

Microenterprise:

Creating Wealth for Individuals and Communities

Microenterprise has become an increasingly important community development tool, as it empowers individuals – including those of low to moderate income – to create their own employment opportunities. Microenterprise affords individuals with limited options the opportunity to capitalize on their skills and ideas through their own businesses. It has the potential to help individuals, families, and communities build wealth and accumulate assets.

Recently, the Federal Reserve Bank of Cleveland's Community Affairs Office (CAO) conducted a research study to gather information about the variety of support programs available to microentrepreneurs in Ohio. The CAO partnered with the Microenterprise Organization of Ohio (MOO) to develop and administer the survey; this report summarizes the findings.

Though often overlooked, the smallest firms in America – microenterprises – are growing in number, strength, and importance to our communities and our economic continuum. Small business overall accounts for more than half of all jobs in the United States,¹ with microenterprises comprising a significant portion of this number.

First gaining attention in the United States in the mid 1980s, microenterprise includes entities with the following characteristics:

- Employ up to five individuals,
- Require \$35,000 or less in start-up capital, and
- Lack access to the traditional commercial banking sector.

Many small and home-based businesses and welfare-to-work self-employment efforts, most of which are sole proprietorships, are categorized as microenterprise. These businesses are located in both rural and urban settings, and provide a variety of products and services: repairs, cleaning, specialty foods, jewelry, arts and crafts, gifts, clothing and

textiles, computer technology, childcare, environmental products and services, etc.

These enterprises make up a sizable share of our overall business count. In fact, businesses with one to four employees account for 54.2% of all businesses in the United States and 49.2% of Ohio businesses.² According to the Association for Enterprise Opportunity (AEO), 994,000 employees worked for the 756,000 microenterprises in Ohio in 2002, accounting for 15% of the employment in the state.³ By comparison, microenterprise accounts for 17.2% of employment nationally. AEO estimates that there are 10 million micro-entrepreneurs nationwide today.

A variety of public and private organizations support microenterprise and the network of service providers that offer training, technical assistance, and lending to microentrepreneurs. Those providers are the topic of this report.



Why is the Community Affairs Office interested in microenterprise?

With the mission of supporting a fair and efficient market environment where people can prosper through their own efforts, the Federal Reserve Bank of Cleveland's Community Affairs Office (CAO) supports community reinvestment, fair lending, and economic development activities throughout the Fourth District,* especially in low- to moderate-income communities. Microenterprise is an important tool for creating and maintaining economically viable communities and a pivotal element of poverty alleviation strategies. It offers low-income individuals an alternative or supplement to minimum-wage employment.

Recent changes in public assistance to low-income families have increased the need for microenterprise programs to help individuals move from welfare to work. These programs can provide valuable financial and business development services to people experiencing employment barriers.

In addition to this report, the Community Affairs Office has written articles about microenterprise and produced an instructional video, "I Love Being Self-Employed: Three Stories of Microenterprise Partnerships." This video, used by service providers for client training, helps support their organizational development and outreach activities. If you are interested in obtaining a copy, phone the Community Affairs Office at 800/433-1035.

The Cleveland Fed's Web site – www.clevelandfed.org – also references a range of publications and resources on microenterprise, from research papers and articles to client training tools, developed and published by the 12 Banks of the Federal Reserve System.

**The Fourth Federal Reserve District includes Ohio, Western Pennsylvania, Eastern Kentucky, and the northern panhandle of West Virginia.*

¹Office of Advocacy, Small Business Administration

²2003 County Business Pattern data, Bureau of the Census

³<http://www.microenterpriseworks.org/services/policy/mees/StateFactSheetPDF-2002/OH.pdf>

The Place of Microenterprise

Although it began a decade earlier in some of the world's less-developed nations, the microenterprise movement took hold in the United States in the mid 1980s. Forward-thinking organizations, including the Charles Stewart Mott Foundation, saw microenterprise as a way to create jobs for individuals who were being left out of the workforce. Over the past 20 years, many more organizations and hundreds of support programs have emerged, with public and private funders believing in the opportunities microenterprise offers.

“Economic forces today make microenterprise an attractive option to many individuals and communities,” says Mott Foundation Associate Program Officer Sue Peters.

“The loss of manufacturing jobs, eroding social safety net, and rise in transitional positions with few or no benefits bring about the need for fresh job-creation strategies.”

Beyond its benefits to the individuals who own, operate, or work for these small companies, microenterprise has grown to be an integral component of our communities and our economic continuum. It is by definition the smallest type of enterprise, and it serves several important roles in American households and communities.

Microenterprise offers a means for underserved individuals to work their way out of poverty, contribute to their communities, build assets, and achieve self-sufficiency.

For individuals motivated to move beyond their low-wage jobs, leave public assistance behind, and start building personal wealth, microenterprise holds great promise.

“Microenterprise is a model that works extremely well for low-income individuals, immigrants, people with disabilities, and returning prisoners looking to find their place in the economy,” says Carol Wayman, senior legislative director at the Corporation for Enterprise Development (CFED). “People build assets in a variety of ways; business creation is an important one.”

Microenterprise enables immigrants to use their skills and talents profitably even if they lack the language skills or certifications that would be required for them to qualify for certain corporate positions. It enables low-income individuals to either supplement the low wages they earn at another job or replace them entirely by serving as the sole means of household income. It can create opportunities for individuals with ability and drive to pursue their dreams of

“This study can be used as an educational tool exploring the role of microenterprise in our economy. The results strongly support our argument that microenterprise should be viewed as the first step in the continuum of businesses that make up our economy. These businesses provide jobs, income, and asset accumulation for those who have been least served by more traditional business models.”

- Theresa Chelikowsky, Executive Director, Microenterprise Organization of Ohio

financial self-sufficiency. Ultimately, it gives each of these citizens ownership in our economy.

Microenterprise is a workforce development tool.

In communities facing uncertain economic futures – those that have experienced shutdowns or downsizing of large corporations that had sustained them, for example – microenterprises offer needed employment opportunities for not only the individuals who establish them but also other individuals as the businesses grow sufficiently to take on additional employees.

Microenterprise also has the potential to enhance the workforce of the future, providing business owners and employees with valuable experience that helps them develop their business acumen and technical skills. The

knowledge and skills they gain are transferable to future employment opportunities and, indeed, often afford them access to opportunities that otherwise might have been out of reach.

Microenterprise can contribute to a higher standard of living.

In addition to raising household incomes and increasing opportunities for further growth in their communities, microenterprises provide services that can improve the quality of life for residents. Whether fulfilling a special niche, filling a vacant storefront, or providing a service that had been nonexistent in the area, these businesses contribute to the livelihood of their communities in tangible (e.g., increased tax revenues) and intangible (e.g., quality of life) ways. These impacts can lead to



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further benefits, such as a decrease in the need for public assistance programs.

A study conducted by FIELD (Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination) in 2000 offers evidence of the positive influence of microenterprises on income and employment growth.⁴

⁴<http://www.microenterpriseworks.org/about/factsheets/factsheet6.PDF>

Microenterprise Program Provider Study

The overall intent of this study was to explore microenterprise program providers in Ohio and their role in promoting small business and microenterprise development in traditionally underserved markets. Specifically, this study set out to accomplish the following:

- Determine more fully the number of microenterprise program providers in the state of Ohio;
- Assess the service area, client base, and services offered by these providers;
- Estimate the number and demographics of clients who use microenterprise programs and gauge the results of their participation; and
- Explore some of the details of the programs.

The information compiled through this study provides only a snapshot of microenterprise in the Fourth District. It does not capture the total number of program participants or the businesses they create, nor does it provide long-term information on the participants and subsequent business outcomes (success/failure, revenue, employment, etc.). It is not an assessment of the microenterprise businesses themselves, but rather the programs that support them. The Community Affairs Office encourages microenterprise program providers and other community practitioners to build upon the momentum of this study to uncover more in-depth information that might help all those linked to microenterprise – from program providers and legislators to lenders and microentrepreneurs themselves – better understand and serve the microenterprise segment. Although this study is limited in scope, it could well serve as a foundation for a complete economic impact analysis.

Methodology

This survey was targeted toward the microenterprise program provider, defined as any entity that provides training, technical assistance, and/or lending for the purpose of microenterprise development. This research provides a snapshot of microenterprise activity in Ohio, as well as the common forms of provision and types of programs available to microentrepreneurs in Ohio.

Since no comprehensive listing of these organizations currently exists, the target list of recipients was not inclusive, and not every recipient turned out to be involved in microenterprise development. Approximately 250 surveys were distributed to organizations in Ohio that were believed to be involved in microenterprise or small business development. Recipients included groups involved with the Microenterprise Organization of Ohio, all Ohio Small Business Development Centers, all Community Action Agencies, Ohio's SCORE (Service Corps of Retired Executives) chapters, and organizations identified through provider research. The surveys were distributed in June 2005 and collected through the end of August 2005.



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Each respondent was asked to identify whether his or her organization supports microenterprise development. Some – including Small Business Development Centers or other small business assistance providers – cater to microenterprises in addition to the larger businesses they serve. Others have made it their sole mission to serve microenterprise development. Service providers include nonprofit organizations, community development corporations, loan funds, women’s organizations, community development financial institutions, credit unions, social service groups, government agencies, and other business development groups.

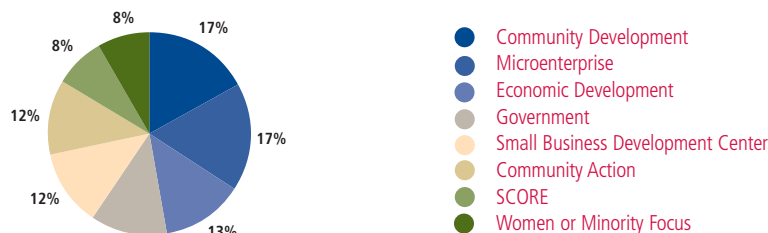
Respondent Characteristics

This research classifies an organization as a microenterprise program provider if it offers any or all of the following services:

- Programs – including classes, seminars, meetings, and general information sessions;
- Technical assistance – one-on-one counseling on specific aspects of the business and its development; and
- Lending – loans or other funding specifically for microenterprise business development.

Of the 75 organizations that responded to the survey (30% return), 20%, or 15, said they either no longer have microenterprise programs (three respondents) or have never had programs (12 respondents).⁵ The remaining 60 respondents reported that they do offer services to microenterprises. See Chart 1 for the breakdown of these respondents by type of organization.

Chart 1 Type of Organization



While some respondents provide microenterprise programs as their sole offering, most organizations provide such programs in addition to other services.

Terri Fetherolf, deputy director and loan administrator of the Vinton County Development Department, says there is good reason for the program diversity that is apparent throughout the state: “Microenterprise development in Ohio is successful precisely because of the diversity of the programs serving low- to moderate-income individuals. There is no ‘one size fits all’ philosophy. Assistance is provided by political jurisdictions, Community Action Agencies, community development corporations, and faith-based nonprofits. Some offer technical assistance, some loans, and many both. This local control enables each program to tailor its assistance package to do the most good for its clientele.”

Respondents represented all areas of Ohio. Most came from Northeast (30%), Southwest (27%), and Central (17%) Ohio. While the majority of respondents stated that they serve urban areas (70%), many of the 74 counties served by microenterprise programs are rural. Most programs serve multi-county areas (56%), while 27% serve a single county and 17% a sub-county area, typically a city or neighborhood. One organization reported that it provides services statewide.

⁵Two groups that do not have microenterprise programs in place yet said that they do plan or hope to start them soon.

Most of the responding organizations have some longevity. More than 90% said they have operated for more than five years, though fewer – 70% – have been specifically involved in microenterprise development for more than five years.⁶ The average microenterprise program has been in operation for 12 years.

Staffing levels vary among program providers. The vast majority – 85% – report employing one to eight individuals to work in their microenterprise programs.

“It takes commitment to operate a microenterprise program effectively,” says Patricia Barnes, executive director of the Ohio Community Development Corporation Association (OCDCA), which provides training, technical assistance, advocacy, and resources for Community Development Corporations (CDCs). “Working with microentrepreneurs with limited incomes and access to capital involves a blend of business and social work. It is extremely people-focused.”

Findings

The major findings of the survey can be grouped into three areas:

1. Microenterprise program providers primarily serve low- to moderate-income individuals and communities.
2. Microenterprise providers are key suppliers of training and technical assistance services to startup and existing microenterprises.
3. Microlending provides access to credit and capital for underserved markets.

Each of these findings is explained in greater detail on the following pages.

1. Microenterprise program providers primarily serve low- to moderate-income (LMI) individuals and communities.

As mentioned before, the individuals who tend to find microentrepreneurship attractive are those who are economically challenged or who have traditionally faced barriers to economic opportunity. Information gathered from this survey indicates that microenterprise program providers primarily serve these LMI people and communities.

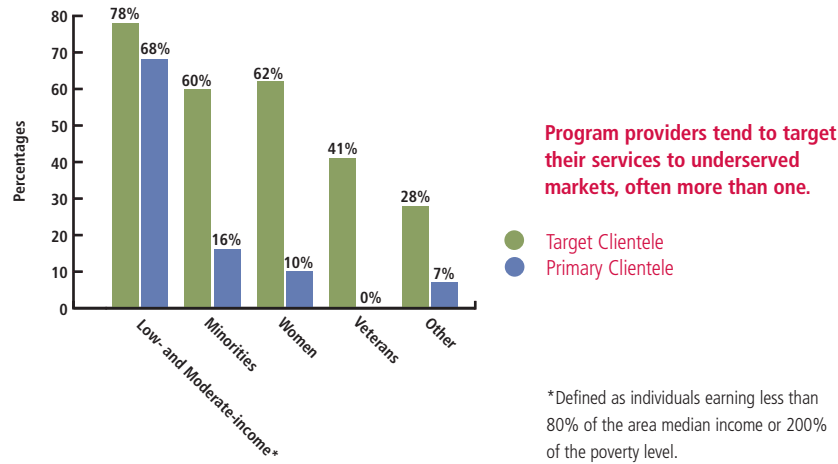
While many providers target this population by design to help them fulfill their overall mission and goals, others have answered this market demand because LMI individuals are most likely to seek the type of programs and services the organization provides. Many microenterprise service providers target their services to low-income individuals, women, ethnic and racial minorities, welfare recipients, and immigrants – populations considered underserved due to the difficulties they have historically faced in accessing business opportunities, development services, and traditional avenues of credit.

Of the microenterprise provider respondents, 62% said they focus efforts on at least one particular group; some indicated that they target two or more. Chart 2 delineates the target clientele (respondents were invited to choose multiple categories) as well as the group respondents consider to be their primary client (respondents were instructed to choose only one). For example, 60% of the respondents reported that they focus on minorities, but only 16% consider this group their primary clientele.

⁶Many organizations were established in the 1980s or earlier.



Chart 2 Client Focus



Two-thirds of provider respondents said that LMI individuals make up at least half of their clientele. Thirty-eight percent said that minorities constitute half or more. For 78% of the organizations, African-Americans are the most common client, and for 57%, more than half of their clients are women.

2. Microenterprise providers are key suppliers of training and technical assistance services to startup and existing businesses.

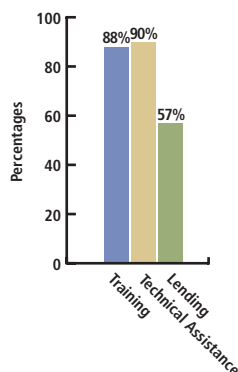
Starting a business in the United States has its share of rules and responsibilities. Microenterprise program providers guide new entrepreneurs through the intricacies that might be involved. In many cases, these individuals have the talent to create their product or to carry out their service but little or no knowledge of how to run their business. Especially in highly regulated fields such as food service, microentrepreneurs need to understand what is expected of them.

“In our eyes, training and technical assistance are as critical to a microenterprise as financial support,” says Karen Fabiano, economic development manager of the Office of Housing and Community Planning at the Ohio Department of Development (ODOD). “Service providers have the responsibility of developing appropriate skills in microentrepreneurs before offering them loans. Microentrepreneurs need to know how to prepare a business plan and understand what is expected of them when they own and operate their own business.”

The program providers who responded to this survey serve microenterprises with varying service areas, missions, and sizes. They reach audiences of diverse backgrounds and varying levels of business expertise at enterprises that range from startups to well-established businesses.

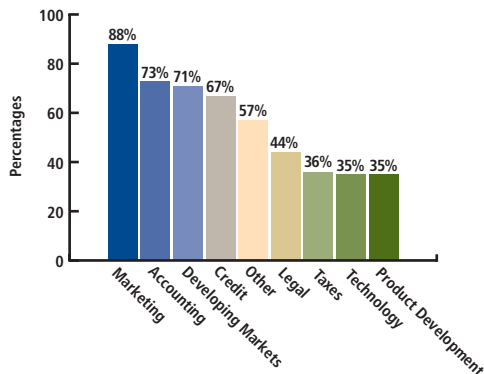
They also offer a variety of services. The three major types were examined through this survey: training (generally group or classroom training), technical assistance (typically one-on-one programs that focus on a single aspect of business development), and lending. Most organizations surveyed reported providing all three services. More than half of respondents (54%) report charging a fee for at least one of their programs to help defray costs. Chart 3 provides a complete breakdown of services provided.

Chart 3 Services Provided



Among the services included in microenterprise programs, training and technical assistance are by far the most prevalent.

Chart 4 Types of Technical Assistance Offered



Marketing and accounting top the list of areas covered by technical assistance courses available through microenterprise program providers.

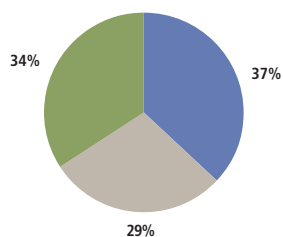
Ninety percent of survey respondents said they offer technical assistance. Collectively they provide 7,750 hours of assistance per month (or almost 100,000 hours a year) to entrepreneurs in Ohio. On average, organizations provide 200 hours of technical assistance a month to 226 entrepreneurs. The types of technical assistance offered are listed in Chart 4.

Microenterprise program providers serve enterprises in every stage of their life cycles, at least until they grow beyond “micro” status. Results of this survey show a relatively balanced mix of startups, existing businesses, and expanding businesses that sought program assistance in 2004 (See Chart 5).

The majority of respondents (58%) reported that they track the businesses that have participated in their programs, with 19 organizations tracking for one to two years and eight tracking for five or more years. Thirty-seven organizations reported that at least half of the businesses they worked with were still open after a year, and 21 organizations estimated that half of the businesses they worked with were still open after three years. Most of the businesses created were in the service sector, though a few were in manufacturing.

Regardless of how long the participating microenterprises have been operating, a number of them have more than one employee. Forty percent of the provider organizations said that at least half of the businesses that participate in their microenterprise programs have more than one employee.

Chart 5 Microenterprises Served by Responding Organizations



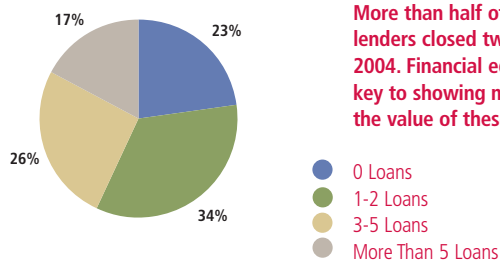
- Startups
- Existing Businesses
- Expanding

Who tapped into microenterprise programs in 2004? Survey respondents reported a balanced mix of startups, existing businesses, and expanding businesses.

3. Microlending provides access to credit and capital for underserved markets.

Access to capital is an important part of any business’s development, maintenance, and expansion. Microenterprise is no exception. The difference between microenterprises and larger companies is that while larger companies typically have access to traditional funding streams – bank loans in particular – microentrepreneurs often do not. Because microentrepreneurs are often of low to moderate income, they may have poor or no credit histories and a lack of equity. They tend not to qualify for traditional bank loans. Or, the loans required are so small that they are not profitable for a bank to offer.

Chart 6 Number of Loans Provided in 2004 by Respondents That Offer Lending Assistance



More than half of respondent micro-lenders closed two or fewer loans in 2004. Financial education may be the key to showing microentrepreneurs the value of these loans.

How do microenterprise service providers fill the gap? Just over half (57%) of this survey's respondents reported providing some type of lending assistance (refer to Chart 3 on page 8). Almost 70% reported offering true "microloans"; 77% said they offer loans in the microloan range (\$35,000 or less). About half of the respondents say their loan

average is \$6,000 or less; another quarter report an average loan figure of \$15,000 or more. Although microloans are the primary financing tool that program providers offer their clients, some also offer Individual Development Accounts (IDAs) or other savings options.

In 2004, 139 loans were administered by these organizations – an average of almost five per organization. Chart 6 illustrates the number of loans provided in 2004 by respondents who offer lending assistance.

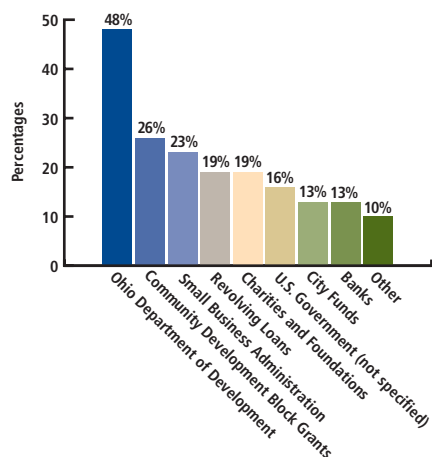
These survey results bring about two questions: (1) Why don't all microenterprise service providers offer lending assistance? and (2) Why would microentrepreneurs not be taking advantage of the lending assistance offered by the 23% of organizations that issued no loans in 2004?

The first question is easily addressed when you examine the funding environment for microenterprise service providers. Many service providers do not offer lending assistance because they lack adequate resources, from either a financial or staffing standpoint. Public and private support is waning despite the promising momentum of microenterprise as a component of our economic continuum.

“While there are programs to assist small businesses today – including SBA programs – the advantage microenterprise development programs offer is that they reach deep into low-income communities. At the same time, these microenterprise programs need to participate in measurements that will demonstrate the positive impacts and effectiveness of their programs so that public and private supporters will be aware of the good they are doing.”

- Sue Peters, Associate Program Officer, Charles Stewart Mott Foundation

Chart 7 Sources of Loan Funds for Provider Organizations



Microenterprise program providers receive funding from a broad range of organizations, both public and private.

Who provides funding?

Microlenders receive financial resources from a variety of organizations and entities. The survey asked for their top three sources of lending program funds. Chart 7 presents their responses.

Clearly, most of the funding – approximately 70% – is provided by government sources, while only about

30% is from banks, charities, foundations, or the loans themselves as they revolve back into the pool of available funds. The heavy reliance on government sources puts increasing pressure on these provider organizations as the pool of public funds continues to shrink.

As for the second question – why microentrepreneurs are not taking full advantage of the lending assistance offered by service providers – financial literacy comes into play.

“Credit scores are making access to credit easier, especially in urban areas, but in many other areas, predatory lending continues to strip people’s assets,” says CFED’s Carol Wayman. “Microentrepreneurs have a variety of choices, including using credit cards or payday lenders, so they don’t necessarily have the incentive to seek out microlenders. We need to help them understand that microloans cost them less and are better for their businesses’ long-term sustainability than the quick, convenient money they frequently opt to borrow.”

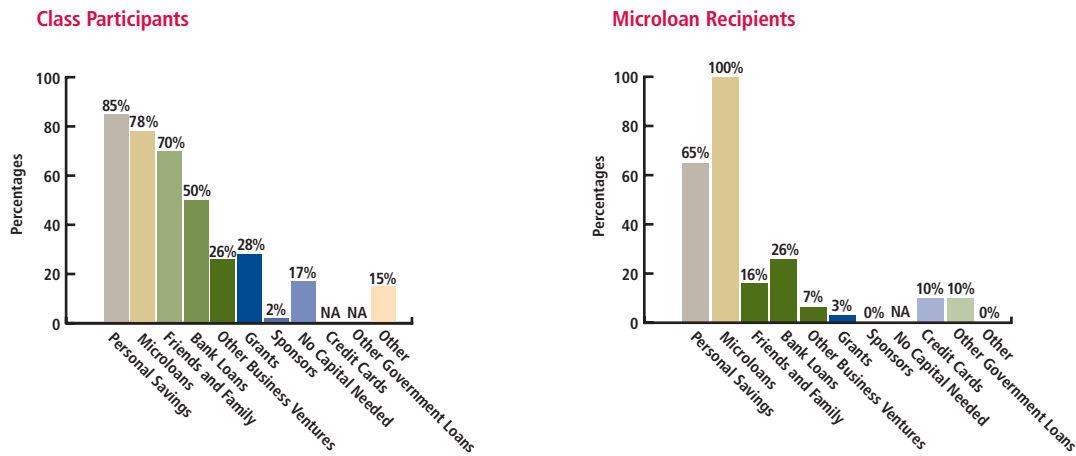
Some microentrepreneurs also rely heavily on personal savings – often savings in an Individual Development Account (IDA) – reflecting that this group of individuals prefers equity to debt. Chart 8 reflects the sources of funding for microenterprises, as reported by respondent service providers about their class participants.

Although by definition microenterprises typically do not have access to mainstream financial institutions for loans or capital, data from small business lenders indicate that their average small business loan is often within the realm of a microenterprise loan. Of the top 25 small business lenders in Ohio, 15 had average loan amounts of less than \$35,000 in 2004.⁷ In fact, the top five lenders’ average was \$9,000 or less per loan.⁷ The largest lender, Capital One, reported an average loan amount of \$3,000. Are these institutions reaching microenterprises of all types or only those outside the LMI community? The data is inconclusive, particularly in light of the fact that national credit card companies are included in this group of “small business lenders,” comprising a significant portion of those with loan averages of less than \$10,000.

On a promising note, many banks are tending to become more involved with microenterprise through partnerships with community organizations and other efforts. Evidence of that involvement is clear at financial institutions such as Fifth Third Bank and Huntington National Bank.



Chart 8 Sources of Funding for Microenterprises



Microentrepreneurs fund their businesses in a variety of ways. Please note that the data presented in this chart represent microentrepreneurs who have participated in microenterprise programs and not the entire universe of microentrepreneurs.

“While we recognize that microenterprises are typically not bankable in their beginning stages, we also see the great potential they hold: They are good businesses,” says Pam Foster, vice president of community development for Fifth Third Bank. “We try to build relationships with them early on, offering financial literacy training and technical assistance. We also refer them to the Ohio CDC Association, INCREASE CDC, or Economic Community Development Institute, where they can get more support in the form of services and funding.”

Huntington National Bank has also built strong partnerships with organizations offering support services and microloans. Microentrepreneurs who come to Huntington for help discover a wealth of financial education and information about the variety of funding sources available to them.

Moniqua Spencer, assistant vice president and relationship manager at Huntington, explains: “One of the reasons microentrepreneurs are so often unbankable in the beginning is that they have not done the research into their business; they have not thought it through and developed a business plan. We refer these individuals to organizations such as the Central Ohio Minority Business Association, groups that provide training and education on business basics and that also offer microloans. These groups can also steer entrepreneurs to low-interest loans when they qualify, including Federal Empowerment Zone loan programs such as the Seed Capital Loan Program.”

Both Foster and Spencer stress that their institutions work to build long-term relationships with microentrepreneurs as well as the service providers that support them. “We don’t just refer them to another organization; we explain why it is in their best interest to work with that organization and how taking that step will help them become bankable,” says Spencer. “Once they do, we sincerely hope they will come back to us as customers.”

In addition to the future business opportunities it presents, microenterprise involvement can offer financial institutions immediate benefits as well. They may receive CRA credit for participating in microenterprise lending pools and other microenterprise lending programs (including the origination and purchase of community development loans by a consortium or pool in which the institution participates), making loans directly to microenterprise lenders, and financially supporting the efforts of microenterprise program providers, including those with a geographic scope larger than the institution's assessment area(s).⁸

A final note on microloans is that, like many other business loans, some will end in default. While many enterprises do go on to thrive, some are not successful. And indeed, many microentrepreneurs do not have access to traditional financial resources due to their poor credit scores; offering them microloans carries a recognized level of risk. But successful program providers have found ways to mitigate this risk and manage their loan portfolios quite effectively.

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- Pam Foster, Vice President of Community Development, Fifth Third Bank

Microenterprise Organization of Ohio: Supporting Practitioners Across Ohio

The Federal Reserve Bank of Cleveland thanks the Microenterprise Organization of Ohio (MOO) for helping to make this important research effort a reality.

MOO is composed of organizations and individuals from all areas of the microenterprise field in Ohio. Its mission is to:

- Provide a practitioner support network,
- Facilitate resource sharing among microenterprise programs,
- Provide for the free exchange of best practices,
- Develop program standards in line with those being developed on the national level, and
- Serve as an advocate for Ohio's microenterprise programs.

Visit www.ohmicro.org for more information about the Microenterprise Organization of Ohio, its member organizations, and the services it provides.

⁸Interpretive Letter #726, June 28, 1996

Challenges and Opportunities

This survey collected a significant amount of information about micro-enterprise program providers in the state of Ohio: who uses the services, where the providers are located, the types of programs available, and some of the estimated results following participation. It is clear that these programs are being embraced by microentrepreneurs and that they are providing needed services.

Unfortunately, only a small percentage of the nation's micro-entrepreneurs have access to these programs. Microenterprises are scattered, and the reach of program providers is limited. In addition, establishing new programs is a challenging endeavor. Budget cuts at the federal and state level, coupled with increasing competition for private funding dollars, leave potential program providers with scarce resources to get a solid start.

“We have to get the story out – show Congress, our state legislature, and the public that these programs are producing very positive results,” says ODOD’s Karen Fabiano. “We are standing accountable for the dollars. We just need to do a better job of explaining all that we have accomplished.”

The Ohio CDC Association would like to see more growth in the field in Ohio, particularly to serve new immigrant groups such as Latinos. However, significant barriers stand in the way of CDCs, nonprofit organizations, and local governments as they

attempt to start new programs. The overall funding picture for microenterprise is challenging, with federal programs such as HUD’s Community Development Block Grant (CDBG) program and SBA’s PRIME programs slated for major cuts or elimination, and the state microenterprise grant program’s offering monies to only 10 or so organizations per year.

“Starting and sustaining a new program in this funding environment can be difficult,” says OCDCA’s Patricia Barnes. “Our members are cautious about getting involved in

“People need to understand that there are very positive outcomes resulting from these programs. They are helping individuals gain control over their lives and become contributors to, and leaders in, their communities.”

- Karen Fabiano, Economic Development Manager, Office of Housing and Community Planning, Ohio Department of Development

another program that requires annual fundraising when funding for core services and programs is being cut.”

Barnes points out that policymakers hold the power to improve the funding environment in a variety of ways.

“Ohio policymakers would be wise to recognize the value of microenterprise and view it as an important strategy for creating jobs and focusing entrepreneurs into higher-value sectors, such as new and emerging technologies,” she says. “Microenterprise is evolving and needs funding to

do so. If guidelines are written broadly enough, programs that benefit technology firms could reach out to microentrepreneurs as well.”

Policymakers can make a real difference for micro-entrepreneurs as they consider programs that support disadvantaged individuals and asset-building, as well as immigration, health insurance, and regulatory policies. Well-structured policies can continue to lift barriers and provide the financial tools vital to microenterprise success.

What can practitioners do? This survey provides a starting

point. Microenterprise program providers and the organizations that support them can expand upon this research, delving deeper into program types, client demographics, program effectiveness, and expectations for the future. Expansive research, including a complete economic impact analysis, would help public and private decision-makers better understand microenterprise and appreciate its value as both a wealth-creation tool and an important element of our economic continuum.

Financial institutions, which stand to gain substantial



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Challenges and Opportunities

benefits from supporting microenterprise development, can play an increasingly important role as well. By providing lines of credit, participating in loan pools, supporting programs that help create and develop microenterprise, or offering grants, contributions, or technical assistance, these institutions not only receive evaluation recognition under the CRA investment, lending, and service tests, but also help strengthen the individuals and businesses that will one day become their customers.

Microenterprise is a living, breathing, growing force in our

communities. It can help raise the standard of living, improve the workforce environment, and decrease the need for public assistance programs in LMI communities. It can contribute to our ownership society and help Americans fulfill their dreams of asset accumulation and financial independence.

But microenterprise needs ongoing support to thrive. Well-thought-out policies and programs, coupled with generous public and private funding, are critical to the future of microenterprise in Ohio.

The Federal Reserve Bank of Cleveland's Community Affairs Office is available to deliver presentations about microenterprise and microenterprise program providers. To learn more, call 800/433-1035.

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