For Good Measure

Performance of the U.S. Microenterprise Industry

A Report from MicroTest

FIELD
Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination

This publication is made possible by grants from the Ford and Charles Stewart Mott foundations.

Published in the United States of America
2002 by the Aspen Institute

Printed in the United States of America
ISBN: 0-89843-358-4
INV#: 02-042

For Good Measure

Performance of the U.S. Microenterprise Industry

A report from MicroTest

August 2002

Jeremy Black, Tamra Thetford,

Elaine Edgcomb, Joyce Klein

FIELD
(Microenterprise Fund for Innovation,
Effectiveness, Learning and Dissemination)

The Aspen Institute
One Dupont Circle, NW
Suite 700
Washington, DC 20036
www.fieldus.org

Acknowledgments

FIELD staff extends our thanks to all the hard-working microenterprise development practitioners who contribute information to us about the performance of their programs when using MicroTest, and who continue to make our work rewarding and enjoyable. Thank you for putting such precise work into assessing your programs and for responding to our pleas for data when you are busy with proposal writing, database overhauls, staff turnover and all the other joys of this field. We hope you enjoy this report and look forward to hearing your thoughts and reactions. As we prepare for the next review of even more MicroTest data, your feedback will be tremendously valuable in improving the depth and utility of this publication.

We are especially grateful to our review committee, including Amanda Crook Zinn, John Else, Marisa Barrera, Zach Gast and Marian Doub.

A special thanks is due to our donors, Millard "Mitty" Owens at the Ford Foundation and Jack Litzenberg at the Charles Stewart Mott Foundation, for supporting MicroTest.

FIELD Staff

Jeremy Black, MicroTest Manager

Tamra Thetford, Research Associate

Elaine Edgcomb, Director of FIELD

Joyce Klein, Senior Consultant to FIELD

Table of Contents

Introduction

This report is the first of what will be a regular series of publications that provide and analyze performance data on a large set of U.S. microenterprise programs. It has been developed for several purposes:

- To provide an in-depth look at the performance of the microenterprise development field as seen through the data presented by a large and diverse group of programs;
- To provide insight into what "best" performance looks like as it has been achieved by the leaders in such areas as targeting, scale, program quality, efficiency and sustainability;
- To offer some sense of trends in the field, drawing on data from MicroTest programs for which multiyear data are available; and above all
- To provide data that practitioners can use to compare their performance to their peers' performance.

History of MicroTest

MicroTest was initiated in 1997 by and for microenterprise development practitioners[1] interested in documenting and improving the level of performance in the microenterprise field. Its mission is to improve the quality of microenterprise services and the stability of microenterprise organizations over time by promoting the use of common measures to regularly assess performance.

From an initial cohort of 13 programs in 1997, MicroTest grew to 56 in 2002 and continues to grow. The MicroTest membership evolved in a variety of ways in a few different cycles. The first two groups of members joined MicroTest on a voluntary basis. The membership process was competitive and emphasized each program's organizational track record, interest in performance measures, motivation to participate in a learning effort with industry-wide implications, and in-house information gathering capacity.

Membership expanded in 2001 through the addition of a set of community development finance institutions (CDFIs) that have been encouraged to join MicroTest under the rubric of a larger data gathering effort on the community development finance field. Most of these groups are providing data voluntarily, although a few are obligated to do so under their funding commitments to the CDFI fund or the Ford or MacArthur foundations. Also, a new group of programs entered because of their status as grantees of the Ms. Foundation Collaborative Fund for Women's Economic Development. The fund is partially subsidizing their MicroTest participation, demonstrating donor interest in supporting a common reporting and performance measurement system for the microenterprise development field.

The primary task of the original cohort was to develop, define and test a set of performance measures for the field. The cohort included one or two staff people from each organization, typically the executive director and the evaluation manager, who participated in this initial effort. The first step was to collect one month's worth of program data on measures proposed by The Aspen Institute's facilitators. As issues on definitions and data collection methods arose, group members posted questions to each other on an electronic listserv moderated by Aspen staff. They also used the listserv to comment on the usefulness of the proposed measures and to propose additional measures. Each agency e-mailed the data to the Aspen Institute, where staff ensured that it was collected in a manner consistent with the rest of the group. Issues that were easy to resolve were discussed over the listserv. More complex issues and decisions on measure definitions were discussed in person at semiannual meetings. Every other month, the Aspen facilitators proposed new measures for the group to discuss, test and

---

[1] The original "core group" of MicroTest programs included: ACCION USA; Detroit Entrepreneurship Institute; FINCA USA; Institute for Social and Economic Development; Maine Centers for Women, Work and Community; Northeast Entrepreneur Fund; PPEP/PMHDC/MICRO; Rural Economic Development Center; Self-Employment Loan Fund; Western Massachusetts Enterprise Fund; Women's Economic Self-Sufficiency Team; Women Entrepreneurs of Baltimore; Women's Initiative for Self-Employment; Worker Ownership Resource Center; and Working Capital.

refine. It took about one year for the agencies to learn how to collect data in a consistent manner on all of the refined measures. They then completed a data test for the 1998 fiscal year on the entire set of measures. Aspen presented this data in aggregate form to the group at a meeting, so that the practitioners could reflect on what the data told them and make the final decisions on which MicroTest measures were useful and appropriate, and which should be changed or eliminated.

The MicroTest process benefited greatly from an explicit trust agreement between all MicroTest members and Aspen facilitators. This oral agreement stated that no MicroTest member (including facilitators) would share data or information about another program outside of the group and that data collection tools would not be circulated until they had been tested and endorsed. This agreement, as well as the absence of funders in the room, fostered honesty and candor about the difficulties programs experience in collecting data and in implementing their programs. The ability to talk openly about their programs' challenges with other program managers was deemed a welcome and invaluable tool for improving program quality and efficiency.

While the MicroTest process consumed more time on the front-end than some other efforts to develop performance measures, it has enjoyed tremendous support and input from the practitioner community. It is they who are most affected by performance measurement and who know best the reality of delivering microenterprise services to a variety of populations. Additionally, the process of testing and debating how an entire field should be measured created a structure for identifying and debating potential best practices and for defining success across the field. Lastly, individual MicroTest members report an increased capacity to use data as a decisionmaking tool to improve their programs.

Role of FIELD in MicroTest

The Aspen Institute's Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD) manages MicroTest. FIELD staff provides all training and technical assistance related to the participation of MicroTest members, developed and updates the MicroTest Data Collection and Reporting Tool that programs use to generate and submit their MicroTest data, and provides analyses of MicroTest data. A Steering Committee of practitioners from around the country advises and guides the efforts of MicroTest.

Methodology

MicroTest data collection efforts are largely a voluntary effort by practitioner organizations — MicroTest members — that provide performance data on their microenterprise development work. Each member organization submits its microenterprise performance data to MicroTest staff at FIELD who check each submission for accuracy. In some cases, data is revised as a result of discussions between MicroTest staff and the member. Once all programs have submitted their MicroTest data, FIELD staff aggregate and analyze it and then provide each program with a custom report that shows their MicroTest data relative to their peers. The process ensures the confidentiality of each member's performance data while allowing MicroTest staff to provide program-specific feedback to members, as well as MicroTest-wide feedback using aggregate data.

This report contains Fiscal Year (FY) 2000 MicroTest data from a group of 56 programs and FY 1999 MicroTest data from a somewhat smaller group of programs. Fiscal year 2000 data is presented and discussed at the beginning of each performance section of this report. Where possible, data from FY 1999 is compared to FY 2000 to note relevant changes. These year-to-year comparisons are always limited to just those MicroTest programs that reported the particular datapoint in each of the two years. This necessarily affects the total number of programs included in year-to-year comparisons; the reader will note different sample sizes ("n=" in the text) indicated throughout the report.

The aggregate data presented here include minimums and maximums, medians and averages, and sometimes the top performers in a certain category. It is important to note that all MicroTest performance data presented in this report reflect only the performance of an organization's microenterprise program, not data on the performance of the larger multiservice organization that may house the microenterprise program.

MicroTest Performance Framework

MicroTest focuses on categories of outputs by which microenterprise development providers can assess their performance. While each category is not appropriate for every program, this framework captures the "pillars" of microenterprise performance. It is designed to capture a range of performance areas and to mitigate the tendency to evaluate complex programs according to one kind of measure. What follows is a quick overview of this framework, and the types of questions each performance category addresses.[2]

Reaching Target Groups

Who is the program actually serving?
Is the program fulfilling its outreach mission?

Achieving Program Scale

How many clients received credit and/or training-related services?
What is the magnitude of program services delivered in a fiscal year?
What is the volume of lending activity?

Credit Program Effectiveness

What is the size of the portfolio?
What is the quality of the portfolio?
How does the level of risk in the portfolio influence portfolio quality?

Training Program Effectiveness

To what extent does the program succeed in assisting clients to achieve key training objectives?

Program Efficiency and Sustainability Measures

How efficiently does the program use internal resources?
What does it cost to deliver training and credit services?
How self-sufficient is the program?
How diversified is its funding?

[2]For additional information on the MicroTest framework and categories of measures, see Karen Doyle and Jerry Black, "Performance Measures for Microenterprise in the U.S," *Journal of Microfinance*, 3, no.1 (Spring 2001).

MicroTest and the U.S. Microenterprise Field

As mentioned above, MicroTest manifests the experience and energies of some of the more experienced practitioners in the United States. The current composition of MicroTest programs reflects a mix of seasoned and newer programs, large and small programs, urban and rural programs, and training and credit programs. Because it has attracted programs committed to measuring their performance and striving to improve it, MicroTest contains a number of the field's leaders in scale, portfolio quality and training effectiveness.

Fifty-six practitioner agencies currently participate in MicroTest. FIELD recently surveyed the FY 2000 activity of a substantial number of the practitioner and support agencies in the U.S. microenterprise development industry, including all 50 states, the District of Columbia, the Mariana Islands and Puerto Rico. The forthcoming *2002 Directory of U.S. Microenterprise Programs* will list 560 practitioner agencies and provide descriptive information on 308 programs that responded to that survey. This report will refer to the sample of 308 programs represented in the Directory database as "the U.S. field," recognizing that it under-represents the amount of activity taking place in the actual industry. It is the Directory database of 308 survey respondents that this MicroTest report will use for comparing the degree to which the 56 MicroTest programs represent the characteristics of the larger field in the United States in 2000.

MicroTest and the U.S. Field: Scale of Program

Table 1: Participating Agencies

FY 2000	U.S. Microenterprise Directory Database	MicroTest Database
Number of Practitioner Agency Surveys	308	56

The first points of comparison between the MicroTest FY 2000 cohort and the larger U.S. field pertain to the scale of program activities: numbers of individuals served and the magnitude of microlending activity. The 308 programs that reported to the Directory served a total of 49,822 clients in FY 2000. The 56 MicroTest programs provided intensive services (a microloan or at least 10 hours of training) to 15,279 clients.[3] MicroTest programs served, on average, 56 percent more clients in FY 2000 (273) than the average number served by the U.S. field (175).

[3] MicroTest defines a client as someone who has received a "significant" service — one that may be traced to a client's business or personal outcome(s) – over the year. More specifically, a client: 1) had an active, outstanding microloan or other microfinancing product with the program during the fiscal year, and/or 2) received at least 10 hours of microenterprise-related training or technical assistance from the program during the fiscal year. The number of clients served in a fiscal year is an elemental building block of data for MicroTest.

In terms of the productivity of credit programs, the 46 MicroTest agencies reported making an average of $395,038 in microloans in FY 2000; their total number of loans disbursed in the year was 3,475, for a total dollar value of $18,171,749. MicroTest does not collect data on the total capital available for microlending for a couple of reasons. First, microlending programs are often housed within larger lending institutions that do not separate their loan fund capital in a way that makes it easy to report the portion available only for microloans. Also, programs often have capital that is available to be drawn down (i.e., committed capital) but that is not actually being held on their books.

The 176 reporting lending programs in the Directory (which includes all MicroTest agencies) made 7,238 microloans for $48,135,258 in 2000. In FY 2000, MicroTest programs, which account for 26 percent of the reporting lenders to the Directory, disbursed almost half the number of microloans and 38 percent of the dollars lent in FY 2000 by that group of lenders.[4] These figures indicate that the average microloan size for MicroTest programs is smaller ($5,229) than the average in the Directory ($6,650). As will be shown below, MicroTest programs, compared to the larger U.S. field, tend to work with a clientele that is particularly disadvantaged and for whom smaller loans are often more appropriate.

Table 2: Clients Served and Lending Activity

	Avg. Number of FY 2000 Clients, per Program	Avg. Number of FY 2000 Loans Disbursed, per Program	Avg. $ Value of FY 2000 Microloans Disbursed, per Program	Avg. Outstanding Microloan Portfolio at FY 2000 End, per Program	Total $ Amount of FY 2000 Microloans Disbursed
MicroTest	273 (n=56)	76 (n=46)	$395,038 (n=46)	$568,165 (n=45)	$18,179,749 (n=46)
U.S. Field	175 (n=285)	41 (n=176)	$273,496 (n=176)	$341,025 (n=198)	$48,135,258 (n=176)

MicroTest and the U.S. Field: Services Offered

Table 2 contains some data on the overall scope of microenterprise programs' activities, with a focus on microcredit services. The difference between the average number of loans disbursed (76) and the average number of clients served (273) begs the question: what did the thousands of clients get who did not receive a loan? One of the most important and enduring features of the U.S. field of microenterprise development (which is sometimes overlooked in comparisons between the U.S. field and the international microfinance industry) is the vital role that programs play in providing intensive business development consulting and training to microentrepreneurs. This training is often the primary service offered by a microenterprise development agency, though many training programs also offer loans to some of their credit-ready clients.

[4] Because more than 200 microenterprise programs did not report their lending activity to the Directory, the total volume of microlending activity in the United States is not fully represented by the sample of 176 lenders used here.

Compared to the wider field of U.S. microenterprise programs, a higher percentage of MicroTest programs offer microloans: 82 percent of MicroTest programs reported making at least one microloan in FY 2000; just 64 percent of all U.S. programs reported making at least one microloan in 2000. It should be noted that many FIELD Directory respondents did not respond to questions about their lending or training activity, so that the figures below undercount programs providing credit and training in the field. The difference in the percentage of programs offering credit also reflects that MicroTest recently grew to include several CDFIs. It is likely that MicroTest is slightly more "credit-led" than the overall field of U.S. microenterprise practitioner agencies.

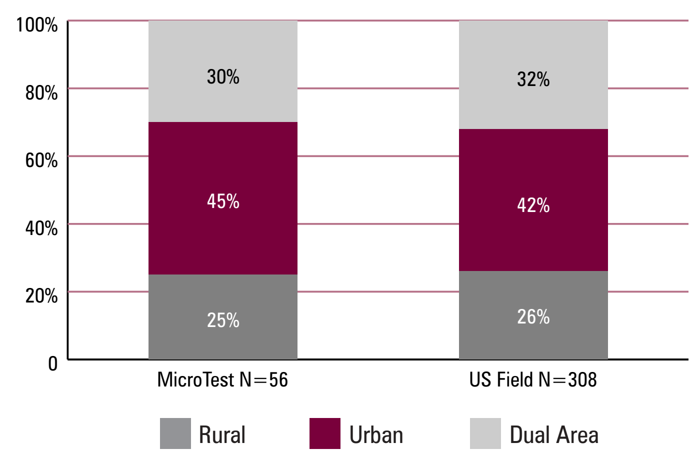
Table 3: Services Offered

	% Offering Credit	% Offering Training	Sample Size
MicroTest	82%	75%	56 programs
U.S. Field	64%	69%	308 programs

MicroTest and the U.S. Field: Geography Served

Because different geographic settings influence the strategies that programs employ to reach entrepreneurs, most observers agree that geography should be taken into consideration in any comparative view of the field. In general terms, urban and rural settings matter. The third kind of geographic service area presented below comprises both urban and rural areas, including a few entire states, and is referred to in this report as dual area. As seen in the following graph, FY 2000 data indicate that the geographic coverage of 56 MicroTest members, according to the location of their clients, closely resembles that of the larger U.S. field.

Geographic Distribution of Clients



MicroTest and the U.S. Field: Client Outreach or Depth of Targeting

To know how effectively it meets its social mission, a microenterprise development agency often collects detailed information concerning the household income levels of its clientele. For the same reason, programs collect data on their clients' gender and minority status. Targeting data help programs, funders, policymakers and researchers to understand the extent to which microenterprise-related services are reaching disadvantaged clients. The Directory database shows that, as measured by the

Department of Housing and Urban Development's (HUD) low-income guidelines, MicroTest programs serve a slightly higher average percentage of low-income clients compared to the average percentage served by the Directory respondents.

Table 4: Low-Income Clients

	Clients at or below 80 Percent of HUD Guidelines for Low-Income Households
MicroTest	64% (average of 48 responses)
U.S. Field	58% (average of 154 responses)

MicroTest programs serve approximately the same average percentages of women and minority clients as does the overall field.

Table 5: Women and Minority Clients

	Average Percent Women Clients	Average Percent Minority Clients
MicroTest (n=56)	63%	51%
U.S. Field	64% (n=254)	55% (n=237)

MicroTest and the U.S. Field: Size of Program

Measured by their average annual program budget and the number of full-time staff (FTEs), MicroTest programs are somewhat larger than the average program in the field. This is not surprising, given the general difference in program age and that participating in MicroTest requires a commitment of staff time and other resources, including effective management information systems.

Table 6: Staff and Budgets

	Average Annual Program Budget	Average Number of FTEs
MicroTest	$ 517,137 (n=56)	4.8 (n=55)
U.S. Field	$ 378,781 (n=308)	4 (n=262)

Summary of MicroTest and the U.S. Field

In sum, the programs in MicroTest generally represent the characteristics of the larger U.S. field with respect to whom they serve — the location of their clients across rural and urban areas, as well as the percentages of women and minority clients, are roughly equal. However, on average MicroTest programs differ in important ways from the average program in the Directory. They serve a somewhat lower-income clientele, they are larger and more experienced, and they account for a good amount of the total microcredit activity in the U.S. field.

A Closer Look at MicroTest-Participating Agencies

MicroTest Peer Groups

This report now turns from a comparative overview of MicroTest programs and the U.S. field to a closer look at the characteristics and performance of the MicroTest cohort. It is important to understand the different characteristics of the MicroTest programs that participate in MicroTest in order to better understand the performance of this group. Because the MicroTest membership grew from an initial group of 13 members in 1998 to 56 in 2000, FIELD staff has the ability to group members by common characteristics to form peer groups. Putting like organizations into peer groups allows member programs to compare their results to other programs that share a common trait and allows for a more balanced assessment of the overall cohort of MicroTest programs.

FIELD staff organize MicroTest programs into peer groups according to four characteristics: how a program works, where a program works, how much experience a program has, and how financially disadvantaged its clients are. Because each of these characteristics applies to all programs, each program has four different peer groups to which it can compare its performance. These groups are defined below.

Programs are in one of two peer groups based on their **methodology**:

- **Credit-Led** programs design and deliver their services with the primary intent of making a direct loan to a microentrepreneur.
- **Training-Led** programs design and deliver their services with the primary intent of helping a client to develop a business through business development consulting, training and technical assistance.

Programs are in one of three peer groups based on **geography:**

- **Urban** programs serve a primarily urban clientele.
- **Rural** programs serve a primarily rural clientele.
- **Dual Area and Statewide** (hereafter dual area) programs serve a clientele that is both urban and rural; some in this peer group are also statewide agencies.

Table 7: Composition of MicroTest Programs by Geography and Methodology			
FY 2000 Cohort	Training-Led	Credit-Led	Total
Rural	8	6	14
Urban	15	10	25
Dual Area	7	8	15
Total	30	24*	54

*Two credit-led programs are not in geographic peer groups.

Programs are in one of three peer groups based on their **age:**

- **Young** programs are those that started in or after 1995.
- **Experienced** programs started from 1991 through 1994.
- **Mature** programs started before 1991.

Table 8: Composition of MicroTest Programs by Age and Methodology			
FY 2000 Cohort	Training-Led	Credit-Led	Total
Young	9	7	16
Experienced	7	13	20
Mature	14	6	20
Total	30	26	56

Finally, programs are divided into two peer groups based on the depth of their **poverty targeting**. In determining degrees of poverty targeting MicroTest considers the percent of a program's clients whose household incomes are at or below 150 percent of the national poverty line defined by the U.S. Department of Health and Human Services (HHS). Refer to Table 10 for these household income guidelines that form the basis of the following peer groups:

- **Low-Income Focused** (LIF) programs: At least 40 percent of their clients are at or below 150 percent of the HHS poverty line.
- **Low- and Moderate-Income Focused** (LMI-focused) programs: Fewer than 40 percent of their clients meet this definition of low-income.

Table 9: Composition of MicroTest Programs by Poverty Targeting and Methodology			
FY 2000 Cohort	Training-Led	Credit-Led	Total
Low-Income Focused	18	4	22
LMI-Focused	9	15	24
Total	27*	19*	46

*Three training-led and seven credit-led programs did not provide client income data, and are not in these peer groups.

Table 10: HHS Poverty Guidelines for 2001	
Number of People in Household	**Maximum 2001 Income Level for Households at 150% of Poverty Level**
1	$ 12,885
2	$ 17,415
3	$ 21,945
4	$ 26,475
5	$ 31,005
6	$ 35,535
7	$ 40,065

These are the main peer groups that will be referenced in the text and are listed in Appendix A. In addition, the text will occasionally refer to other peer groups as demonstrated by their performance on a specific measure or group of measures. For example, high performers for scale or efficiency will be presented as they illustrate the possible future trajectory of the field.

Performance of the MicroTest Cohort

Reaching Target Groups

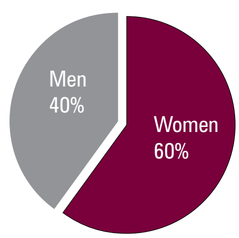
Being part of a mission-driven field of work, microenterprise practitioners want to know the extent to which they are actively fulfilling their mission. A central question is, "Who are we actually serving?" MicroTest's performance category for target groups provides a simple snapshot of the demographic profile of a program's clients, based on gender, minority status, household income, TANF[5] receipt and the status of their business activity at the time the program began working with them. The greatest value of this targeting data is at the program level, because it allows managers to compare their client pool to their target market. It is also useful and appropriate to consider this targeting data in the aggregate to see whom MicroTest programs are serving across the country.

What follows is an overview of client targeting by all MicroTest programs in FY 2000, a look at differences according to program methodology, and a sense of whether programs improved their depth of targeting from FY 1999 to FY 2000.

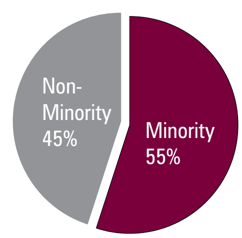
FY 2000 Targeting Performance of All MicroTest Programs: Gender and Ethnicity

Because women and minorities are often excluded from the economic mainstream, many of the founding members of MicroTest felt it was important to begin by carefully documenting the degree to which they were serving women and minorities.

All MicroTest Data FY 2000



All MicroTest Data FY 2000



All 56 MicroTest FY 2000 programs reported serving a median of 60 percent female clients and 55 percent minority clients. A recent summary by the Small Business Administration (SBA) of the demographics of small business owners in the United States (see Table 11), shows that nationwide women represented in 1999 a little more than 39 percent of all self-employed workers, up from 35.6 percent in 1991. This trend of women moving more and more into the mainstream of small business ownership is even more pronounced at the level of microenterprise development. Nationwide, it seems that women are taking advantage of the services of microenterprise agencies in larger numbers than are men. This does not just reflect a tendency on the part of some microenterprise agencies to actively recruit women to their services, though many programs do market their

[5] Temporary Assistance for Needy Families, since the 1996 welfare reform act, is the federal phrase for public assistance. It may be called something else by some states.

services in a targeted way to women in their communities. Even those programs that market their services to both women and men report high percentages of women clients and microloan borrowers.

Table 11: Numbers of Self-Employed in the United States: 1991 and 1999

Self-Employed	1991	1999	Percent Change
Women	4,410,000	4,560,000	3.4%
Asian	460,000	550,000	20%
Hispanic	600,000	820,000	37%
Black	610,000	790,000	30%
Overall	12,380,000	11,630,000	-6.1%

(Sources: Advocacy estimates using U.S. Census Bureau and U.S. Department of Labor Data; U.S. Census Bureau, Statistics of U.S. Business (Advocacy Funded) and Current Population Survey; Internal Revenue Service)

According to the same SBA research cited above, in 1991 minorities represented about 13 percent of all self-employed workers, and in 1999 this percentage rose to 18.5 percent. The SBA writes, "Minorities now own nearly 15 percent of American businesses — and 99 percent of minority-owned firms are small businesses." Indeed, within the growing nonprofit industry of microenterprise development assistance, minority business owners make up a significant percentage of total clients.

Without looking at the overall demographic composition of each MicroTest program's target community and comparing that to the reported percentages of minority clients served (which is beyond the scope of this statistical review), it is difficult to determine the extent to which the minority targeting data reported by MicroTest programs in FY 2000 demonstrates excellent outreach on the part of the program, or simply reflects the given demographics of their communities. That problem aside, it is clear that, in general, the clients in MicroTest programs are a pretty even balance of minority and non-minority.

FY 2000 Targeting Performance of MicroTest Peer Groups: Gender and Ethnicity

Reaching women clients

While the overall MicroTest cohort is generally very effective in attracting women clients, some programs exhibit stronger gender targeting numbers than others. Training-led programs serve a higher percentage of women than do credit-led programs (a median 76 percent compared to a median 53 percent). Some of this difference reflects missions — 12 of the 30 training-led programs' missions focus explicitly on serving women. Also, several of the training-led programs in MicroTest are Women's Business Centers supported by the Small Business Administration. Credit-led programs tend to be more gender neutral in their marketing and outreach. A program's age, location and level of poverty targeting do not seem to influence whether it attracts women clients.

Reaching minority clients

The median percentage of minority clients served by training-led and credit-led programs are similar — 51 percent and 55 percent, respectively. While methodology does not appear to affect a program's ability to attract and serve a good balance of minority and non-minority clients, geography obviously does. Programs located in urban areas report that a median of 76 percent of their clients are minorities, while rural programs report a median of just 15 percent. The 15 urban training-led programs in MicroTest report a median of 78 percent of minority clients; the 10 urban credit-led programs report a median of 73 percent.

FY 2000 Targeting Performance of All MicroTest Programs: Poverty Targeting

To accommodate different missions, which makes it difficult for all programs to adopt a uniform low-income standard, MicroTest programs use three separate measures of poverty: 100 percent of HHS; 150 percent of HHS; and 80 percent of HUD. Programs also report the number of their clients who receive TANF benefits. These measures offer several advantages. HHS guidelines are low-income measures frequently used by policy makers, researchers and the general public. Using 100 percent of the HHS level offers a very stringent test that allows programs to report the number of extremely low-income clients they may serve. Using 150 percent of HHS is a more realistic benchmark of low-income status, and one that is favored in the formation of MicroTest's poverty-focused peer groups. HUD guidelines, because they are local and area-income specific, are used by many CDFIs, as well as by programs receiving community development block grant (CDBG) funding.

Table 12: FY 2000 Poverty Targeting of all MicroTest Programs

FY 2000 Cohort	Median	Average	Minimum	Maximum
Percent of Clients at or below 100% of HHS (n=47)	18%	24%	0%	76%
Percent of Clients at or below 150% of HHS (n=46)	38%	41%	4%	97%
Percent of Clients at or below 80% of HUD (n=48)	63%	64%	16%	100%
Percent of TANF Clients (n=40)	3%	8%	0%	46%

In FY 2000, 46 MicroTest programs reported their clients' income levels. While a median 38 percent of clients were at or below 150 percent of the HHS poverty line, the range is broad — from a low of just 4 percent to a very high 97 percent.

MicroTest also collects information on the number of TANF clients that programs serve. For most programs, TANF clients tend to be a small percentage of overall clients, although there are a few programs whose numbers show they are actively trying to target TANF clients. TANF clients oftentimes benefit from tailored outreach strategies, training designs and program components.[6] Generally, organizations without programs purposefully designed to reach TANF clients will have a very low proportion of their clients on TANF — hence the overall median of 3 percent.

[6] For further information see "Recruiting, Assessing and Screening TANF Recipients" *FIELD forum* Issue 7 (Washington, D.C.: The Aspen Institute, October 2000).

FY 2000 Targeting Performance of All MicroTest Programs: Business Status

MicroTest programs are also concerned with understanding the extent to which they are serving clients with varying degrees of business experience. There are three indicators of a client's business status that are tracked by MicroTest: clients not yet in business who are exploring self-employment as an option (pre-startups); start-up businesses (those in operation less than 12 months); and ongoing businesses (those one year and older). These indicators are determined at intake — the time the client starts working with the program.

Table 13: FY 2000 Client Business Status for all MicroTest Programs

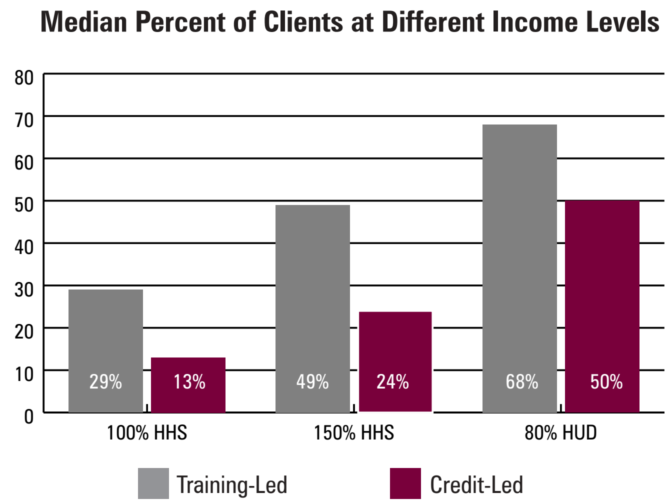
FY 2000 Cohort	Median	Average	Minimum	Maximum
Percent of Pre-Startup Clients (n=52)	31%	34%	0%	92%
Percent of Clients with Start-Up Businesses (n=52)	18%	23%	0%	90%
Percent of Clients with Ongoing Businesses (n=53)	31%	37%	0%	97%

Some of the variation among the programs' clients' income levels and business status reported above is a function of how a microenterprise program designs its services to fulfill its mission. If it has a strong anti-poverty focus, then it designs a methodology intended to attract and effectively serve low-income clients, many of whom are in the pre-startup stage. If its mission includes strengthening existing businesses in its service area, it will tend to attract and serve more ongoing businesses and more of a LMI clientele. Some of these differences are reflected in the poverty targeting and business status data of the credit-led and training-led programs.

FY 2000 Targeting Performance of MicroTest Peer Groups: Poverty Targeting

Training programs are designed to accommodate individuals who need more intensive technical support and assistance in developing their businesses, many of whom are not in business or credit-ready when they first seek assistance. They are also often housed in organizations whose mission and target markets are directly focused on poverty alleviation. Credit programs, on the other hand, finance and work with clients who have some demonstrated capacity to repay loans, often because they have an ongoing business and derive income from its operation; less often, credit programs lend to clients with a start-up business when the borrower has income from another job or from a co-signor. As a result, credit and training programs tend to serve different target markets with different client household income levels.

Particularly for the percentage of their clients at 150 percent of the HHS poverty level, training-led programs (median of 49 percent) demonstrate much deeper targeting than do credit-led programs (median of 24 percent).



FY 2000 Targeting Performance of MicroTest Peer Groups: Client Business Status

For the 30 training-led programs reporting in FY 2000, a median 55 percent of their clients were in the pre-startup phase. This contrasts with a median 15 percent of pre-startup clients for credit-led programs. Conversely, a median 45 percent of clients served by credit-led programs had ongoing businesses, while a median of just 18 percent of clients had an ongoing business at the time they began receiving the services of training-led programs.

One implication of the different income levels and business status of clients of training and credit-led programs should be clear, though income levels play a more important role. Having a different client base, training and credit-led programs do not have the same degree of opportunity to generate revenue from their clients or recover their costs. As will be shown later in the report, this difference influences the cost recovery rates typically achieved by training and credit-led programs.

FY 2000 Targeting Performance: Geographic Peer Groups

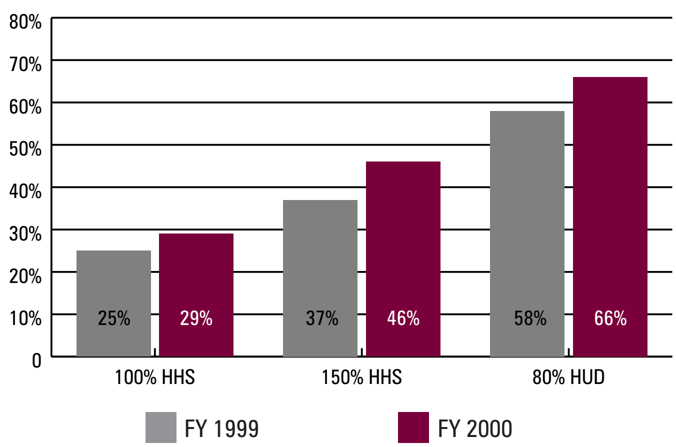
Rural programs reached a somewhat greater percentage of very poor clients (a median 30 percent of their clients are at or below 100 percent of the HHS poverty level) compared to the overall MicroTest cohort median. Urban programs on the other hand, reached a somewhat smaller percentage of these very poor clients (a median 11 percent) than did the overall cohort. This difference probably reflects the lower household income levels in rural America and not different targeting strategies on the part of rural and urban programs. Both rural and urban programs reach the same average percent (65 percent) of clients at or below 80 percent of area median income levels.

Change in Targeting from FY 1999 to FY 2000: Women and Minorities

So far, one year's worth of data has been discussed for a group of 56 MicroTest agencies, based on FY 2000 activity. The intent of MicroTest is to be an enduring process for looking at program performance over time, and to highlight important trends. This section highlights changes in the targeting data of MicroTest programs who have reported for both FY 1999 and FY 2000. FIELD staff recognize that two years does not make a trend. Nonetheless, there is value in beginning to look at the direction of some of this aggregate performance data.

For the 39 MicroTest programs that reported in both FY 1999 and FY 2000, the average percentage of women clients served from year to year remained the same, about 60 percent. There was a bit of an increase in the median and average percentages of minority clients served. In FY 1999 programs reported a median of 39 percent, and in FY 2000 the same programs reported a median of 47 percent, while the average moved slightly from 44 percent to 45 percent. It is unclear if this indicates a movement on the part of some MicroTest programs to actively recruit more minority clients, but it can be taken as a positive indication that MicroTest programs continue to effectively target and market their services to minority populations in their communities.

Average Percentages of Low-Income Clients Served



Change in Targeting from FY 1999 to FY 2000: Low-Income Clients

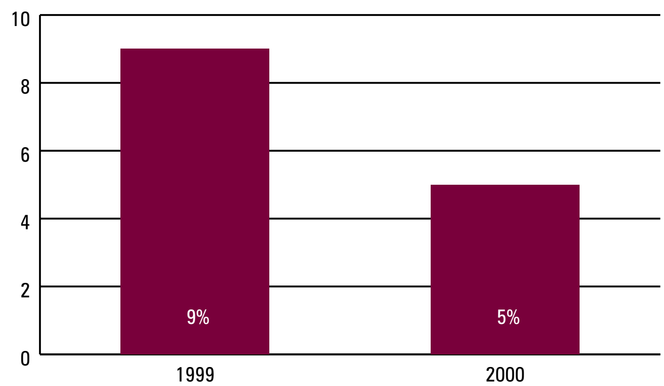
For the 34 MicroTest programs that reported the income status of their clients (at program intake) in both FY 1999 and FY 2000, there is a clear deepening of outreach to more economically disadvantaged clients. Measured by the percentage of clients at or below 150 percent of the HHS poverty line, the average percentage per program of low-income clients increased from 37 percent in FY 1999 to 46 percent in 2000; the median went from 36 percent to 44 percent. This indication of deepening outreach among MicroTest programs is repeated at the more stringent measure of low-income status: From FY 1999 to FY 2000 the average percentage of MicroTest programs' clients at or below the national poverty line went from 25 percent to 28 percent. At the more regionally sensitive HUD measure of low-income status, MicroTest programs reached a higher average percentage of clients at or below 80 percent of the HUD level, increasing from 61 percent in FY 1999 to 67 percent in FY 2000.

Top Performers: Targeting Services to Low-Income Clients

The top performers, that 20 percent of all MicroTest programs that targeted their services to the highest percentages of low-income clients, displayed a very impressive depth of outreach in FY 2000. At least 65 percent (and up to 97 percent) of their clients have incomes at or below 150 percent of the HHS level. For microenterprise programs that prefer to measure their depth of outreach according to the HUD guidelines, top performance in MicroTest means that at least 90 percent of a program's clients have incomes at or below 80 percent of the HUD guidelines.

The deepening of outreach from FY 1999 to FY 2000, by HHS and HUD measures of low-income status, contrasts with the decrease from FY 1999 to FY 2000 in the percentage of MicroTest program clients who report receiving TANF benefits. This decrease is more likely a function of external factors, such as declining TANF caseloads, than of program marketing factors.

Median Percentage of TANF Clients — Longitudinal Data



An important trend is emerging from the data that have been collected. MicroTest programs are deepening their outreach to more economically disadvantaged clients. It demonstrates a commitment in the microenterprise development field to serving low-income clients, and as such is useful information to continue making the case that microenterprise development services have a place in anti-poverty work. It is particularly interesting in light of indications that these programs are also growing in scale, a performance category addressed in the following section.

Achieving Program Scale

Clients and Participants of All Programs

MicroTest data on program scale answer three main questions:

- How many clients received credit and/or training-related services?
- What is the magnitude of program services delivered in the fiscal year?
- What is the volume of lending activity?

One of the primary measures of program scale is the number of individuals who seek and receive services of any kind. MicroTest data describe these individuals using two measures. Program participants include all individuals who received **any level** of service from the microenterprise program during a given fiscal year. This service can range from a two-hour workshop to more intensive training and technical assistance services to a microloan. Participants may also include individuals who received substantial services in a prior year, but in the fiscal year being measured, continue to participate in the program on a more limited basis.

Clients, on the other hand, and as defined earlier, are individuals who: 1) had an active, outstanding microloan or other microfinancing product with the program during the fiscal year; and/or 2) received **at least 10 hours** of microenterprise-related training or technical assistance from the program during the fiscal year. The rationale for tracking clients according to a more rigorous standard of interaction than that for participants is so that MicroTest programs can compare their performance data based on this common benchmark for the intensity of service delivered to each client. This common floor defining a **significant** level of service ensures a rational basis for identifying and describing outcomes that can be attributed, at least in part, to services provided by MicroTest programs.

In addition, 44 programs report on an optional measure — number of inquiries. Together, all three measures are designed to portray a program's breadth of outreach. They are also designed to provide a picture of the level of interaction between the program and the individuals it touches during any given year.

Table 14: Clients and Participants Served by MicroTest programs

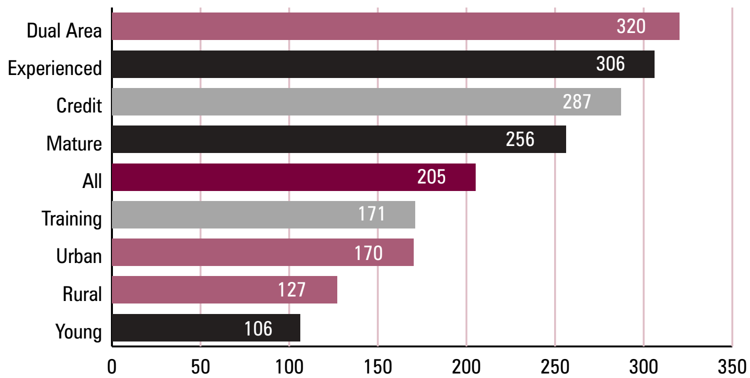
FY 2000 Cohort	Median	Average	Minimum	Maximum
Number of Clients (n=56)	205	273	20	1,771
Number of Participants (n=50)	274	510	24	3,827

The median number of clients served by 56 MicroTest programs in FY 2000 was 205; the average was 273. There is a broad range in the numbers of clients served, from 20 to 1,771. In FY 2000, the MicroTest programs collectively responded to 45,463 inquiries, and provided services to 25,524 participants and 15,279 clients.

Achieving Program Scale: Clients Served by MicroTest Peer Groups

The following chart provides data on the median number of clients served by each of the MicroTest peer groups. As the chart illustrates, there are some real differences among the groups. Credit-led programs served more clients (median of 287) on the whole than training-led programs (median of 171).

MicroTest Peer Groups: Clients Served FY 2000



Dual area programs (serving a mix of rural and urban clients) tend to be larger than either rural or urban programs, primarily because some dual area programs are large statewide organizations.

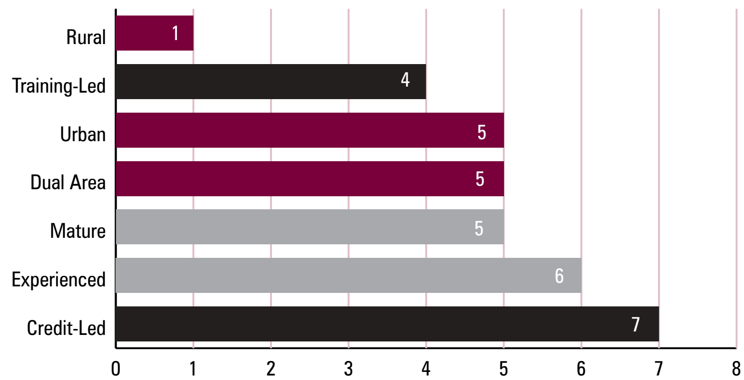
In general a program's age also affects its scale, with experienced programs demonstrating greater scale than younger programs. The above bar graph shows that the 20 programs that make up the experienced peer group in MicroTest (those started from 1991 to 1995), serve more clients (median of 306) than the 20 mature programs (median of 256). Young programs served the fewest clients (median of 106). Some of the experienced programs contain successful microcredit lending programs that have made significant investments in marketing and systems in order to achieve scale.

The effects of age and experience on program scale become even more pronounced when age is viewed through the lens of a program's methodology. For example, the median number of clients served in mature training programs was 230 compared to 150 clients served by young training programs and 153 served by experienced training programs. More dramatically, the mature **and** experienced credit programs have roughly the same median number of clients, and both served over 250 more clients than young credit programs, based on median figures. These data could suggest that there is a slower growth path for most training-led programs than there is for most credit-led programs, which could be due to lower levels of earned, internally-generated income for training-led programs. Alternatively, the high scale of some experienced credit programs could simply reflect the introduction in the United States of a set of effective lending programs in the early 1990s. It is unclear why the 16 young and experienced training-led programs exhibit such smaller scale than do the 14 mature training-led programs. Perhaps there is some level of experience at which training programs begin to attract major sources of funding or stable, contract-based income that permits them to hire additional staff and scale up.

Top Performers: Number of Clients Served

The MicroTest FY 2000 cohort includes a set of programs that have demonstrated a much higher scale of outreach than the group's median. The largest program served 1,711 clients in FY 2000. Five programs each served more than 500 clients, and the top 20 percent of programs in terms of scale (11 programs) each served at least 395 clients. These 11 top performers were largely mature programs and predominantly credit-led. The chart below reflects FY 2000 data.

Distribution of the Top 20 Percent of Organizations in Number of Clients



Achieving Scale: Credit Programs in FY 2000

Moving from a discussion of program scale as measured by numbers of clients served, this section considers program scale in terms of the volume of FY 2000 lending activity conducted by the credit programs in MicroTest. The following table contains data on the lending activity of credit-led programs, as well as training-led programs that also offer microloans to their clients.

Table 15: Number and Dollar Amount of Loans Disbursed

FY 2000	Average # Disbursed	Range of # Disbursed	Average $ Amount Disbursed	Range of $ Amount Disbursed	Total # Loans Disbursed	Total $ Amount Disbursed
All (n=46)	76	1-702	$395,038	$1K - $3.5M	3,475	$18.2M
Credit-Led (n=26)	112	6-702	$620,957	$50K - $3.5M	2,923	$16.2M
Training-Led (n=20)	28	1-186	$101,344	$1K - $480K	552	$2M

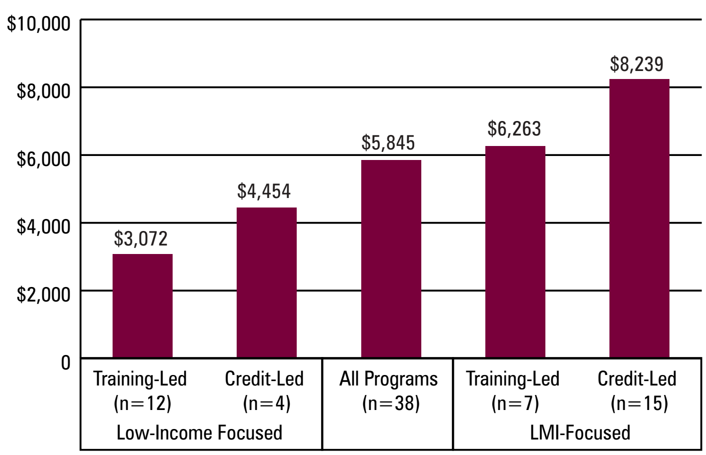
Table 15 shows credit portfolio data for all MicroTest programs with outstanding portfolios as of the last day of FY 2000. These 46 programs made 3,475 new microloans for a total of $18.2 million during the year, and had, at year's end, a total of 4,818 outstanding loans valued at $25.6 million.

Not surprisingly, there are significant differences in the number of loans made by programs of different methodologies. In short, credit-led programs, since it is the focus of their work, make far more loans compared to training-led programs. In FY 2000, credit-led programs disbursed, on average, 112 loans, while training-led programs disbursed 28 loans. The median for each group was 41 and 20; this disparity between average and median numbers for the credit-led group reflects the wide range in lending exhibited by programs that characterize themselves as primarily finance-led.

The difference between the two groups is even more pronounced in loan volume. The average dollar value of loans disbursed by credit-led programs in FY 2000 was more than six times greater than the average value for training-led programs. In fact, of the over $18 million in loans made by MicroTest member programs in that year, credit-led programs made $16,144,874. Credit-led programs are not only making more loans, they are making larger loans.

The average loan size for credit-led programs was $5,745 in FY 2000, compared to $2,926 for training-led programs. Generally, training-led programs work with newer businesses whose credit threshold is lower than that of the more experienced businesses credit-led programs assist. The income levels of clients also influences a program's average loan size. Low-income-focused (LIF) programs have an average loan size of $3,320 while low- and moderate-income-focused (LMIF) programs show an average loan size of $7,854. The following graph displays how average loan size varies for credit-led and training-led programs, as well as for LIF and LMIF programs, whether training-led or credit-led.

Average Loan Size



As the previous chart shows, training-led programs that work with a high percentage of low-income clients and offer them microloans, tend to lend in smaller amounts than do credit-led programs also focused on the credit needs of low-income business owners. The chart also shows that not all training-led programs are the same: Some offer microloans to an LMI clientele like the majority of credit-led programs.

Top Performers: Scale of Credit Activities

Among the 10 most prolific lending programs in the MicroTest FY 2000 cohort (which each disbursed at least 80 microloans), one is a training-led program and nine are credit-led programs. Six are experienced, three are mature, and just one is young. Three are low-income focused and six are LMIF programs; two have high concentrations of start-up borrowers while eight programs focus their lending to ongoing businesses. Finally, five are urban, two are rural and three are dual area programs.

The average loan made by these ten lenders ranges from $4,000 to $5,200. Their average cost per loan is $2,726, with a range from $448 to $7,980. This average is less than half the average cost per loan for the overall FY 2000 cohort ($6,329), because these prolific lenders spread the costs of their lending operations over many more loans than the average program.

Achieving Scale: Training Programs in FY 2000

Business development training and technical assistance programs (training programs) offer seminars, counseling sessions and courses delivered with the intent of helping clients to develop a business. For ease of reference here, the term training includes both group-based and one-on-one consulting (technical assistance) with clients. Training programs served a median 143 business development clients and an average of 229 in FY 2000. Overall, the 49 reporting training programs in MicroTest served a total of 11,198 clients. MicroTest training programs provided an average of 22 hours of business development training per client and 11 hours per client of one-on-one consulting with a technical advisor.

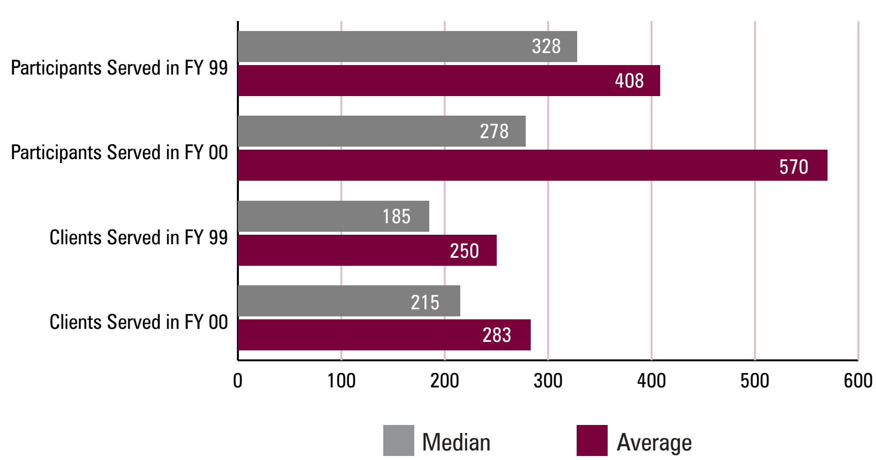
Top Performers: Scale of Training Programs

The ten largest training programs reached from 288 to 1,495 clients in FY 2000. They offered an average of 26 hours of training time per client and 7 hours of individual technical assistance per client. These programs tend to have a broad geographic reach, being either statewide or serving rural and urban markets. They are also more likely to be mature and low-income-focused programs.

Change in Program Scale from FY 1999 to FY 2000

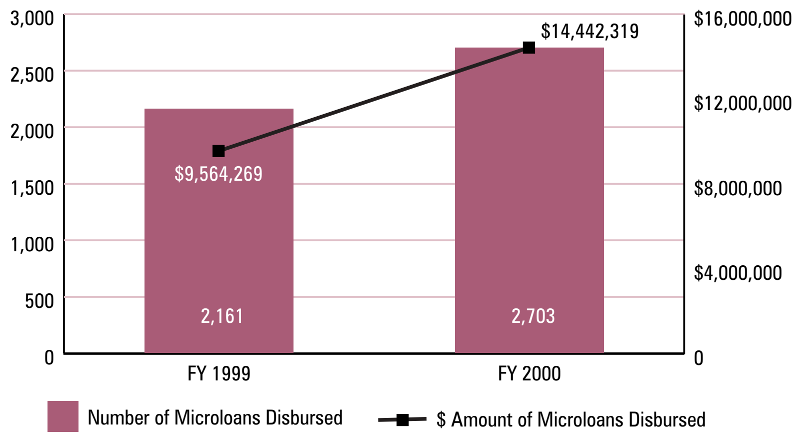
MicroTest programs, from FY 1999 to FY 2000, deepened their outreach to more minority clients, as well as to more low-income clients. Did this outreach constrain programs' efforts to grow in scale?

Number of Participants and Clients from FY 1999 to FY 2000



Average and median figures over the two years show positive growth in the numbers of clients served. For this group of 39 MicroTest programs, the median number of clients served grew from 185 in FY 1999 to 215 in FY 2000 (16 percent growth). The average number of clients served also grew from 250 in FY 1999 to 283 in FY 2000. On average, then, programs not only deepened their outreach, they broadened it to more people as well.

Change in Program Scale from FY 1999 to FY 2000: Credit Programs

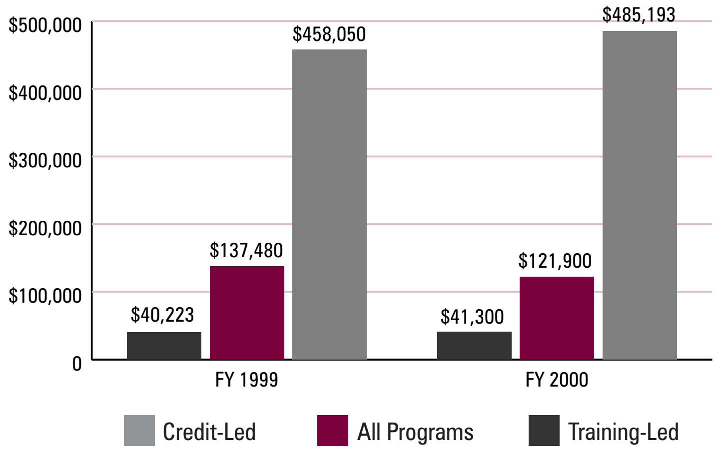


The programs in this group also exhibited a positive trend in the number and dollar amount of loans disbursed from FY 1999 to FY 2000. In FY 2000, credit-led programs increased the combined scale of their lending activity by **25 percent** over their FY 1999 activity, making 2,703 loans for $14,442,319. This represents an absolute increase of 542 loans, totaling $4,878,050.

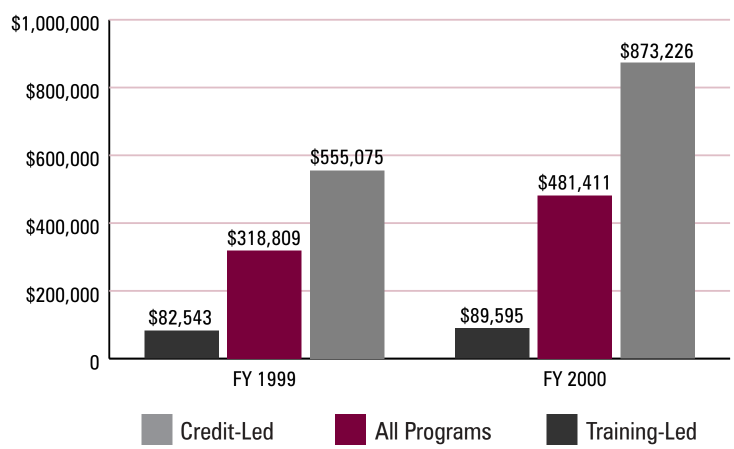
At the individual program level, the average number of loans disbursed also increased by 18, from 72 to 90, and the average dollar value disbursed increased by $162,602 from $318,809 in FY 1999 to $481,411 in FY 2000.

The next two charts compare lending activity for training-led and credit-led programs from FY 1999 to FY 2000. Lending volume, on average, increased in both peer groups, with more modest lending growth among training-led programs compared with the credit-led group. The higher performance in the credit-led group primarily was driven by some programs that focused on scaling up their lending activity. This focus is revealed in the graphs below that show that the average dollar value of microloans disbursed by credit-led programs ($873,226) is substantially higher than the median ($485,193) for the group.

Median Dollar Value of Loans Disbursed from FY 1999 to FY 2000



Average Dollar Value of Loans Disbursed from FY 1999 to FY 2000



Change in Scale from FY 1999 to FY 2000: Training Programs

For the 33 programs which reported their training activity in both FY 1999 and FY 2000, the average number of training clients dipped a modest 4 percent, from 246 in FY 1999 to 237 in FY 2000; the total number of clients who received training from these same programs dropped slightly, from 8,104 to 7,824.

Training Program Effectiveness

Beyond looking at the scale of training and credit programs, MicroTest cares about the effectiveness of the services that are delivered to clients. This section examines the effectiveness of training programs as measured by their ability to help clients achieve key training objectives.

There are two measures by which training programs in MicroTest ascertain the effectiveness of their services: business plan completion rates and training program completion rates. These measures show how effective training programs are in getting clients successfully through a training course and in helping clients to complete a business plan. Just as credit programs should make and collect microloans effectively, training programs should be effective at training and graduating clients.

These measures were developed with training program practitioners and based on their belief that completion rates positively influence business outcomes — the start, stabilization or expansion of a business. This hunch, or intuition, has subsequently been borne out by research. In a study of its own entrepreneurial training program, Iowa's Institute for Social and Economic Development found that program participants who completed business plans were twice as likely to secure business financing and 24 percent more likely to have a positive business outcome.[7]

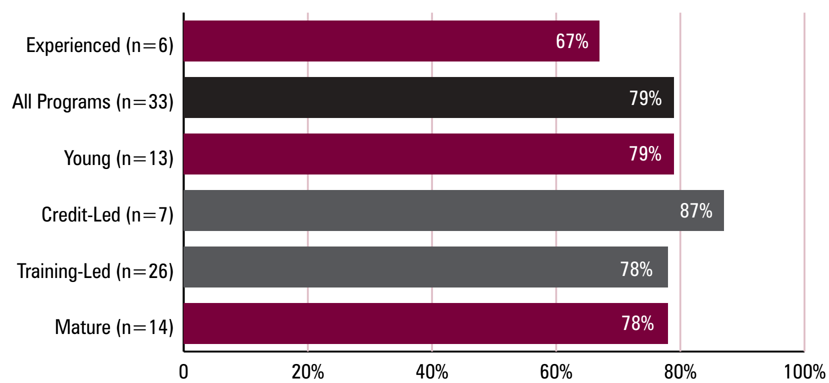
Business Plan and Training Program Completion Rates in FY 2000

In FY 2000, a median of 79 percent of all MicroTest program clients who enrolled in a training course graduated from the course while 57 percent who enrolled in business plan classes successfully produced business plans.

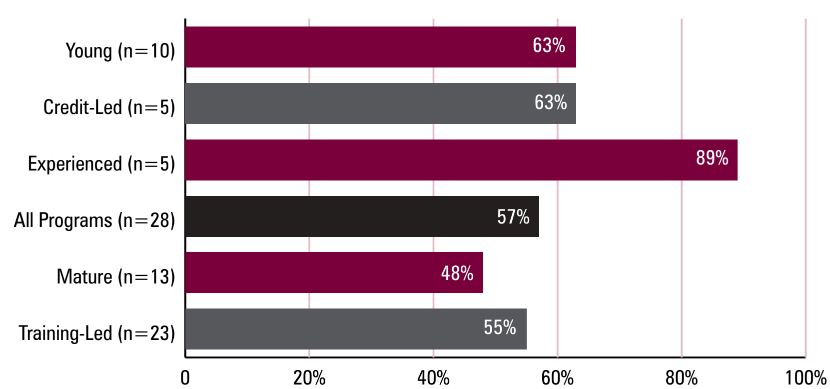
Training completion rates are remarkably similar across most peer groups, with the exception that credit-led programs show higher completion rates. This difference may reflect the policy of some credit programs that require clients to first complete a training class before they become eligible for a microloan.

The previous graphs also show that programs are offering training courses that are able to sustain the interest and participation of vastly different clienteles. Poverty-targeted programs — which deliver training courses to people with scarce resources and, often, hectic schedules — show competitive training completion rates of 76 percent.

Training Program Graduation Rates



Business Plan Completion Rates



[7]Elaine L. Edgcomb, *Improving Microenterprise Training and Technical Assistance: Findings for Programs* (Washington, DC: The Aspen Institute, 2002) 25-26.

Top Performers: Training Program Effectiveness

The seven programs that are the most effective at helping clients achieve key training objectives show graduation and business plan completion rates exceeding 88 percent. Programs in all peer groups are evenly represented in this small group of top performers, suggesting that all types of programs have the ability to achieve very high graduation rates.

Change in Training Effectiveness from FY 1999 to FY 2000

While training program graduation rates remained constant from FY 1999 to FY 2000, there was a noticeable dip (from over 69 percent to 60 percent) across most peer groups in business plan completion rates over the two years. It is not clear what caused this dip in FY 2000; the measure bears watching to see if FY 2001 data show a continued drop in business plan completion rates.

Credit Program Effectiveness

The effectiveness of the microloan portfolios of MicroTest programs is understood as the ability to make loans and collect repayments in the context of a mission-driven organization. Four questions are addressed:

- What is the quality of portfolios for MicroTest programs overall, and for different peer groups?
- How do levels of risk in these portfolios influence portfolio quality?
- What does top performance look like for healthy microloan portfolios?
- How has performance changed from FY 1999 to FY 2000?

To answer the first question it is necessary to understand MicroTest's definitions for key indicators of portfolio quality:

Loan Loss Rate (LLR): The dollar amount of microloans declared nonrecoverable and written off, net of recoveries, during the fiscal year divided by the average dollar amount of microloans outstanding during the fiscal year.

Total Portfolio at Risk (PAR): The dollar amount of principal outstanding on all microloans with payments past due more than 30 days divided by the total dollar amount of microloans outstanding at the end of the fiscal year.

Restructured Loan Rate (RLR): The dollar amount of restructured loans (whose term or amount has been modified in response to a borrower's particular circumstances) outstanding at the end of the fiscal year divided by the total dollar amount of microloans outstanding at the end of the fiscal year.

In general, the lower the above rates, the healthier the portfolio. There is usually some balance of risk and loss in a portfolio, depending on the degree to which the microlender tolerates risk and works with inexperienced borrowers.

Logically, the higher a lending program's average loan size, the greater is its risk of experiencing large sum delinquencies, restructurings and write-offs should those loans go bad. On the other hand, the lower its average loan size, the more likely it is to lend to a low-income/low-asset clientele or to start-up businesses (or even to both), which also increases its lending risk. The following section discusses the performance of microcredit programs, bearing in mind these and other risk characteristics.

Table 16: Portfolio Characteristics of FY 2000 MicroTest Cohort

	Median	Average	Minimum	Maximum
Number of Loans Outstanding (n=45)	58	107	2	729
Dollar Amount of Loans Outstanding (n=45)	$355,359	$568,165	$530	$3,418,332
Average Loan Size (n=46)	$4,905	$6,685	$510	$20,329
Percent of Portfolio Loaned to Start-Ups (n=41)	40%	43%	0%	100%

The average loan size among 46 MicroTest programs ranged from a low of $510 to a high of $20,329 in FY 2000, with an overall median of $4,905. This is one indication of the different target markets being served by the lenders in MicroTest. As Table 17 shows, much of this variance occurs between the credit-led and the training-led peer groups.

Another indication of the different target markets being served by microlenders is the wide range of lending to start-up businesses, from 0 percent to 100 percent for the overall cohort. Here again, however, it is important to consider how training and credit programs differ.

Table 17: Portfolio Characteristics of FY 2000 MicroTest Peer Groups

	Training-Led Programs, Median Figures (n=17)	Credit-Led Programs, Median Figures (n=26)
Number of Loans Outstanding	27	73
$ Amount of Loans Outstanding	$100,013	$592,706
Average Loan Size	$2,926	$5,745
Percent of Portfolio Outstanding to Start-Ups	60%	29%

This report briefly considers the overall portfolio quality indicators for the FY 2000 MicroTest cohort, as reflected in median and average figures, then looks more closely at this portfolio data for different peer groups.

Table 18: Portfolio Health Indicators, FY 2000 Data from MicroTest

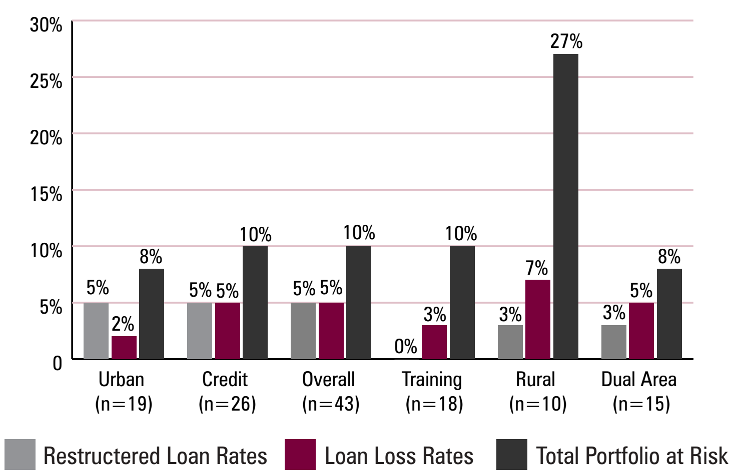
FY 2000 Cohort	Median	Average	Minimum	Maximum
Restructured Loan Rate (n=42)	5%	9%	0%	56%
Loan Loss Rate (n=43)	5%	5%	0%	30%
Total Portfolio Risk (n=43)	10%	18%	0%	60%

Overall portfolio quality indicators for the lending agencies participating in MicroTest are, for the most part, consistently strong. That the median and average loan loss rates are the same, 5 percent, indicates the absence of major write-off issues in the MicroTest cohort in FY 2000, which would have dragged up the average. PAR for the group does show a higher average than median, and some of this difference is likely to show up in a more disaggregated look at peer group data. Since training-led programs lend a significantly higher percentage of their portfolio to start-up businesses, their PAR is likely to be higher on average than the PAR of the credit-led group.

FY 2000 Portfolio Quality: Credit-Led and Training-Led Programs

Median portfolio quality indicators are quite similar across credit-led and training-led programs. Generally, the quality of portfolio management, as measured by median figures, is strong across all MicroTest lending programs. However, training-led programs carry an average PAR of 20 percent, higher than the average PAR of credit-led programs of 15 percent. Since most training programs tend to work with a higher percentage of start-up businesses, their higher average PAR is not surprising and may indicate the higher level of lending risk some training-led programs are willing to accept. Beyond different levels of risk tolerance, it is also likely that the lower PAR and LLR shown by credit-led programs reflect better risk management on their part (i.e., that credit-led programs have more expertise in underwriting, loan structuring and collections).

Median FY 2000 Portfolio Quality Indicators by Peer Group



FY 2000 Portfolio Quality: Geographic Peer Groups

Having looked briefly at methodological influences on portfolio health, the paper turns to assess the extent to which, if at all, geographic location of a lending program's clients influences its portfolio quality. As the graph above illustrates, the median PAR for rural programs is significantly higher than that for urban or dual area programs. This difference may be the result of the challenge that rural lending programs face in quickly responding to late loan repayments when borrowers and loan officers are separated by great distance. Reported loan losses, however, are closer: 2 percent for urban, 7 percent for rural, and 5 percent for dual area programs.

FY 2000 Portfolio Quality: Program Age

Young lending programs show about twice the PAR (median = 18 percent) of both experienced and mature programs (median = 9 percent). The young peer group also reported a median loan loss rate slightly higher, at 7 percent, compared with experienced (4.6 percent) and mature lenders (2.2 percent). Among other possible interpretations, these differences suggest that programs become more effective at maintaining a healthy microloan portfolio as they gain underwriting experience and develop better systems to track and manage their growing portfolios. Additionally, because young programs tend to have smaller average outstanding portfolios than either experienced or mature lenders, losses they experience throughout the year show up as higher loan loss percentages.

Top Performers: Portfolio Quality

The top one-fifth of MicroTest lenders has PAR rates below 3.1 percent. Forty percent, or 17, of MicroTest lenders have loan loss rates below 2.2 percent. These 17 microlenders are, on balance, mature (8 out of 17); they are both training-led (9) and credit-led (8); they are predominantly urban (10 out of 17); six are low-income-focused, and eight are LMI-focused; 14 out of 17 tend not to work with start-up businesses very much; six of them provide smaller average loans, $2,000 to $3,500. Finally, they are not the most prolific lenders in terms of scale, with a median number of FY 2000 loans disbursed of just 22 (average of 41). This suggests that they provide closer attention to the loans in their portfolio than do larger programs. Larger programs may be willing to tolerate a higher level of PAR and even absorb a little more loss in exchange for scaling up their lending to earn more income off those loans.

Change in Portfolio Quality from FY 1999 to FY 2000

For the 30 programs that reported in FY 1999 and FY 2000, restructured loan rates dropped from 10.3 percent to 8.7 percent, while average loan loss rates remained stable. The average portfolio at risk increased from 12.5 percent in FY 1999 to 17.3 percent in FY 2000. The 15 training-led programs involved in lending saw their average PAR move from 15 percent to 22 percent, their RLR dip from 12 percent to 10 percent, and their loan loss rates jump from 4.3 percent in FY 1999 to 13.7 percent in FY 2000. Similarly, the 15 credit-led programs reporting in both years saw an average increase in their delinquencies: PAR rose from 10 percent to 14 percent. However, other portfolio health indicators for this peer group are better: LLR fell from 7 percent to 5 percent; RLR went from 9 percent to 7 percent.

All age groups (young, experienced and mature) saw their average PAR go up from FY 1999 to FY 2000, including all age groups of credit-led and training-led programs.

The increase in PAR for the overall group from FY 1999 to FY 2000 could mean that more risk is being carried on the current portfolio rather than being restructured. As changes in both restructured rates and loan loss rates often lag behind changes in portfolio risk, however, over time loan loss and restructured rates may begin to reflect these increases in portfolio risk. Finally, as these rates often go up and down due to a variety of circumstances, it is important not to make too much of two years of data, but rather to pay attention to the direction these rates take next year.

Program Cost and Efficiency Measures

This section considers performance measures that describe the cost and efficiency of microenterprise programs. These measures facilitate comparison of the investment required to train one client, assist one business, or disburse one loan. The key questions to be explored below include:

- What do programs spend to deliver their core services?
- How efficiently do MicroTest programs use internal resources?

These types of measures are important for a few reasons. Both public and private sector investors are keenly interested in cost data. Moreover, efficiency and cost ratios can serve as indicators to program managers needing to restructure inefficient aspects of operations.

MicroTest uses many different measures to assess a program's efficiency, not all of which measures will be covered in this report. First, this section considers two measures of the overall efficiency of the microenterprise program: cost per client and cost per participant. Second, it explores cost efficiencies related to credit programs (cost per loan and operational cost rate), and training programs (cost per training client), as well as a measure of staff efficiency (clients per direct service provider).

FY 2000 Efficiency Measures: All MicroTest programs

As Table 19 indicates, with the exception of a few outliers at the upper end, the costs of serving clients are fairly close.

Table 19: Costs Per Client and Per Participant

FY 2000 Cohort	Median	Average	Minimum	Maximum
Cost per Client (n=55)	$2,068	$3,529	$106	$33,175
Cost per Participant (n=49)	$1,199	$2,392	$81	$27,271

The cost per client takes a program's total annual expenses and divides it over the number of clients it served in the fiscal year. While there was a clear high outlier among MicroTest program costs per client, 58 percent of the 55 respondents have a cost per client below $2,500, and 76 percent have a cost per client below $3,500. The majority of MicroTest members have cost per client figures lower than the overall average.

Participant costs were also generally consistent across all MicroTest programs with 30 of the 49 respondents (61 percent) reporting a cost per participant of less than $1,500 and 84 percent reporting less than $2,500 per participant.

Table 20: Measures of Lending Efficiency

FY 2000 Cohort	Median	Average	Minimum	Maximum
Cost per Loan (n=42)	$3,538	$6,182	$156	$37,094
Operational Cost Rate (n=43)	.81	2.75	.11	17.94

Cost per loan measures a program's credit-related costs (including any credit-related training and technical assistance) divided by the number of microloans made in the fiscal year. The wide range of cost per loan data shown in Table 20 gives a bit of a false impression. In fact, 60 percent of all MicroTest lenders have a cost per loan below $5,000, while 40 percent are below $3,000. The top performers — the most efficient lenders, by this measure — spend less than $1,500 per loan. Of course, the more loans a program makes, the more likely it is to have a lower cost per loan, so many of the high volume lenders described in the Scale section of this report are also the most efficient lenders in MicroTest.

Operational Cost Rate is a ratio that describes how much it costs a program to make and manage one dollar that is outstanding in its microloan portfolio. For example, an operational cost rate of 1.10 means that it costs a program $1.10 to make and manage every $1 it has outstanding to borrowers. Again, because of the broad range of figures presented above, Table 20 suggests a more erratic picture than is actually the case for most MicroTest lenders. Fifty-one percent of the 43 respondents have an operational cost rate of .81 or less. In general, the larger a program's outstanding portfolio at the end of the fiscal year, the better its operational cost rate is likely to be. Being a large-scale lender helps bring this rate down. The top performers in MicroTest, by this measure, have operational cost rates below 0.7.

Table 21: A Measure of Training Efficiency

FY 2000 cohort	Median	Average	Minimum	Maximum
Cost per BD Training/TA Client (n=47)	$1,459	$2,336	$91	$13,367

Cost per business development training/TA client is derived by dividing total training expenses by the number of training clients. Sixty percent of MicroTest programs spent less than $1,773 per training client in FY 2000, and the most efficient training programs spent less than $763 per client.

Table 22: A Measure of Staff Efficiency

FY 2000 cohort	Median	Average	Minimum	Maximum
Clients per Direct Service Provider (n=55)	45	67	7	422

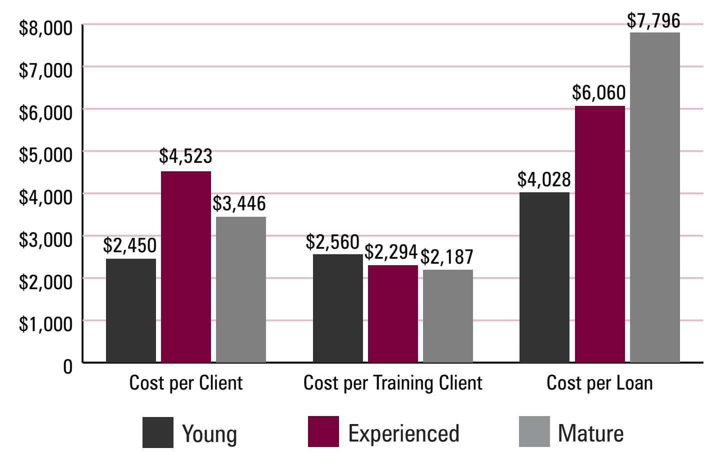
The clients per direct service provider (DSP) ratio gives programs a sense of how efficiently they are serving their clients. Some programs may wish to keep their clients/DSP ratio low to provide consistently intensive services to their clients, while others may aim for a high ratio in order to keep costs down. Forty of 55 MicroTest programs (72 percent) have 67 or fewer clients per DSP. However, there were six programs with more than 100 clients per DSP.

FY 2000 Cost Effectiveness and Efficiency: Credit-led and Training-led Programs

Generally the cost per client and cost per participant figures for training-led programs were slightly higher at $2,304 and $1,253 than the medians for all programs, $2,068 and $1,199. Conversely, credit-led programs showed a lower median cost per client ($1,983) and participant ($1,095) than the overall cohort.

According to their median cost per loan figures for FY 2000, training-led programs spend about $1,000 more than credit-led programs to make a loan. This is not surprising, since they are typically spreading the fixed costs of running a credit program over a smaller number of loans. Similarly, training-led programs have a median operational cost rate of more than four times the median operational cost rate of credit-led programs (2.31 versus .5), which is due to their much smaller outstanding portfolios.

FY 2000 Cost Effectiveness and Efficiency: Program Age



There is a mix of data for costs and program age. The generally lower costs exhibited by young programs principally reflect their smaller size: The average credit-related expenses of young programs are just $119,306, while the average credit expenses of experienced and mature programs are $408,399 and $263,858, respectively; and young programs operate with fewer direct service staff (average of 3.3 FTEs) than do experienced (5 FTEs) and mature programs (5.9 FTEs). Also, experienced and mature programs offer a higher percentage of their clients access to business development training and consulting services, which could explain some of the higher average costs seen across these peer groups. For example, mature programs serve an average of 317 clients, and an average of 304 clients per program receive intensive business development training. On the other hand, young programs, which serve an average of 135 clients, offer intensive business development services to an average of just 98 clients each. Experienced programs serve the largest average number of clients (338) and provide intensive training to an average of 263 clients each.

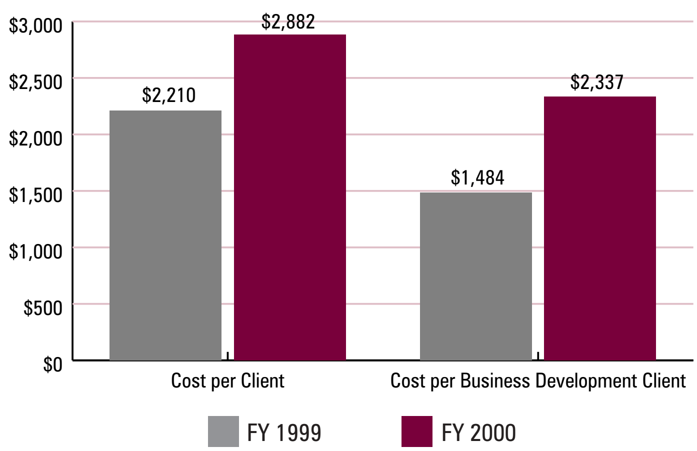
FY 2000 Cost Effectiveness and Efficiency: Geographic Peer Groups

The 19 urban programs that have microloan portfolios in MicroTest show a much lower median cost per loan ($1,871) than do the 10 rural programs ($4,456). Some of this difference results from a few very large urban lending programs that manage to make significant numbers of loans, thus bringing down the average cost per loan for the urban peer group. There are few rural lending programs that make large numbers of microloans, resulting in a relatively high cost per loan for the rural peer group. The average number of loans disbursed for this urban cohort is 93, or nearly 3 times the average for the rural group. Simply, urban programs are spreading their credit program costs over more microloans than are rural programs. Additionally, rural programs may have higher costs because of higher travel and communications expenses associated with having clients spread over larger distances.

Change in Costs and Efficiency from FY 1999 to FY 2000

There are two obvious trends in MicroTest cost and efficiency measures. The first trend is that the overall costs of serving clients appear to rise. The number of clients served increased from an average of 250 in FY 1999 to 283 in FY 2000, yet the cohort's clients per direct service provider ratio decreased from an average of 66 to 59. This indicates that although programs served more clients, generally they did it with added staff capacity and accompanying expenses. This explains the rise in average cost per client and average cost per training client, shown below.

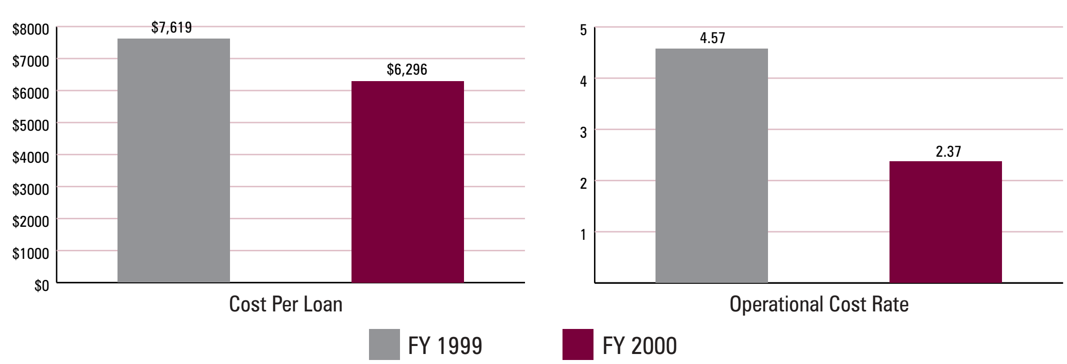
Change in Client Costs from FY 1999 to FY 2000



This rise in costs was not uniform for all peer groups, however. Urban programs show a slight decrease in their average cost per client from FY 1999 to FY 2000. To accomplish this, urban programs experienced significant growth in client numbers while holding their costs fairly constant.

The second trend is that the cost of lending has declined. This is due to an increase in the productivity of lending programs. The average number of loans disbursed increased 25 percent, from 77 in FY 1999 to 96 in FY 2000. This helps explain the (positive) drop in average cost per loan and operational cost rates from FY 1999 to FY 2000.

Changes in Lending Efficiency from FY 1999 to 2000



Program Sustainability: Self-Sufficiency and Funding Diversification

Sustainability refers to the capacity of programs to continue to offer services to clients over time. Self-sufficiency ratios provide a sense of the current level of cost recovery from program-generated income. Funding diversification ratios reflect the different funding streams a program relies on to meet all of its resource requirements.

The term sustainability, rather than self-sufficiency, is used in the U.S. context for a few related reasons. First, there are exceedingly high barriers to self-sufficiency faced by microenterprise programs in the United States. One of these barriers to self-sufficiency is strong demand for business development services in addition to financing services; another is the high cost of labor in the United States relative to those in developing nations. While a few highly successful U.S. institutions — ones that concentrate on lending and target existing business owners — have attained or are nearing self-sufficiency of their lending operations, it is doubtful that the majority of microenterprise programs in the United States will achieve full financial self-sufficiency. Self-sufficiency may be the best means to achieve sustainability for some programs, but it is not the only way. Some programs can also become sustainable through good relations with long-term funding sources. The questions to be addressed below include:

- How self-sufficient are MicroTest programs?
- How diversified are their funding streams?

Table 23: Self-Sufficiency Measures

FY 2000 Cohort	Median	Average	Minimum	Maximum
Operational Self-Sufficiency (n=50)	19%	29%	0%	110%
Short-Term Financial Self-Sufficiency (n=51)	17%	20%	0%	85%
Training Program Cost Recovery (n=51)	1%	2%	0%	19%
Program-Generated Revenue over Total Expenses (n=55)	7%	14%	0%	75%

Table 23 shows four measures of self-sufficiency tracked by MicroTest programs. Operational Self-Sufficiency measures how much of the operating costs of a program's lending activities are covered by financial income from those activities. Short-term financial self-sufficiency is a more stringent test of self-sufficiency that includes all of a lending program's operating and financial expenses (including a loan loss provision). Training program cost recovery divides all the income earned from the operation of a training program (from client fees, sale of training materials, etc.) by the average annual expenses of operating the training program. Finally, program-generated revenue over total expenses is a measure of total program cost recovery, dividing all earned income over all program expenses.

The median and average figures in Table 23 for operational self-sufficiency and short-term financial self-sufficiency hide the diversity for these measures among MicroTest members. Sixteen of the 50 reporting programs (32 percent) have an operational self-sufficiency figure higher than the average of 29 percent. Twenty of the 51 programs (39 percent) have a short-term financial self-sufficiency higher than the average of 20 percent. The most self-sufficient quintile of MicroTest lenders is at least 50 percent operationally self-sufficient, and a few programs have achieved over 70 percent self-sufficiency. All of these top performers are large, experienced credit-led programs.

Fifteen MicroTest programs showed a total program cost recovery rate greater than 20 percent. Fourteen of these programs are credit-led; the lone training-led program exhibiting impressive overall cost recovery also had an unusually large (for a training-led program) outstanding microloan portfolio at the end of FY 2000 of over $530,000.

Change in Self-Sufficiency from FY 1999 to FY 2000

There is a strong positive trend toward higher levels of self-sufficiency among MicroTest programs. Average rates of operational self-sufficiency, short-term financial self-sufficiency and program cost recovery all increased.

Self-Sufficiency Measures from FY 1999 to FY 2000

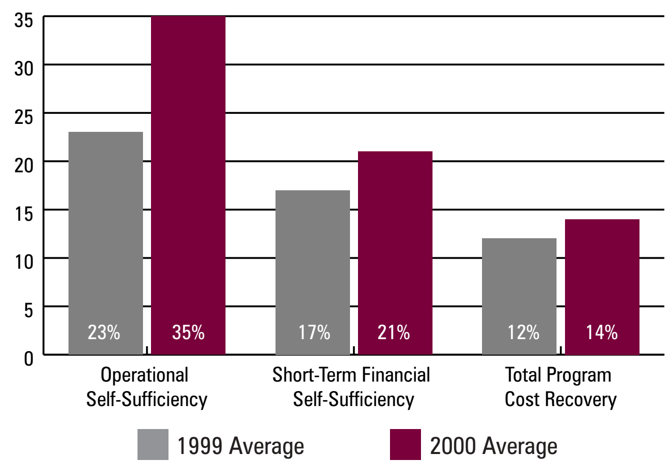


Table 24: Funding Diversification

FY 2000 cohort	Median	Average	Minimum	Maximum
Income by Source				
Program-generated (earned) income over total income	6%	12%	0%	75%
Private funding over total income	27%	32%	0%	84%
Federal funding over total income	19%	24%	0%	73%
State funding over total income	5%	15%	0%	89%
Local funding over total income	0%	9%	0%	67%
Other funding over total income	2%	6%	0%	51%
Income by Type				
Program-generated (earned) income over total income	6%	12%	0%	75%
Grant funding over total income	71%	66%	0%	100%
Contract funding over total income	0%	15%	0%	77%

(n=56)

MicroTest tracks both the source (whether earned, private, federal, state, local or other) and the type (whether earned, grant or contract-based income) of funding streams. The data in Table 24, then, contains overlapping figures, and columns do not equal 100 percent.

MicroTest programs are receiving, on average, almost half of their funding from government sources: federal (24 percent), state (15 percent), and local (9 percent).[8] About one-third, on average, comes from private donors. On average, programs get 12 percent of their total income from internally generated revenue, i.e., program-generated income. For the most part, MicroTest programs fund their work through grant relationships (average 66 percent) as opposed to contracts (average 15 percent). However, 29 percent of the 55 programs got at least 20 percent of their overall funding from contracts.

Although contract income still makes up a relatively small share of most programs' overall funding (average 15 percent, median 0 percent), training-led programs rely on contract funding more often than do credit-led programs. Some of the largest training-led programs in MicroTest receive a substantial percentage of their overall funding from contracts that reimburse them for providing services to their clients. These programs have argued that such fee-for-service contract revenue is an important source of income for their program's overall sustainability, and that their efforts to secure these contracts are analogous to a credit program's work to generate earned income from its loans. In an uncertain budgetary environment, however, it will be important to observe over time if these contracts convey a greater degree of overall sustainability.

[8] Federal funding includes revenue from such sources as SBA programs like the Microloan program, PRIME, and Women's Business Center. For purposes of MicroTest, programs count Community Development Block Grant funds as federal dollars.

Summary of Client Outcomes

Most microenterprise programs are founded with some variation of an economic or community development mission and/or as a poverty alleviation strategy. Programs and their funders are critically concerned with business and job creation, income generation, and other outcomes measurable at the level of the individual, the business, the community or the economy. Measuring these outcomes requires establishing a baseline and then following up to measure again over time. This type of ongoing data collection is known as outcome monitoring, and most community-based enterprise programs find it difficult to do on a consistent basis. Collecting this type of data requires mail, telephone or in-person surveys, or interviews that can be expensive and time-consuming. Most programs do not have staff designated for evaluation activities and hire evaluation firms to conduct queries of samples of their clients when required by funders.

Because of a strong interest in collecting outcomes data, MicroTest developed several instruments that support simple client tracking. These are being tested now by a cohort of training-led programs supported by the Ms. Foundation through its Collaborative Fund for Women's Economic Development. The intent of this outcomes work is to develop a simple annual process that mirrors the overall performance measurement exercise, providing some key data to give program managers and program funders insight into the effect these support services have on microentrepreneurs and their businesses. Future reports from MicroTest will incorporate outcomes-related data.

Conclusion

Like a doctor, MicroTest has attempted to capture the health of an industry using a set of measurements — in this case, measures that describe the targeting, scale, performance, efficiency and sustainability of microenterprise programs across the United States. As the earliest sections in this report indicated, this report analyzes the performance of some of the more mature organizations in the field, those with the greatest experience in credit and lending, and those that represent some of the more significant efforts to deliver credit, training and technical assistance.

Some of the notable achievements of programs representing the U.S. microenterprise development industry have been identified here. For instance, they demonstrate a clear focus on targeting their services to women and to minority populations. Additionally, the MicroTest cohort has deepened its targeting from FY 1999 to FY 2000, reaching more and more low-income clients.

Not only are MicroTest programs targeting their services more effectively to disadvantaged business owners, as a group they also made progress from FY 1999 to FY 2000 in reaching more clients. This growth in program scale was particularly pronounced among MicroTest credit-led programs, several of which demonstrated remarkable scaling up of their lending activities.

While there is some indication of increasing delinquency and levels of portfolio at risk, loan loss rates remain low and within a consistently narrow band. Moreover, some increased level of risk is at least, in part, a function of laudable efforts to reach many more new microloan clients.

Costs in FY 2000 span a wide range, but there is also clear clustering. Costs per client typically range from $1,400 to $2,350; costs per client for intensive business development training range from $1,000 to $2,500; and operational cost rates from .36 to 1.6. While a few costs, such as cost per client, have increased some from FY 1999 to FY 2000, others, particularly cost per loan and operational cost rate, decreased over the same period.

Program sustainability measures show strong progress from FY 1999 to FY 2000, particularly with respect to the self-sufficiency of credit program operations. Some of these programs achieved relatively high levels of self-sufficiency because of increases in scale, while a few did so by containing their costs and working through a credit union or other institutional model. Cost recovery rates are much lower for training-led programs, which offer services to lower-income clients and to early-stage businesses, both of which are less likely to be able to have funds to pay for services. These programs seek diversified funding streams and/or fee for service arrangements to bolster their sustainability.

This is the first of what is intended to be a series of annual publications that analyze the performance data of microenterprise development agencies that participate in

MicroTest. Next year's report will contain FY 2001 data, as well as some data related to client and business-level outcomes. All of the observations above concerning changes from FY 1999 to FY 2000 will be analyzed again, in the context of three years of data. Pushing forward on some of the findings from this year, the next report will seek to address the following, among other questions:

- Is there a continued deepening of outreach to women, minorities and low-income microentrepreneurs?
- Does the trend to scale up continue, particularly for credit programs, but also for training-led programs?
- Are portfolio health indicators changing to reflect some of the higher portfolio-at-risk rates shown in FY 2000?
- Do training program clients continue to show declining business plan completion rates or does that turn around?
- What happens to costs in FY 2001?
- Can programs continue to make progress toward sustainability?

MicroTest staff would enjoy hearing from readers of this report, both on the utility of the present document and on the sorts of performance-related questions that should be reviewed using the MicroTest database next year.[9] This report is intended to illuminate the true performance of the industry and to allow its participants better data upon which each can assess and improve its own performance. To the extent that this report contributes to that advancement, it will have fulfilled its purpose.

[9] Please contact MicroTest staff at (202) 736-2533 or send an e-mail to jerry.black@aspeninst.org.

Appendices

Appendix A: MicroTest Participating Programs and Peer Groups

Program Name	Training-Led	Credit-Led	Urban	Rural	Dual Area	LIF Programs	LMIF Programs	Young	Experienced	Mature
ACCION Chicago		X	X				X		X	
ACCION New Mexico		X			X		X		X	
ACCION New York		X	X				X		X	
ACCION San Diego		X	X				X		X	
ACCION Texas		X			X	X			X	
ACRE Family Day Care	X		X				X			X
Alternatives Federal Credit Union	X			X			X	X		
Appalachian by Design	X			X		X			X	
Business Now of Goodwill Industries	X		X			X		X		
Center for Rural Affairs	X			X		X				X
Center for Urban Redevelopment and Empowerment	X		X						X	
Central Vermont Community Action Council	X			X		X				X
Coastal Enterprises		X		X			X			X
COBB Microenterprise Council	X			X		X		X		
Community Business Network	X		X					X		
Community Equity Investments		X			X				X	
Community Financial Resource Center		X	X				X	X		
Corporation for Economic Development of Harris Co.		X	X						X	
Credit Where Credit is Due		X	X			X		X		
Detroit Entrepreneurial Institute	X		X			X				X
Dorchester Bay Small Business Loan Fund		X	X				X		X	
Enterprise Development Corp.		X		X			X		X	
FINCA USA	X		X				X	X		
Good Faith Fund	X				X			X		
Institute for Social and Economic Development	X				X	X				X
Jane Addams Hull House	X		X				X			X
Jefferson Economic Development Institute	X			X		X		X		
Jewish Family Services	X		X			X		X		
Maine Centers for Women Work and Community	X				X	X				X
Microcredit-New Hampshire		X			X		X	X		
Mountain Microenterprise Fund	X			X			X			X
Nebraska Microenterprise Partnership Fund		X			X				X	

Appendix A: MicroTest Participating Programs and Peer Groups

Program Name	Training-Led	Credit-Led	Urban	Rural	Dual Area	LIF Programs	LMIF Programs	Young	Experienced	Mature
Neighborhood Development Center	X		X				X		X	
New Enterprises Fund		X		X			X	X		
North Carolina Rural Economic Development Center		X		X						X
North Star Community Development Corporation	X		X			X				X
Northeast Entrepreneurship Fund	X				X	X				X
People Assisting Community Entrepreneurs		X			X		X		X	
People Inc.		X		X					X	
PPEP/PMHDC/Micro		X		X		X				X
Project Enterprise		X	X					X		
Self Employment Loan Fund of Lincoln		X	X					X		
Self-Help Ventures Fund		X			X		X		X	
Union County Economic Development Corporation		X	X				X			X
Vermond Development Credit Union		X			X		X	X		
Washington CASH	X		X			X		X		
West Company	X			X		X				X
Western Massachusetts Enterprise Fund		X			X		X			X
Women Entrepreneurs of Baltimore	X		X				X			X
Women's Economic Self-Sufficiency Team	X				X	X				X
Women's Economic Ventures of Santa Barbara	X				X		X		X	
Women's Housing and Economic Development Corporation	X		X			X			X	
Women's Initiative	X		X			X				X
Women's Opportunities Resource Center	X		X			X			X	
Women's Rural Entrepreneurial	X			X			X		X	
Working Capital		X	X			X				X

Appendix B: All FY 2000 MicroTest Performance Data

Number of Programs in Sample	56	56	1	1	30	26	14	25	16	16	20	20	22	24
MicroTest Measures	All Program Medians	All Program Averages	Minimum	Maximum	Training-Led Program Medians	Credit-Led Program Medians	Rural Program Medians	Urban Program Medians	Dual Area Program Medians	Young Programs	Experienced Programs	Mature Programs	LIF Program Medians	LMIF Program Medians
Client Targeting Measures														
Number of Clients Served	205	273	20	1771	171	287	127	170	320	106	306	256	178	171
% of Women Clients	60%	63%	10%	100%	76%	53%	63%	56%	62%	61%	55%	61%	72%	52%
% of Minority Clients	55%	51%	0%	100%	51%	55%	15%	76%	43%	57%	58%	35%	51%	47%
% of Low-Income Clients (≤100% HHS guidelines for low-income households)	18%	24%	0%	76%	29%	13%	30%	11%	17%	27%	15%	32%	35%	10%
% of Low-Income Clients (≤150% HHS guidelines for low-income households)	38%	41%	4%	97%	49%	24%	40%	35%	33%	44%	33%	46%	60%	20%
% of Low-Income Clients (≤80% HUD guidelines for low-income households	63%	64%	16%	100%	68%	50%	64%	63%	58%	63%	59%	65%	77%	51%
% TANF Clients	3%	8%	0%	46%	6%	2%	3%	4%	10%	2%	4%	5%	11%	0%
% Clients with Start-Up Businesses	18%	23%	0%	90%	15%	29%	15%	16%	36%	20%	25%	18%	16%	19%
% Clients with On-Going Businesses	31%	37%	0%	97%	18%	45%	23%	34%	36%	26%	48%	23%	19%	45%
% of Pre-Startup Clients	31%	34%	0%	92%	55%	15%	43%	35%	35%	45%	8%	35%	45%	20%
Program Scale Measures														
Number of Inquiries	498	1033	36	7994	549	474	335	498	788	260	856	798	622	451
Number of Participants	273.5	510	24	3827	263	299	202	257	530	187	530	316	229	232
Number of clients who received BD training and/or TA	143	229	10	1495	129	170	104	132	225	75	143	221	143	126
Number of Loans Disbursed	28	76	1	702	20	41	30	26	26	30	29	20	21	34
Dollar Value of Loans Disbursed	$153,685	$395,038	$1,000	$3,496,864	$43,011	$306,811	$275,658	$114,781	$171,418	$73,254	$301,890	$91,388	$73,383	$283,633
Number of clients linked to banks or other commerical providers	4	23	0	543	5	2	4	5	10	4	4	5	4	4
Number of businesses started after intake	14	27	0	105	25	10	14	12	38	13	13	25	26	12
Total number of IDA account holders	12	26	1	112	12	21	12	60	4	15	30	5	12	11
Total number of assisted businesses	98	169	13	739	98	134	79	92	212	68	140	125	98	96
Credit Program Scale and Effectiveness														
Number of loans Outstanding	58	107	2	729	27	58	52	58	60	37	93	57	41	61
$ Amount of Loans Outstanding	$355,359	$568,165	$530	$3,418,332	$100,013	$592,706	$382,316	$177,500	$530,641	$121,109	$698,589	$390,637	$138,376	$397,375
Average Loan Size	$4,905	$6,685	$510	$20,329	$2,926	$5,745	$6,510	$3,038	$6,377	$2,277	$8,895	$3,402	$3,320	$7,854
% of Portfolio Loaned to Start- Ups	40%	43%	0%	100%	60%	29%	45%	24%	48%	36%	32%	48%	52%	28%
Restructured Loan Rate	5%	9%	0%	56%	0%	5%	3%	5%	3%	0%	6%	1%	1%	7%
Loan Loss Rate	5%	5%	0%	30%	3%	5%	7%	2%	5%	7%	5%	2%	6%	5%
Total Portfolio at Risk	10%	18%	0%	60%	10%	10%	27%	8%	8%	18%	9%	10%	10%	9%

Appendix B: All FY 2000 MicroTest Performance Data

Number of Programs in Sample	56	56	1	1	30	26	14	25	16	16	20	20	22	24
MicroTest Measures	All Program Medians	All Program Averages	Minimum	Maximum	Training-Led Program Medians	Credit-Led Program Medians	Rural Program Medians	Urban Program Medians	Dual Area Program Medians	Young Programs	Experienced Programs	Mature Programs	LIF Program Medians	LMIF Program Medians
Training Program Effectiveness Measures														
Training Graduation Rates	79%	78%	50%	100%	78%	87%	79%	77%	79%	79%	67%	78%	79%	75%
Business Plan Completion Rates	57%	58%	14%	100%	55%	63%	56%	66%	37%	63%	89%	48%	55%	63%
Direct Service Staff Time Allocations														
Credit Percent	43%	45%	0%	100%	18%	75%	38%	43%	51%	43%	58%	33%	19%	57%
Training Percent	57%	56%	0%	100%	82%	25%	62%	57%	49%	58%	42%	67%	81%	43%
Program Cost and Efficiency Measures														
Cost per Client	$2,068	$3,529	$106	$33,175	$2,304	$1,983	$2,073	$2,349	$1,934	$1,481	$2,068	$2,887	$2,327	$2,209
Cost per Assisted Business	$3,272	$4,983	$204	$17,260	$3,824	$2,965	$3,246	$3,766	$2,528	$2,655	$3,265	$5,125	$3,108	$3,971
Business Start Rate	35%	39%	0%	100%	35%	38%	53%	26%	32%	39%	47%	27%	35%	33%
Cost per Participant	$1,199	$2,392	$81	$27,271	$1,253	$1,095	$1,423	$1,309	$815	$1,095	$1,168	$1,618	$1,457	$1,182
Cost per BD Training/TA Client	$1,459	$2,336	$91	$13,368	$1,679	$1,028	$1,204	$1,637	$1,442	$1,186	$1,459	$1,787	$1,637	$1,391
Cost per Loan	$3,538	$6,182	$156	$37,094	$4,346	$3,492	$4,456	$1,871	$4,558	$1,938	$7,168	$5,127	$3,283	$5,637
Operational Cost Rate	0.81	2.75	0.11	17.94	2.31	0.5	0.36	1.37	0.76	1.51	0.51	1.29	1.61	0.57
Clients per Direct Service Provider	45	67	7	422	44	46	42	41	59	49	43	39	38	48
Self-Sufficiency Measures														
Operational Self-Sufficiency	19%	29%	0%	110%	8%	40%	28%	9%	21%	7%	43%	11%	9%	22%
Short-Term Financial Self-Sufficiency	17%	20%	0%	85%	7%	33%	13%	9%	18%	6%	28%	10%	8%	20%
Training Program Cost Recovery	1%	2%	0%	19%	2%	1%	2%	1%	1%	2%	0%	1%	1%	1%
Total Program Cost Recovery	7%	14%	0%	75%	2%	23%	9%	4%	15%	4%	19%	5%	2%	15%
Net-Income from Non-Program Services	0%	2%	0%	27%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Funding Diversification by Source														
Percent of Total Funding from Earned (program-generated) Income	6%	12%	0%	75%	2%	20%	9%	4%	10%	2%	16%	5%	2%	15%
Percent of Total Funding from Private Sources	27%	32%	0%	84%	33%	19%	8%	42%	25%	35%	35%	17%	27%	35%
Percent of Total Funding from Federal Sources	19%	24%	0%	73%	21%	10%	40%	13%	16%	12%	12%	37%	23%	9%
Percent of Total Funding from State Sources	5%	15%	0%	89%	8%	1%	12%	3%	0%	6%	3%	6%	1%	6%
Percent of Total Funding from Local Sources	0%	9%	0%	67%	0%	1%	0%	3%	0%	1%	0%	3%	3%	0%
Percent of Total Funding from Other Sources	2%	6%	0%	51%	2%	2%	0%	3%	1%	1%	3%	3%	2%	3%
Funding Diversification by Type														
Percent of Total Funding from Grants	71%	66%	0%	100%	81%	64%	82%	63%	64%	88%	66%	66%	78%	60%
Percent of Total Funding from Contract Income	0%	15%	0%	77%	6%	0%	2%	9%	0%	4%	0%	9%	8%	5%

Appendix C: FY 1999 and FY 2000 MicroTest Performance Data

	Client Targeting Measures									
FY2000	Number of Clients Served	% of Women Clients	% of Minority Clients	% of Low Income Clients at or below 100% of HHS	% of Low Income Clients at or below 150% HHS	% of Low Income Clients at or below 80% of HUD	% TANF Clients	% Clients with Start-up Businesses	% Clients with On-Going Businesses	% of Pre-Startup Clients
Average	283	65%	45%	28%	46%	67%	9%	25%	32%	38%
Median	215	61%	47%	26%	44%	65%	5%	19%	23%	33%
Minimum	20	21%	0%	1%	8%	23%	0%	0%	0%	0%
Maximum	1771	99%	100%	76%	97%	100%	46%	90%	93%	92%
FY1999	Number of Clients Served	% of Women Clients	% of Minority Clients	% of Low Income Clients at or below 100% of HHS	% of Low Income Clients at or below150% HHS	% of Low Income Clients at or below 80% HUD	% TANF Clients	% Clients with Start-up Businesses	% Clients with On-Going Businesses	Not Surveyed in 1999
Average	250	64%	44%	25%	37%	61%	13%	39%	40%	
Median	185	60%	39%	23%	36%	62%	9%	37%	37%	
Minimum	19	23%	1%	0%	0%	0%	0%	0%	0%	
Maximum	1244	100%	100%	82%	90%	97%	74%	100%	100%	

	Measures of Program Scale						
FY2000	Number of Inquiries	Number of Participants	Number of Clients who Received Intensive Business Development Training	Number of Loans Disbursed	Dollar Value of Loans Disbursed	Number of Clients Linked to Banks or Other Commerical Providers	Total Number of Assisted Businesses
Average	1151	570	237	90	$481,411	9	177
Median	576	278	152	30	$121,900	5	111
Minimum	36	24	27	1	$1,000	0	13
Maximum	7994	3827	1495	702	$3,496,864	59	702
FY1999	Not Surveyed in 1999	Number of Participants	Number of Clients who Received Intensive Business Development Training	Number of Loans Disbursed	Dollar Value of Loans Disbursed	Number of Clients Linked to Banks or Other Commerical Providers	Not Surveyed 1999
Average		408	246	72	$318,809	19	
Median		328	169	25	$137,480	5	
Minimum		19	16	0	$0	0	
Maximum		1518	1074	541	$1,777,903	245	

Appendix C: FY 1999 and FY 2000 MicroTest Performance Data

	Measures of Credit Program Scale and Effectiveness							Training Program Effectiveness Measures		Direct Service Staff Time Allocations	
FY2000	Number of Loans Outstanding at FY end	$ Amount of Loans Outstanding at FY end	Average Loan Size	% of Portfolio Loaned to Start-Ups	Restructured Loan Rate	Loan Loss Rate	Total Portfolio at Risk	Training Graduation Rates	Business Plan Completion Rates	Percent of Staff Time Allocated to Credit-Related Activities	Percent of Staff Time Allocated to Business Development Training
Average	122	$644,154	$6,173	44%	8%	5%	17%	78%	60%	44%	56%
Median	46	$357,940	$4,905	42%	5%	5%	10%	79%	55%	36%	64%
Minimum	2	$530	$683	0%	0%	0%	0%	49%	16%	0%	0%
Maximum	729	$3,418,332	$15,500	100%	33%	13%	60%	100%	100%	100%	100%
FY1999	Number of Loans Outstanding at FY end	$ Amount of Loans Outstanding at FY end	Average Loan Size	% of Portfolio Loaned to Start-Ups	Restructured Loan Rate	Loan Loss Rate	Total Portfolio at Risk	Training Graduation Rates	Business Plan Completion Rates	Percent of Staff Time Allocated to Credit-Related Activities	Percent of Staff Time Allocated to Business Development Training
Average	101	$589,979	$5,345	41%	10%	6%	13%	78%	69%	42%	58%
Median	50	$290,034	$4,731	36%	8%	4%	11%	75%	72%	34%	66%
Minimum	0	$0	$0	0%	0%	0%	0%	48%	13%	0%	0%
Maximum	592	$4,433,529	$14,622	100%	50%	30%	40%	100%	100%	100%	100%

Appendix C: FY 1999 and FY 2000 MicroTest Performance Data

	Cost and Efficiency Measures							Self-Sufficiency Measures			
FY2000	**Cost per Client**	**Cost per Assisted Business**	**Cost per Participant**	**Cost of Business Development Training per Client**	**Cost per Loan**	**Operational Cost Rate**	**Clients per Direct Service Provider**	**Operational Self-Sufficiency**	**Short-Term Financial Self-Sufficiency**	**Training Program Cost Recovery**	**Total Program Cost Recovery**
Average	$2,882	$4,663	$2,315	$2,337	$6,296	2.37	59	35%	21%	2%	14%
Median	$2,068	$2,928	$1,094	$1,571	$5,148	0.85	45	18%	15%	1%	6%
Minimum	$553	$828	$81	$102	$834	0.11	13	0%	0%	0%	0%
Maximum	$13,716	$17,260	$27,271	$13,368	$21,216	12.97	348	284%	85%	7%	56%
FY1999	**Cost per Client**	**Cost per Assisted Business**	**Not Surveyed in 1999**	**Cost of Business Development Training per Client**	**Cost per Loan**	**Operational Cost Rate**	**Clients per Direct Service Provider**	**Operational Self-Sufficiency**	**Short-Term Financial Self - Sufficiency**	**Training Program Cost Recovery**	**Total Program Cost Recovery**
Average	$2,210	$3,554		$1,484	$7,619	4.57	66	23%	17%	3%	12%
Median	$1,923	$2,176		$993	$4,955	1.39	54	14%	13%	1%	6%
Minimum	$347	$566		$121	$62	0.06	11	0%	0%	0%	0%
Maximum	$7,938	$13,921		$5,689	$21,614	40.68	177	95%	74%	21%	48%

	Funding Diversification							
FY2000	**Earned Income as a Percent of Total Program Funding**	**Percent of Total Funding from Private Sources**	**Percent of Total Funding from Federal Sources**	**Percent of Total Funding from State Sources**	**Percent of Total Funding from Local (gov't) Sources**	**Percent of Total Funding from Other Sources**	**Percent of Total Funding from Grants**	**Percent of Total Funding from Contracts**
Average	13%	32%	24%	14%	8%	7%	65%	16%
Median	6%	26%	21%	6%	3%	3%	71%	0%
Minimum	0%	0%	0%	0%	0%	0%	0%	0%
Maximum	75%	84%	73%	89%	67%	51%	100%	77%
FY1999	**Earned Income as a Percent of Total Program Funding**	**Percent of Total Funding from Private Sources**	**Percent of Total Funding from Federal Sources**	**Percent of Total Funding from State Sources**	**Percent of Total Funding from Local (gov't) Sources**	**Percent of Total Funding from Other Sources**	**Not Surveyed 1999**	
Average	15%	34%	26%	14%	3%	7%		
Median	8%	28%	22%	6%	0%	2%		
Minimum	0%	0%	0%	0%	0%	0%		
Maximum	100%	98%	71%	63%	37%	43%		

Additional copies of this report can be purchased for $30 by calling the Publications Hotline at (410) 820-5338 or by visiting the FIELD Web site: www.fieldus.org/publications/index.html

A section of FIELD's Web site (www.fieldus.org/li/microtest.html) contains additional information about the MicroTest project.

To learn more about FIELD, visit our web site: www.fieldus.org. We also can be contacted at:

FIELD
Microenterprise Fund for Innovation,
Effectiveness, Learning and Dissemination
The Aspen Institute
One Dupont Circle, NW, Suite 700
Washington, DC 20036
Phone: (202) 736-1071
Fax: (202) 467-0790

e-mail: fieldus@aspeninstitute.org

PRODUCTION CREDITS:

Design, Graphics and Composition
Olmsted Associates, Flint, Mich.

Printing:
The Riegle Press, Davison, Mich.

THE ASPEN INSTITUTE

One Dupont Circle, NW
Suite 700
Washington, DC 20036