

## Microentrepreneurs and their Businesses: 2008 MicroTest Outcomes

### 2008 MicroTest Outcomes Survey

#### Methodological Summary:

- Only clients, those who received significant services from the MDO (training, loan, grant, etc.) are eligible to participate in the MicroTest Outcomes Survey.
- Only clients who received services in 2006 were eligible to be surveyed about their outcomes in 2007. The survey was conducted in 2008.
- Surveys were conducted in person, by telephone, by mail, and on-line.
- While this fact sheet presents longitudinal information on changes achieved by clients and businesses, there are no claims of causality or reporting of the net benefits of the microenterprise development organizations, because there is no comparison group data. There is evidence, however, that clients found value in program participation, and that the information and skills they received were used in running their businesses. As a result, it is likely that at least some of the changes observed are attributable to the services they received.

#### Diagnostics:

- 51% survey response rate
- 1,392 completed interviews
- 25 participating MDOs

#### Major Indicators:

- Business start and survivability rates
- Business growth
- Job creation from business
- Contribution to household income
- Health insurance status

MicroTest, through its members, conducts the only annual survey in the United States of the business, household, and individual outcomes of microenterprise program clients. The information includes: 1) the status of the client upon entering a microenterprise development organization (MDO) and 2) the client's status approximately one-year after receiving services. The result is a before and after snapshot of programs' clients. In 2008, MicroTest collected survey data from 25 MDOs nationwide that attempted to collect data on a sample of 2,716 clients. The surveys were conducted by all but one program from June to September 2008,<sup>1</sup> and resulted in 1,392 completed surveys – a 51 percent response rate.

The first section of this fact sheet provides a general portrait of the clients who received services from MDOs in 2007. The second section presents findings from the survey's major indicators; this section only includes clients who completed a survey.

### ***Upon Arrival for Services: Mostly Females and Minorities; Most Receive Business Training***

MDOs serve those who have difficulty accessing mainstream business services. Fifty-nine percent of clients were female, and 58 percent were people of color or of other ethnic or racial

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<sup>1</sup> One program conducts surveys with clients on a “rolling” monthly basis. These interviews occurred between March 2007 and January 2008.

minorities when they first entered the program in 2006 or before. MDOs offer a variety of services to clients seeking to start a business. Among the 25 MDOs, 24 organizations offered some form of training or technical assistance, 72 percent offered asset development or financial literacy services, 88 percent offered loans, and 36 percent offered grants.

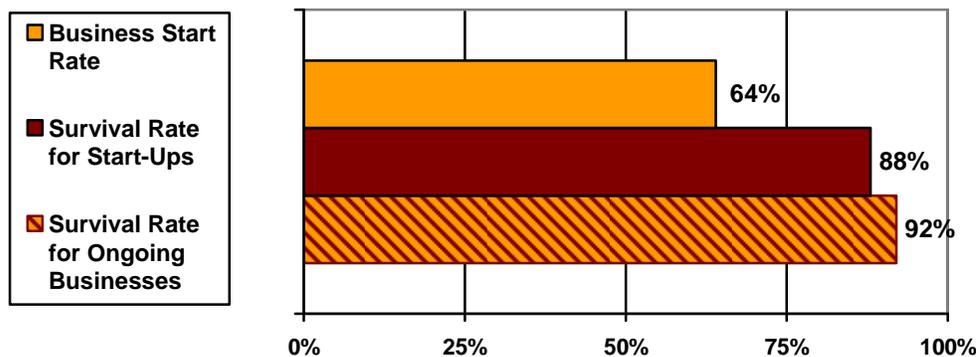
Table 1 lists the primary services received by clients as captured in the 2008 MicroTest Outcomes Survey. Eighty-nine percent of the clients received some kind of training and/or technical assistance (TA); 48 percent of clients participated in asset development or financial literacy services. Most loan recipients received only one loan, although multiple loans are common.

<b>Table 1: General Portrait of Client Characteristics, 2008</b>	
<b>Services received from MDO</b>	<b>% of clients who received service when offered*</b>
Training or TA	89%
Asset development, financial literacy	48%
Microloan	53%
Grant	13%
<b>Demographics</b>	
<b>% of clients</b>	
Female	59%
Male	41%
Racial or Ethnic Minority	58%
* Not all MDO's offer all the services mentioned above. Percent of clients who received service refers to clients of MDOs that offered the service and who received the service.	

### *High Start and Survival Rate for New and Existing Businesses*

More than six in ten clients who did not have a business prior to receiving services opened a new business. Those who had start-up businesses (under a year old) when they entered the program and those who had ongoing businesses (more than a year old) reported high survival rates of 88 percent and 92 percent, respectively. See Figure 1.

**Figure 1: Business Start and Survival Rates**



### *Business Revenues Increase after Receiving Services*

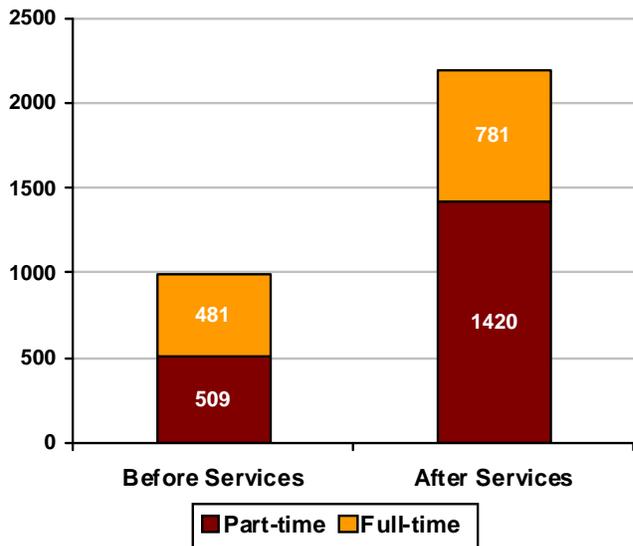
Revenues for **existing businesses increased**, with the mean value increasing by 49 percent and the median value increasing by 37 percent. The mean revenues reported by **new businesses** were \$75,000 and the median revenues were \$22,000 at survey. See Table 2.

<b>Table 2: Mean and Median Revenues by Business Status, 2008</b>					
	<b>Mean Revenue at Intake</b>	<b>Mean Revenue at Survey</b>	<b>Median Revenue at Intake</b>	<b>Median Revenue at Survey</b>	<b>N=</b>
<b>New businesses</b>	N/A	\$75,000	N/A	\$22,000	N=362
<b>Business at both intake and survey</b>	\$119,000	\$178,000	\$44,000	\$60,000	N=656
Business at intake but not at survey	\$48,000	N/A	\$15,000	N/A	N=74
All figures rounded to the nearest \$1,000					

### *Microenterprises Create Jobs*

As businesses were created and grew, they generated jobs in their community. As Figure 2 shows, the total number of jobs increased from 990 before services to 2,201 after services. Including the business owners, there were a total of 1,271 jobs before services and 2,598 after clients received services. These figures include jobs from: businesses that already were open when the client came in for services; new businesses that opened after the client received services; and businesses that closed between the time the client entered the program and the end of Fiscal Year 2007. Forty percent of existing businesses had employees prior to receiving services. Post-service, 41 percent of businesses reported having employees. In addition, 35 percent of new businesses had employees.

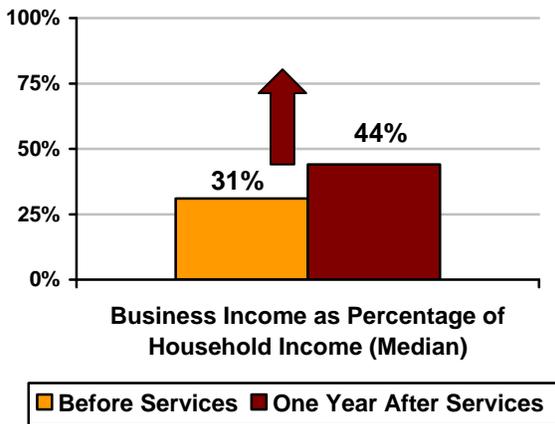
**Figure 2: Number of Microenterprise Employees (excluding owner)**



### ***Business Income Contributes More to Household Income***

The median share of business income (as a percentage of household income) grew from 31 to 44 percent at least one year after services (Figure 3). Forty-two percent of survey respondents reported an increase in the amount the owner’s draw contributed to household income, while 33 percent reported a decrease and 25 percent reported no change.

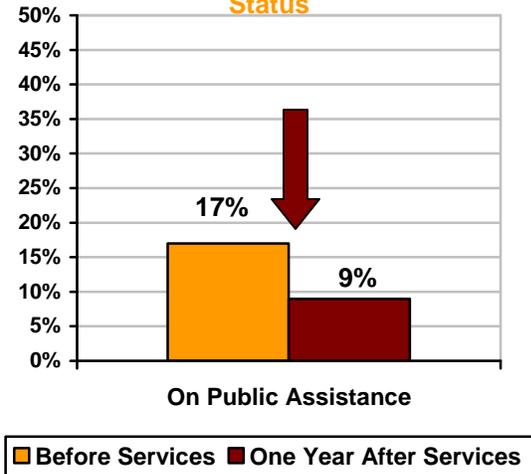
**Figure 3: Contribution of Business Income to Household Income**



### ***Public Assistance Down***

Additionally, lower rates of public assistance were reported – down by 8 percentage points, from 17 percent at intake to 9 percent at survey (Figure 4). At intake, 238 clients reported receiving public assistance benefits; at survey, that number had dropped to 133.

**Figure 4: Public Assistance Status**



### *Most Clients Have Health Insurance*

Sixty-seven percent of surveyed clients reported having some form of health insurance in 2007. Clients received insurance coverage from a variety of sources, with no one source dominating. The largest share of clients received coverage through private sources including **through their job** (20 percent),<sup>2</sup> **through their spouse's job** (16 percent), through a private policy (13 percent) and 5 percent through their own business. The remaining 46 percent of those with coverage obtained it from public and other non-specified sources. See Table 3.

<b>Source of coverage</b>	<b>Share of Clients</b>
<b>Through their job</b>	20%
<b>Through spouse's job</b>	16%
Through private policy	13%
Through business	5%

<sup>2</sup> Forty-eight percent of those surveyed had paid employment outside of their own business.

#### **Credits:**

**Author:** Tamra Thetford with assistance from consultant Ilgar Alisultanov

**Editor:** Carol D. Rugg

**Designer:** Colleen S. Cunningham

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#### **The Aspen Institute**

One Dupont Circle

Suite 700

Washington, DC 20036

Phone (202) 736-1071

Fax (202) 467-0790

Web Site: [www.microtest.org](http://www.microtest.org)

E-mail: [microtest@aspennst.org](mailto:microtest@aspennst.org)

The MicroTest Outcomes Fact Sheet Series reports findings from client outcomes data collected by a group of MicroTest member programs. The data include information on the changes clients have experienced related to their business, household income, wage employment, health insurance, and savings. The series provides a focused look at a few major findings from this extensive annual data collection effort.

For additional information about MicroTest and data collected on the microenterprise field see: <http://fieldus.org/MicroTest/pubs.html>.

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