until there was a sizeable sample of clients who had agreed to be interviewed. Nearly one hundred clients were called. Often phone numbers were wrong and disconnected. In that case, another random client would be selected.

The interviews were structured and open ended. The interview questions were pre-established by ACCION International to generate success stories for marketing purposes. Christina Himes and Lisa Servon also used some of the same questions in their study of the ACCION U.S. network. The interview questions are provided in Appendix E.

Interviews were generally conducted in the homes or businesses of clients, except for two that took place at the ACCION Texas office in San Antonio. Interviews took approximately one hour and covered the same topics as the survey, but allowed for more elaboration on behalf of the client. Clients were usually very forthcoming and gracious toward ACCION Texas. Clients with one loan tended to be more reserved than repeat borrowers.
Notes

32 ACCION Texas offers both individual and group loans. However, the large majority of loans tend to be individual loans. This analysis of this study omits clients who have borrowed group loans.
Appendix C. Cover letter sent with Impact Survey

July 11, 2001

Dear Friend of ACCION,

On behalf of ACCION Texas I would like to thank you for being a client of ACCION and ask that you participate in this brief client survey. Your feedback will provide us valuable information on how ACCION Texas has influenced your business and personal life.

The survey will inform ACCION leadership, loan officers, funders, and the general public about the results of investing in small businesses. It is likely that the results of this research will be summarized in communications materials such as ACCION’s Annual Report, newsletters, and when talking to the media about what ACCION does. Your name will remain confidential at all times.

ALL SURVEYS RETURNED BY JULY 31ST WILL BE ENTERED INTO A DRAWING FOR $50. Two $50 prizes will be awarded. Please answer the questions on the back of this letter and return this page to ACCION Texas in a stamped envelope to:

ACCIÓN Texas
109 North San Saba
San Antonio, Texas  78207

If you have any questions about this survey or would like information about borrowing another loan, please contact Perla Cavazos at (888) 215-2373. Thank you for your time.

Sincerely,

Janie Barrera
President & CEO
Appendix D. Impact Survey

Please check the boxes that most accurately reflect your experience and fill in the blank when appropriate.

Your Name: ____________________________________________________________
Home Phone:_________________________________ Business Phone:_____________________
Mailing Address:________________________________ City, State, Zip:_____________________

1. What kind of business do you have? __________________________________________________

2. How many years have you owned your current business? ______ Years
   If you have owned other businesses, how many years have you owned all past businesses? ___ Years

3. Where is your business located?
   ? Other:____________________

4. How many employees do you currently have? Full Time:______ Part Time:______

5. How do you track your Business sales, expenses, and profits?
   ? Other:____________________

6. Have your book-keeping practices improved since your involvement with ACCION?
   ? Improved ? Somewhat Improved ? Not Improved

7. What other business skills have you acquired since your involvement with ACCION?

8. Have you established new or improved relationships with banks since your involvement with ACCION? Which bank(s):________________________________________________________

9. As a result of your business involvement, have you increased your education?  ? Yes  ? No

10. As a result of owning your own business, do you feel the chance of your children attending college is greater?  ? Yes  ? Somewhat Greater  ? No

11. Are there examples of how ACCION’s investment in your business has influenced your personal life? Check all that apply.  ? Spend more time with family  ? More time for community involvement  ? Greater pride or self-esteem  ? Less stress or better health  ? Financial stability  ? Other:__________

12. What would you say is your average monthly business revenue (sales)? $____________________
   Average monthly business profit (after you pay yourself and expenses)? $____________________
   How much do you pay yourself each month? $____________________
   What is your average monthly household income, including other jobs and/or spouse income? $____
13. Have you purchased any new business assets (equipment, inventory) since your most recent loan from ACCION?  ? Yes  ? No  If yes, about how much did you spend? $______________________

14. Are you on any form of public assistance? (For example, AFDC, Energy Assistance, Unemployment Insurance, Medicaid, Housing Assistance, Food Stamps)?  ? Yes  ? No
Appendix E. ACCION Texas: Personal Interview Questions

Background:

What is the official name of your business? How do you spell your full name?

What type of business do you have?

When did you start your business?

How many years have you been a business owner, including all past businesses?

Did your parents or grandparents start your business?

Why did you go into business for yourself? Was it your idea, someone else’s?

Do other members of your family have their own business?

What were you doing before you started your business?

What do you like best about owning your own business?

What have been some of the challenges to starting your own business?

What other kinds of jobs have you had?

Do you have a regular system of book-keeping for your business?

Do you have employees? How many?

Tell me about your employees (are they members of your family, members of your community, etc.)

Personal:

Are you married?

Do you have children?
Are your children in school?

Did you go to school/college? For how long?

Do your children help you in your business?

How has running your own business affected your life (e.g., do you have more time to spend with your children; more money so you were able to add onto your home; more money so you are less stressed; able to send your kids to college, etc.) Try to get the client to be specific here – the impact of their business on their life is key. Try to link this impact as much as possible to the ACCION loan.

**Experience with ACCION:**

How did you hear about ACCION?

Had you gone to a bank or other source for a loan before applying for the ACCION loan?

What would you have done if you had not gone to ACCION?

Tell me about the process of getting your first ACCION loan?

How much time did you spend with your loan officer on your loan application?

What did you use your first loan for?

Have you received any other loans from ACCION? What did you use them for?

Do you plan to apply for more loans from ACCION in the future? What will you use them for?

How has your ACCION loan affected your business? [Again, try to get them to be as specific as possible here.]

Have you established new relationships with any banks since your involvement with ACCION? If yes, with who?

Do you spend more time with your family as a result of ACCION’s investment in your business?
Has your relationship with ACCION affected other areas of your life? (PROBE: involvement in the community, family, employment experiences)

Is your financial situation more stable than it was before the ACCION loan – are you closer to supporting yourself with less financial help from family, friends, or credit cards?

What business skills have you acquired since your involvement with ACCION?

What would you say is your average monthly revenue?

What would you say is your average monthly profit? (after costs and owner income)

What would you say is your average monthly take-home pay?

**General:**
If you had to give advice to someone like you who was thinking about going into business, what would you tell them?

What, if any changes, would you recommend for ACCION Texas’s lending process?

What other business resources do you use (for example, local Small Business Administration, Small Business Development Center, websites, books, or so on)?

Where should ACCION Texas advertise (for example grocery stores, churches)?

Would you be willing to help ACCION Texas promote its program?

**Wrap-up:**

Do you have any questions for me?

May I call you if I think of anything else I would like to ask you?

If you think of anything else you would like to tell me or add, please feel free to call me. Thank you very much for your time and for sharing your thoughts with me.
Appendix F. Other Interview Findings

Why microentrepreneurs go into business for themselves

Because they have talents and skills that others want:

I like arts and crafts. I’d always get together with other people and do side businesses with arts and crafts and things like that. I’ve done Tupperware. I’ve done Avon. I’ve done stuff like that. …I can do it when I want and there’s no pressure as to how much I have to produce and that’s why I like it… Including all other little businesses ventures, it’s been over twenty years since I’ve been doing stuff like that cause I’ve always been doing something in one way or another. I had a cake decorating business at one time. I’m going to retire from teaching in 13 years and when I retire I’ll be able to do Mary Kay full time and I’ll still have built it up all these years. It’s real conducive to someone who has a busy schedule already and enough on your plate and you’re thinking can I add one more thing. And with this you can because you can do it at your leisure (Mary Kay Consultant, female).

But I’ve always had the businesses on the side because I would do something for someone and that would lead to someone else and eventually it would lead to a business. (Mary Kay consultant, female)

I got involved by accident. I sew for relaxation. Then somebody paid for it. I figured it was a nice way to make extra money. I didn’t need the money at the time. Did it as a hobby. Then I did some draperies for one woman and she didn’t want to buy the draperies from one person and the blinds from some one else. She wanted to get it all from the same person, so I bought her little mini blinds and installed them. I kept running into people like that. That’s how I got started. And the more and more representatives that called on me I just kept adding things to my business. Like I was over at a representative’s house installing draperies and they were talking about next month doing the floors. I just kept seeing opportunities so I just kept adding on to what I could do. / I’ve always wanted my own business. I just didn’t know what it was going to be and that’s why I say it was an accident. When I started sewing, I didn’t know I was going to go into business. I did it for relaxation. I didn’t know it was going to turn into a business until I started doing it or I should say until other people started recognizing that I could do it. I just always kept my heart and my eyes open and when it came that’s the way it happened. I
didn’t realize it until someone offered to pay me. (Interior decorator, female)

My friend wanted to get his own designer name so that him, being the printer, would make as much money as his client that he was printing for. He was getting paid for printing but not the extra amount for selling shirts. I talked to him about that. He wanted me to design some designs for him and that we would go into partnership to sell T-shirt designs. This was back in the late 80s. I told him, “Well what if I came up with my own designer line of shirts?” he said “Well you do that and we can start by me printing them for you and we’ll sell them to the youth of my distributors that sell them. Then once you feel comfortable we can go into partnership. Right now I am paying for the shirts, but at some point we can go 50/50,” that’s what he told me. So, I came out with my own design the Texas Legend Enterprise design. To inaugurate my design that was actually on the shirt itself. That was on every shirt across the stomach area on the bottom and then I had a design like I had a David Crockett, Texas Ranger, Long Horn, a deer, and more like that. So I did a whole series of these. It was going well. I liked the design so much that I used it for my card…So, when I quit teaching in 1991 I decided to start my own business and call myself Texas Legends Enterprises. I checked and no one in the world had that name, so I went ahead and copyrighted it for my own name. I use that for the umbrella for any kind of art business. I don’t specify what I do, so I’m not locked into anything. (Artist, male)

*Because of the family’s history of being in the same line of business:*

My father used to have his own electronics shop in Mexico. I was one of the youngest. I was about 9 years old. It should have been my oldest brother who took an interest. But, no, he never wanted to learn the business. He didn’t like it. I was the only one who was interested. (Electronics repair shop owner, male)

I began my business in 1979, 21 years ago. It was my first business, although I helped my father with his business for many years. My dad’s business was named Iron Works. He opened his business in 1945. My brothers run dad’s business now. As Mexicanos, we were expected to help dad. So we learned the business. No ifs, ands, or buts. After school and on weekends. We had no choice. I’ve been in the same business my whole life. (Metalworker, male)
Out of Necessity (Can’t find other job/ Need the business to survive financially)

What made me decide to change careers was because I was running into discrimination. People were basically just saying that I couldn’t prove it. I didn’t even want to do that; I didn’t want to go there. I got upset about the whole thing. I figured the next thing for me will be to be self-employed and look for a job because everyone who was committed to hiring me never would hire me. One time I even went to go apply at a restaurant, and he had asked me if I could keep up in the kitchen with my prosthesis. I told him that I didn’t know I was going to apply for a cook. I run restaurants. I’m very strong in management. All of a sudden me keeping up in the kitchen was an issue. So, I started running into that. Finally I just realized it’s not their fault, and I’m not going to get upset about them because everyone when they look for people they have their criteria they follow. It may not be your criteria though. It’s not written, but it’s there. So, I just decided I was just going to get into sales and this way I know I wouldn’t have that problem. I did struggle in the beginning. But, that’s what made me get into this business because of discrimination because of my handicap. …Now looking back at it I think it was a blessing in disguise because what I do now I love it….. I chose insurance because I had a friend who was bugging me about getting insurance line. If that buddy would have been would have been trying to get me to sale toys door to door I would have been doing that because it was the thing closest to me when I made that decision that I had had enough of this (discrimination). It was just a random selection of what I wanted to do. I knew that I wanted something easy physically because now that I have a new handicap….(Insurance agent, male)

…A guy took a chance with me. He said, “Hey, I got 40 of these little cards like this. People want you to go see them.” I didn’t know what they were. I thought, “Hey people want me to go see them.” He said, “Can you go run them?” I said, “Yeah, I’ll go run them.” I came back, and he was surprised. I ran all of them. It was four applications. He couldn’t believe it. I know what he was thinking. He didn’t tell me, but I know he was thinking, it usually takes an agent two weeks to go through that. It took me four days because I was starving. I needed money right away. That’s why sales is so scary. You have to attack it that way and you’ll do well. I love it. (Insurance agent, male)

It is not like an eight to five job where I can go home, be with my family, and forget about work. But I can’t afford that kind of job as a divorced woman. I have to be the father, mother, business woman, care-taker, everything. It is harder for single women to share their time. If my family
is important to me, I have to fight for my business – keep at it. (Music vendor, female)

Because it is what they want to be doing

Right out of college I knew I wanted to be my own boss in ’77… The whole time I was doing freelance stuff here and there, but the whole time I wanted to do gallery art. (Shows gallery examples). Back in the late 70s and mid-80s that’s all I did was gallery art. I also did some freelancing off to the side. I’ve been doing some kind of art for 24 years straight. I’ve never had a regularly paying job as an employee except when I was teaching at the Holy Cross ’87-’91. That put a halt to all my stuff [art]. I didn’t like that. (Artist, male)

The effects of being self employed: Benefits and Challenges

The benefits of being self-employed

Clients that were interviewed for this study proclaimed many benefits to self employment. Those benefits that influenced the business environment included freedom and control, the formation of networks, and the ability to express creativity

Freedom and Control

I always thought that if you worked really hard you would get compensated for it, but at my previous job I worked really hard for many years and my income was never raised. When you work hard at your own business, your sales go up and your income increases (Insurance medical examiner, male)

My ideas – I don’t have to tell anyone if I’m going to do them. I like making my own decisions and that no one tells me what to do. (Electronics repair show owner, male)

What I like is that I have the ability to work for customers I really want to work with. If I don’t want to work then “we’re too busy to take on another project.” That’s what I do to weed out bad payers. Those of us who work in the iron work industry we communicate about slow paying customers. I have the ability to say no.” (Metalworker, male)

I love what I do. I can turn it on and turn it off when I want to. I can leave right now if I wanted to; I don’t have a boss… I want to say freedom is the thing I like best about owning my own business, the freedom to turn it on
or off when you want to even though I do treat this as a regular job. (Insurance agent, male)

Although flexibility does not necessarily mean fewer hours of work.

I like best the freedom to be as creative as I want to be or need to be to sell to make a customer to satisfy me. Like when I sold pharmaceuticals I had certain guidelines and even though I knew that the customer had a certain need that I can fulfill but I can’t because the company says I have to do this, this, and this…But as an owner I can make the deal it takes to satisfy the customer and help me. That’s one of the luxuries. (Interior decorator, female)

What I like best about owning my own business is I can do what I want whenever I want. I’m free to go to work as less as I want or as much as I want, I also can take as much time as I need without anyone looking over my shoulder. The other good thing is I’m a stickler for quality, so I won’t let anything go until it is as good as I can make it…So, I get quality control, and the freedom to do it whenever I want. (Artist, male)

**Forming Relationships with Employees, Customers, and Business Associates**

I also like conversing with people, meeting people and keeping up, staying active. (Music vendor, female)

I like working with different people. (Metalworker, male)

Every unit that I would make my sales would go up. The reason they would go up was because I’m a people person. I didn’t know this because I was too—I just thought I was in the business to bring home a paycheck every week – which I did. Then I started thinking. There are reasons why people stay with me. There are reasons why I had high volume sales. There are reasons why my people were always happy working for me. I’m a people person. (Insurance agent, male)

Now that I’ve made this decision where I’m at I’m trying to get people encouragement that they can get out there and do it on their own. (Insurance agent, male)

If I do decide to do [Company name] shirts again I’ll probably use someone here in town. A small printing company this would help as opposed to getting a big company. It will probably be more expensive, but I’d rather help someone out because I’m a sole proprietor; if somebody has
one or two or three shops I’d rather help them then someone who has $50,000 employees or 10,000 employees. (Artist, male)

Working has instilled other values outside of books,” says daughter of Metalworker. You may be a rocket scientist, but how do you conduct yourself,” says Metalworker. “One employee didn’t even have a high school degree. He worked 28 years for us. He was an excellent welder, problem solver, mechanically inclined. He couldn’t read or write. It’s all about how you you carry yourself. Of course, we do more than just work around here. I talk to my employees and ask how they’re doing.” (Metalworker, male)

My spiritual needs are fulfilled because of the people I have met and the philosophy that they have about life in general. That’s been a big plus…I get to meet so many people, and no matter what I’ve done, I’ve made friends and acquaintances over the many years. (Mary Kay consultant, female)

Everyone at the flea market knew my kids. It was the same for the other women. We knew all their children. We were all struggling to make our business. We women, we fight to survive, to do what we can to get our families ahead. (Music vendor, female)

Ability to express creativity

You can suggest things. I’m working with them [customers] individually …You need sales, but you can be creative at the same time. And that’s why I like your own individual business versus working for someone else… I like creative things, whether it’s in teaching, Mary Kay, art and crafts or whatever it is – decorating – I like doing it myself. (Mary Kay consultant, female)

Those interviewed expressed a multitude of benefits that affected their personal space and household. Benefits include financial independence and a better quality of life, ability to further personal education and the education and the education of children, less stress, personal satisfaction, ability to spend more time with children, greater confidence, and family unity.

Financial Independence and a Better Quality of Life

The advantages of having my own business is that I am independent. I have money to use for a better future for my family. (Music vendor, female)
I like being the owner and of course, the money is good. (Electronics repair shop owner, male)

Last year my husband and I went to the Bahamas to celebrate our 25th anniversary. A lot of women in Mary Kay do this – they figure out how much they need to sell to do the trip and they get out there and sell. I didn’t use my salary from teaching. I paid for it though my Mary Kay income to pay for that trip…If one of the kids needs money for school and I don’t have it in my savings I can go to the business and start booking classes and picking up new customers…My businesses on the side have always helped to do the extra things where maybe without them it would have taken longer to do or we wouldn’t have done them at all if it weren’t for the extra income. (Mary Kay consultant, female)

I make the time to go on vacation with my family… I do take a vacation. I work hard. I need a vacation. We plan it and budget for it. With a vacation you can relax and come back eager to fight the world again. We take the entire family. The memories are important. (Metalworker, male)

**Ability to Further Personal Education**

I like learning. And that’s one thing about owning your own business. You are self-learning. Everyday there is something new. It keeps you alive. It keeps you going. I like that. (Mary Kay consultant, female)

[I gained skills in] Customer relations and the actual technique and application of the products. I’ve gotten a lot of training from the company [Mary Kay]. (Mary Kay consultant, female)

I got out of legal totally and I told my husband, “I’m going to finish my degree in teaching, but I have to go during the day.” …I took 18 hours [of coursework] and I did the arts and crafts business to support our bills and then I went through region 20 to get certified for elementary because my degree in education was for high school. …So for a year and a half, I did just the entrepreneurial business – the arts and crafts and that supported us. I made almost the same amount of money that I made in a legal office. But, boy, did I work. (Laughs) (Mary Kay consultant, female)

**Ability to Further the Education of Children**

I do believe that my children have had a greater opportunity to attend college because they did well in junior high and high school. They were always good students. My wife and I tried to provide the best for them so that they would want to study more. They graduated from high school and...
then went a semester to college. But it helped me a lot – economically they were able to keep studying. But they got married… Our greatest hope is for our 13 year old. She’s a good student. She’s doing real well. She says she’s going to keep studying. She graduated from elementary and she had a choice between 3 junior high schools. We chose one that my brother in law recommended because his daughter went there and it’s a good school. She likes languages. She knows two and is studying French. The 13 year old starts to teach us what she learns in French and then she starts talking with the youngest – in French…But unfortunately my two oldest only attended about one year at San Antonio Community College and then began having children. My son has three children and he’s only 23 so it’s difficult for him to continue. We tell the girl (his wife), “no more until you can do something to advance yourself. At least a quick degree.” She’s young about 21 or 22. My daughter just had a child too and had to stop going to college, too, but she wants to go back when her baby gets older.

(Electronics repair shop owner, male)

So that’s when I got out of legal totally and I told my husband, “I’m going to finish my degree in teaching, but I have to go during the day.” Because when you get toward the end, they don’t offer the courses at night. And so I said I’m gonna go. I took 18 hours in one summer. I got approval to do everything at Southwest. I took the 18 hours and I did the arts and crafts business to support our bills and then I went through region 20 to get certified for elementary because my degree in education was for high school. So I went to get certified through region 20 for a year also. So for a year and a half, I did just the entrepreneurial business. The arts and crafts and that supported us. I made almost the same amount of money that I made in a legal office. But, boy, did I work. (Laughs) (Mary Kay consultant, female)

I always tried to encourage my daughters to get an education. Those are our family values. My mother always told me, “Get an education.” “Working has instilled other values outside of books,” daughter of Metalworker. “You may be a rocket scientist, but how do you conduct yourself, how do you carry your self?,” says Metalworker. “One employee didn’t even have a high school degree. He worked 28 years for us. He was an excellent welder, problem solver, mechanically inclined. He couldn’t read or write. It’s all about how you you carry yourself. Of course, we do more than just work around here. I talk to my employees and ask how they’re doing.” (Metalworker, male)
My son is just starting college, and my daughter is finishing this year. It is because I think for example, my daughter is taking courses and whenever there is a business part of the subject she influences me and I like that. I like talking to her about business. So, I help her out on that, and I can fall back on real live experiences that I’ve gone through. I helped out one time, and she said, “Thanks Dad, I got a 100.” I felt real good, but I kind of worried too that I was going to screw in up for her. But, she got a 100. Basically for economic type of questions, and I love it. I didn’t get to finish that course, but it was my favorite. My son is an athlete. He’s not going to Baylor. I’ve been able to influence him a little bit. I tell him to go to school and get a degree, so you don’t have to work as hard as your Dad. I do good at that, at being a motivator. Even though I like what I’m doing, I’m going to be the next one going to school. There is going to be three degrees on the wall, and there is going to be one next to me saying that I need to go back and get my degree. That’s going to be my goal. My wife is starting to get her insurance license in case something should happen to me. This will make sure she’ll be able to keep up the business. Then we won’t have to sale it. But, if she gets that then I have to pursue getting my degree and finish up. We made that deal. If she does something for me I have to do something for her. It’s not really for her. It’s for me because I want to do it. Mainly in all I like the fact that my kids are able to go to college. (Insurance agent, male)

What I love the most, and what it has done for me is my kids have graduated. My son is going to Baylor. My daughter is graduating from Incarnate Word. My wife is going to graduate from St. Mary. I don’t think I could have done any of those things if not for this job. (Insurance agent, male)

*Less Stress*

That [managing restaurants] really prepared me for this [business] because there was a lot of pressure. Insurance is not a lot of pressure like the restaurant was. …I didn’t like having to fire people even though most the time it was deserving. Some of the ones I had to fire were my friends. So in here, the business that I have here [insurance agency], I don’t have to fire anybody because you self-terminate yourself. If you don’t sell, you don’t make any money. You don’t make any money; you go away. You don’t have to fire anybody. (Insurance agent, male)
Personal Satisfaction

I like my work – it’s art work…You must have a liking for your work or it will tear you apart. (Metalworker, male)

Ability to spend more time with Family

When I was working out of the house I realized I was making $11,000 a year, but I got to see my son and daughter everyday because I worked out of the house. …I’m making less money, but this is a good thing. Eventually I know I need to make more money, but I can lie with this. I can start putting things into motion where money won’t be an issue anymore. I got to see my kids and that was something I liked. (Insurance agent, male)

When my wife is working, I’m the one who has the flexibility to leave work to take the children to the doctor or go to school for teacher meetings. They just call me on the phone. (Electronics repair shop owner, male)

I definitely would not have been able to make all my sons games. Everyone of my sons foot ball games I made it, and my daughter in dance I made it. I was able to make it because there was not that excuse of, “I have a meeting.” I’m the boss. That right there is priceless. (Insurance agent, male)

As a single adoptive parents I don’t think I could have endured some things that I’ve had to endure in a 9-5 job…I have lots of time scheduled around my children’s activities. So it [my business] has given me some freedom. In the summer time I’m with them all day. When school’s out they are home with me…When they have something special at school, I don’t have to work that day. I know not to schedule something that day…So it does allow me some freedom that you wouldn’t have if you worked with someone else. (Interior decorator, female)

Although I work a full time job, my Mary Kay is very flexible. I can book around my family time. It makes a big difference in owning your own business. (Mary Kay consultant, female)

Greater Confidence

My business has made me more independent and sure of my self. I aspire to do more, to want more. I want a bigger business. When the business doesn’t do well, I’ve learned to cope with it. The same goes for when my business does well, I’ve learned to cope with that, too. I’ve learned to be conscientious and balanced with my business and with my life. (Music vendor, female)
**Family Unity**

My oldest son is twenty-one years old. He works and is married. He and his wife just bought a house and they’re so young. He tells me that he saw me work so hard and learned from my example. My seventeen year old son works, too, mostly to buy his clothes and stuff, but sometimes he gives me money, too. My fifteen year old daughter helps me with my business. She and my nine year old they come hang out here during the summer. They have more fun here at the Farmers Market than staying at home all day. All the children participated in the business. [Music vendor, female]

Those interviewed also felt that being-self employed allowed them to add quality jobs to the community.

**Quality Jobs**

*Daughter of Metalworker*  “There is a flexibility of owning your own business.”  *Metalworker:*  “We hire individuals when we need them, even if the economy is bad there is always something to do. We don’t have to worry about a RIF [reduction in force].”  (Metalworker, male)

I look for good character and talent in welding. When they took industrial education from the high school curriculum, human resources became tight. Only 3 or 4 schools in all of San Antonio offer industrial education. Sometimes I find someone who is very talented but has drug problems, is on probation, or has family problems. I work at very elite houses and I need to watch out about my employees. I drug screen. I do background checks. These are good kids that work for me. I expect them to show up everyday for work. And I talk to them, it’s not just work. …I’m also gearing my search to younger people that I can train. Metal work is an honorable trade. (Metalworker, male)

**The challenges faced by microentrepreneurs**

Whereas the benefits of being self-employed tended to mostly impact the microentrepreneurs’ personal sphere, the challenges all relate to business life. Those interviewed state the challenges of being self employed as below: difficulty of leaping into full time self employment, working extended hours, difficulty managing resources, need for financial capital, need for motivation and support, difficulty of making profitable decision making and the added responsibility of owning your own business.
Jumping into full time self-employment

I don’t try to paint the picture that it is easy because it’s not. It’s scary to go out on your own. (Insurance agent, male)

It’s always been that at the same time [that I’ve had my own business] I’ve had a full time job. So it’s always been real difficult to let go of the full time job and make the jump from full time into part time to turn the part time into full time...But it was never enough of a business when you had too many bills. You know the situation where you have all the bills and you have to make X-amount of dollars. So this extra stuff is like fluff that you’re making, but not enough to support you. (Mary Kay consultant, female)

Working extended hours

The disadvantage is that I have to be there all the time, everyday working. I work 50 to 60 hours. I work everyday from 9 to 7. And on Saturdays sometimes I stay to about 5 or 6. I work more than 40 hours. (Electronics repair shop owner, male)

The challenges have been the sacrifice of family time. For example, as a business owner, I think about my business 24 hours a day...about new products, about distribution. It is not like an eight to five job where I can go home, be with my family, and forget about work. But I can’t afford that kind of job as a divorced woman. I have to be the father, mother, business woman, care-taker, everything. It is harder for single women to share their time. If my family is important to me, I have to fight for my business – keep at it. (Music vendor, female)

I am here every day 9-5 and longer too. I don’t take advantage of the fact that I can leave at any time because I don’t. I come 9-5 everyday or 8:30-5 and usually a lot later than that. (Insurance agent, male)

Managing resources: time, technology, labor

Balancing. Keeping yourself organized...I’m a computer person, so when I go to my computer everything is there – its all organized for me, so I don’t have to run around trying to figure what I need to order this, that and the other. It saves me time. And that’s the challenge that I met when I got so busy that I had to get it to keep organized and keep track of everybody... It’s not that much. Just a little over $100 for the program. And that might sound like a lot for a computer program, but with all that it does for me – it saves me a lot of time. (Mary Kay consultant, female)
This is the type of business where you have to have inventory. Because if you get a customer who calls you for a product – you’re going to order one item? Well, that’s not going to work because you have to order a minimum of so much. You need to keep a certain amount of inventory in order to stay in business. Just like any business. Like if I go to the store and they don’t have what I want, I’m not going to go back there. Everyone’s in a rush. (Mary Kay consultant, female)

At first I was limited before the girls. I did everything on my own – payroll, billings. It was very stressful. I would work twelve to sixteen hour days. When the girls came in I didn’t have to worry anymore about the accounting. And I spend less time at work. Now, we leave by 5:30. I work an average of 45 hours a week. (Metalworker, male)

Finding employees is difficult. We had equipment problems and we took care of that. We had facility problems and we took care of that. We had money problems and we dealt with that. We are still dealing with the difficulty of finding employees. I look for good character and talent in welding. When they took industrial education from the high school curriculum, human resources became tight. Only 3 or 4 schools in all of San Antonio offer industrial education. Sometimes I find someone who is very talented but has drug problems, is on probation, or has family problems. I work at very elite houses and I need to watch out about my employees. I drug screen. I do background checks. These are good kids that work for me. I expect them to show up everyday for work. And I talk to them, it’s not just work. Right now, I’m using the Texas Workforce Commission internet site. We got 25 individuals that fit the profile we’re looking for. We’re calling them. I’m also gearing my search to younger people that I can train. Metal work is an honorable trade. (Metalworker, male)

Also most the time the challenge is to find work that I can do by myself. Twice I’ve had to hire friends. One ended up working great, but he moved. The other one ended up costing me money. It was like a $4500 project that I ended up not making any money on and possibly lost some money in that project. Both were friends and excellent artist, but one was not a good co-worker. The challenge is trying to find stuff to do on my own. (Artist, male)

Staying in business all the time is the challenge. Staying in business in a sense that you don’t take a project that is too big where you have to hire other people, but big enough where it will sustain me, one person in my business, the whole time. That’s the biggest challenge--finding stuff that is
not to big, and knowing when not to bite on something I cannot handle...The biggest challenge is finding stuff that I can do self-contained by myself with my own assets. I got someone to build the signs. I got the client to pay for the wood, and got somebody to build them. This way I don’t have to do the building. I can handle finding someone to build stuff like that. It’s something I don’t want to spend time on because somebody else can accomplish it a lot quicker and better than I could do. (Artist, male)

Need for financial capital / financial management

It was working capital that we needed. Once the project got finished and we got paid, we would pay off the loan. I would get big projects but couldn’t afford to buy all the materials. I would try to have four or five jobs at the same time trying to keep the cash flow going...In the late 80s we experienced a financial crush. We had IRS problems; we owed suppliers. Nobody would lend us money. We had bad marks on our record. Nobody would touch us. (Metalworker, male)

Self-Motivation and Moral Support

Motivation and money is the biggest challenge in owning your own business. Making what you’re worth. I don’t like being told what I’m worth by a company. I couldn’t stomach that after working in the restaurant business making $40,000-$45,000 a year back in 1990-1991, and then all of a sudden getting off at only $20,000-$25,000. I couldn’t stomach that. My challenge was going and starting this insurance company. My first year, I’ll never forget, I only made $11,000 after six months. That motivated me right there. That’s good motivation; I’m not saying it derogatorily. That was my motivation to say, “I know where the benchmark is.” The benchmark is I can’t make anything less than what I used to. It took me awhile. It took me three or four years to get back to what I was used to making. In my case what motivated me was money. I want to say family, but at that time it wasn’t. It just felt like I was thrown out in the street because no one would hire me at what I was used to making. Then when I was working out of the house I realized, I was making $11,000 a year, but I got to see my son and daughter everyday because I worked out of the house. Then family started to motivate me. (Insurance agent, male)

As far as working and starting from ground level...if he [my husband] had been more supportive in that way I probably would have never went to work for someone else. I probably would have been my own business from the beginning...And my husband is not the type that wants to go backwards. So he would never say, okay lets take a step backwards – let’s
move into a smaller house, let’s get rid of a car – so we can start a business. Because he’s not an entrepreneur. He’s a big business type manager. (Mary Kay consultant, female)

**Profitable decision-making**

More people are working at home now. If I go back home, I’ve thought about that, I could save myself $3,000 in expenses, but then all my production from my agents would go away because agents are not going to come to my house. I don’t want agents coming to my house; it’s private there. They don’t want to come to your house either. It’s just not a professional image. Yes, I could take $3,000 home, but I would probably lose 30% of my business at least. So, it wouldn’t be a quite effective decision. (Insurance agent, male)

**Added responsibility**

It’s almost like working for someone else, but instead of working for someone else all the head aches and problems, yeah you own them, you can’t put it off on someone else, but they’re YOUR headaches. …If you were working for a company you would feel it somewhere because management would be coming down on you. I still share the same things that happen with the big companies, but it’s me instead of working for someone else. (Insurance agent, male)

**Family Involvement in the Business**

My wife and son or brother sometimes help me in the business. The girls [his daughters] don’t work except maybe to sweep the shop sometimes. Sometimes I have temporary help. Usually about one and part time. (Electronics repair shop owner, male)

Everybody in the whole family was working for Christmas. I would do the cutting, my sons would do the sanding, my husband would do the basing in front of the TV because he loves TV with the saw horses and the couch and I would say, “Go for it, paint all these red, paint all these green, paint all these the same color,” (laughs) And he would do fine. And I would do the rest. It was nothing to sell $5,000 of arts in crafts in Christmas in one month, but it’s a lot of work. (laughs) I sold items from $1 to $50 (except my doll houses that cost about $300), so it took a lot of items to get to $5,000. (laughs) So we were pretty busy and I was going to school. (Mary Kay, female)
My brothers run dad’s business now. As Mexicanos, we were expected to help dad. So we learned the business. No ifs, ands, or buts. After school and on weekends. We had no choice. I’ve been in the same business my whole life. Except one time, I worked two years as a machinist making machinery parts for Southwestern Research. I went back to help my dad because he wasn’t well. (Metalworker, male)

…at first I was limited before the girls. I did everything on my own – payroll, billings. It was very stressful. I would work twelve to sixteen hour days. When the girls came in I didn’t have to worry anymore about the accounting. And I spend less time at work. Now, we leave by 5:30. My daughter manages my office. My other daughter took business courses and is the one who first helped me organize my books and the office. If it wasn’t for my daughters managing the office this business wouldn’t fly. They track who owes us, what are we making in profits, they make personal contacts with clients. It is so important to have good client relations – to greet customers. It starts on the phone and then on to me to carry out their job expectations. My daughter does collections – we’re not shy – it keeps the business running. Cash flow is very important. (Metalworker, male)

My fifteen year old daughter helps me with my business. She and my nine year old they come hang out here during the summer. They have more fun here at the Farmers Market than staying at home all day. All the children participated in the business. (Music vendor, female)

I’m not married. I have 3 adopted sons. 8 yr, 7, 5 years. We’ve been together for 5 years. Sometimes they help me pass out fliers…I would love to have them help me, as a matter of fact if the Lord is willing, I would love to get my business out of the house and I’ve been toying with the ideas of changing my name to Williams & Sons. Some people know me from when I started my business and I do more than just windows now. I want a name that doesn’t say “just windows” …I want a name that implies the rest as well. (Interior decorator, female)

No family members work for me. My mom used to, but she now has a job that is paying here pretty well. (Insurance agent, male)

How did you hear about ACCION?

Somebody from ACCION passed through my building telling me about how they could help my business. When you started some people passed
by my business – there’s a lot of small business on Commerce Street. (Electronics repair shop owner, male)

Through Mary Kay. I’m not sure whether the Director sought them or they sought us. But they said they were willing to offer startup loans. (Mary Kay consultant, female)

I got to know about ACCION Texas at a construction meeting. In the late 80s we experienced a financial crush. We had IRS problems; we owed suppliers. Nobody would lend us money. We had bad marks on our record. Nobody would touch us. Janie Barrera told us that she lends on character. She came to our shop in person to see the work we do. My dad used to go to NBC bank and would borrow money by word of mouth. It was no problem. But during the 80s nobody would lend money to me. Janie Barrera came to the construction meeting and asked if anybody needed money. We could borrow as a cooperative or individually. I had been business for many years, so I was able to borrow as an individual. My first loan was for $500. It might not seem like much, but every bit helped. Then we borrowed $1000 and then the last loan was $20000. Each loan we paid off quickly. It was working capital that we needed. Once the project got finished and we got paid, we would pay off the loan. I would try to have four or five jobs at the same time trying to keep the cash flow going. Before ACCION we had bad marks, we didn’t know how to manage our administrative office, but after we paid off our loans with them, a Chase Bank loan officer – who was involved with ACCION came to us offering a line of credit of $80000, plus $20000 for equipment. (Metalworker, male)

I heard about ACCION from other businesses here at the Farmers Market. And I recommend friends to ACCION all the time. I tell them that ACCION is good and they will help you. (Music vendor, female)

I found out about ACCION through the TV one night, after the ten ‘o’ clock news. They did a little exclusive with ACCION. I don’t remember what station though. (Insurance agent, male)

The process for applying for a loan was good. I was very impressed on how there was an organization out there to help someone like me. I didn’t think their was anything out there like that. The small loan that I got at the beginning was very instrumental in building my confidence too, knowing that I wasn’t the only one out there that wasn’t bank ready and needed help from a source like ACCION. I had a real good experience in the beginning
I started out from the house, and Loraine she is the one who came to my house and checked me out. She’s the one who took a chance with me. I’ll never forget that. She’s seeing me grow from out of the house into an office. (Insurance agent, male)

This is how I met ACCION. My first job was $2000. I was not a lot of money for a bank I suppose. My bank at the time – who had given my 4 loans – did not give me that loan because I kept coming back for little amounts of money. And the last time I borrowed from her – I won’t say her name – It was Frost Bank- and she told me, now you know the next time I won’t approve a loan and I thought, “okay”. I wasn’t worried about the next time I was worried about the right now. And the next time I went back they did not approve the loan – it was for $2000 - and I was stressing because it was a governemtn job and I knew I wouldn’t get paid for 30-45 days and it’s $2000 I’ve gotta pay for this. I promised it to them. What am I gonna do? I called Small Business Development something and he put me in touch with Loraine. That was it. It took literally five minutes. (She speaks in a fast frantic voice imitating herself when she went to ACCION for the first time.) And I’ve been with ACCION ever since. So in terms of stress, if I get the big job I don’t stress anymore. I make sure and call ACCION. (Interior decorator, female)

I heard about ACCION because a friend of mine. I figured exactly what it was in the early 90s. He had mentioned to me that there was a company that would do small business loans. It was before I left Holy Cross High School. He had said look if you go into business and start freelancing again, if you need start up money this company, ACCION, will do a business. I believe he was a client to ACCION. He was back then and I’m assuming he still is. He teaches in Catula. He is an artist. We both freelance. Four or five of us from college have always stayed together. Myself and two others are the only ones left—three of us. The other ones are now teaching. I guess they went into teaching. I did that first and now they are doing that. They all have families, that’s what happened, that’s why they had to getting out of the freelance thing. Again, this is for single people. (Artist, male)

**Advice they would give to someone thinking about starting their own business**

That they come to ACCION. Like a commercial. There are person with good ideas but they don’t have the capital to open a business so they just stay there doing nothing. So I think that ACCION helps. I’ve talked to
some people and told them that if they want to start a business – ACCION helped me. (Electronics repair shop owner, male)

The main thing is in order to do this and make it work you have to be disciplined. Because time is very important to have organized for your businesses. You can’t say I’m going to go play golf today or I’m going shopping with the girls and I’m not going to work today. Or I’m not going to work the next day and the next day – I’ll work later. A lot of people do that. They go into business and they fail because they aren’t willing to put in the hours they need to build it…the organization of time and how much time you have to put in to make the profit that you want is valuable. You have to have that. You can’t just say I’m going to start here and where ever I end up I’m going to end up. You might make it or you might not…they need self-motivation and self-discipline because there isn’t going to be anyone else saying, “I think you need to go work today.” You need to tell yourself when and the best way to do it is to set yourself a timeline on your calendar. Decide when you want to work and when you don’t want to work because that was the reason for going into business for yourself was to have those freedoms. If you do want to play golf on Fridays then mark off Fridays, if you want to spend time with your family and go to church on Sunday, then mark off Sundays. But then that leaves you only 5 days to work, you better get busy, how much can you make per day to equal the amount of profit you want at the end of the month. You already have bills to pay. You are going to have to pay those on top of your business expenses. Time management, money management. (Mary Kay consultant, female)

“The advice I would give to someone wanting to start their own business is: 1) Make sure you like what you’re doing. If you don’t like it, at least know the field you’re getting into. 2) Keep good records and a business plan. 3) Have a good banker; be bankable. I took a business course once and I remember the instructor telling us that you need three kinds of money for your business – your money, your family and friends’ money, and the bank’s money.” (Metalworker, male)

“I recommend ACCION to others. There was a gentleman from Nicaragua that I was talking to the other day about ACCION. He’s an honest man. He has the desire to succeed. I tell the people I refer that they need to have their paperwork in order. For example, I keep two separate accounts. One is for my business and the other is my personal. I pay myself a certain amount. (He jokes) Otherwise the wife sees all this money and wants to spend it. That is not to say that if an emergency comes up I won’t have to dip into the business account. I pay my children for their work – unlike my
dad. (He smiles at this.) I do take a vacation. I work hard. I need a vacation. We plan it and budget for it. With a vacation you can relax and come back eager to fight the world again. (Metalworker, male)

Pay off all your debt. Don’t quit your job until all your debts are paid. Don’t go into business with a lot of debt. I think that I would have been able to move faster had I not had so much personal debt. For every little penny that I made in my business it went into paying off personal debt. And also, in my business, even if I sell a house full of blinds or drapery or whatever, it will take me four-six weeks to get paid. (Interior decorator, female)

The reason I used [my friend] was because we went to college together, and I felt that he wouldn’t cheat me and he’d give me the best price, and he did. But, he over-did it; he was too nice. People took advantage of him. It cost him. He lived and learned; it’s a part of life, it happens. (Artist, male, talking about his business partner)
Appendix G. Other Survey Findings

Tables G.1 and G.2 indicate how respondents believe owning their own business has improved their personal education and the opportunity for their children to attend college.

Table G.1 shows that sixty percent of respondents indicated that their personal education has increased as a result of being self-employed. “Education” was not defined in this question. It can include both formal and informal education. In addition, table G.2 shows that 62 percent of respondents believe that their children’s chance of attending college is greater or somewhat greater as a result of being self-employed. Respondents feel that there is an overall better opportunity to better oneself in education because of owning a business.

Table G.1
Respondents Report on Whether Owning Your Own Business Increases Personal Education

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<th>Number of Clients</th>
<th>Percent of Clients</th>
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<tr>
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<tr>
<td>Total</td>
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<td>101%</td>
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Source: Data gathered from 2001 Impact Survey responses.

Table G.2
Respondents Report on Whether Owning a Business Improves the Chance of Their Children Attending College

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<td>54%</td>
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<tr>
<td>Somewhat Greater</td>
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<td>21%</td>
</tr>
<tr>
<td>Total</td>
<td>52</td>
<td>100%</td>
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Source: Data gathered from 2001 Impact Survey responses.
Bibliography


National Endowment for Financial Education (NEFE), the Corporation for Enterprise Development (CFED) and the Fannie Mae Foundation. *Finding Paths to*


VITA

Perla Cavazos was born in San Benito, Texas on April 12, 1975, the daughter of Arturo Cavazos and Rosalinda Lerma Cavazos. She was raised by her grandparents, Alonzo Cavazos and Maria Montez Cavazos. After completing her work at San Benito High School in 1993, she entered Stanford University in Palo Alto, California. During the summers of 1995 and 1996 she did field work research on Latinos in south Texas and the Bay Area of California. In the fall of 1995 she participated in the Stanford in Zuni, New Mexico program where she was a student instructor at the two local high schools. She received the degree of Bachelor of Arts with Honors from Stanford University in September, 1997. During the following year she was employed as a Program Assistant at the Texas Association of Community Development Corporations (TACDC). In August, 2000, she entered The Lyndon B. Johnson School of Public Affairs at the University of Texas.

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