

**THE ATLANTIC MICRO-CREDIT  
SOCIO-ECONOMIC IMPACT STUDY**

**FINAL REPORT**

**For the Atlantic Canada Opportunities Agency**

**And**

**The Steering Committee to Coordinate Research  
on Micro-Credit in Atlantic Canada**

**Principal author: Roger Wehrell, PhD**

**Project team: Marion Campbell, MA  
Extension Department**

**Gordon Cunningham, MA  
Alison Mathie, PhD  
Nancy Lee, MSc  
Coady International Institute**

**St. Francis Xavier University  
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## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b>	<b>i</b>
<b>INTRODUCTION</b>	<b>1</b>
<b>BACKGROUND</b>	<b>3</b>
<b>Micro-credit and Micro-Enterprise Development</b>	<b>3</b>
<b>Assessing the Impact of Micro-Credit and Micro-Enterprise Development</b>	<b>5</b>
<b>Selection of Impact Areas and Specific Impacts</b>	<b>9</b>
<b>Four Atlantic Canadian Micro-Enterprise Development Programs</b>	<b>10</b>
<b>Previous Studies of the Impact of Micro-Credit in Atlantic Canada</b>	<b>11</b>
<b>METHODOLOGY</b>	<b>13</b>
<b>RESULTS</b>	<b>15</b>
<b>Profile of Client Survey Respondents</b>	<b>15</b>
<b>Profile of the Micro-Enterprise Development Programs &amp; Their Services</b>	<b>18</b>
<b>Impacts</b>	<b>19</b>
<b>Employability/Self-Employability</b>	<b>19</b>
<b>Client Creditworthiness</b>	<b>22</b>
<b>Enterprise Performance: Growth</b>	<b>23</b>
<b>Enterprise Performance: Business Formalization</b>	<b>27</b>
<b>Livelihood Security</b>	<b>28</b>
<b>Local Economy</b>	<b>29</b>
<b>CONCLUSIONS / FINDINGS</b>	<b>31</b>
<b>Scope</b>	<b>32</b>
<b>Impact</b>	<b>33</b>
<b>Final Conclusions</b>	<b>35</b>
<b>REFERENCES</b>	<b>36</b>
<b>APPENDICES</b>	

## **EXECUTIVE SUMMARY**

### **Introduction**

The Atlantic Micro-Credit Socio-Economic Impact Study was undertaken subsequent to the first Atlantic Canada Micro Credit Conference in October 2000 to address one set of issues highlighted by the conference. The study is meant to address issues of variation in perceived impact of Atlantic Canadian micro-enterprise development (MED) programs offering business credit as one among several integrated support services.

Specifically the purpose of the study is to

- develop a set of socio-economic indicators appropriate to measuring the diversity of impacts of MED programs with diverse objectives and mandates, and
- apply the indicators to measuring the collective impact of the four largest and longest lasting MED programs offering credit in Atlantic Canada

### **Study Design**

The study develops and employs a framework of indicators of socio-economic impact in six areas:

- Client employability
- Client credit-worthiness
- Client's Enterprise Performance
- Client's livelihood security
- Local economy
- Social impact on community.

The study gathered evidence of impact through a survey of 264 current and former participants in the four programs, interviews with program staff, and a review of documentation on the programs.

The four programs are:

- Calmeadow Nova Scotia (known as PARD before 1995)
- Newfoundland and Labrador Federation of Co-operatives Micro-Business Lending Service (actually a portfolio of 9 micro-credit programs in 9 different locales)
- ACOA Seed Connexion Program
- Canadian Youth Business Foundation.

## Results

The participants surveyed are a very diverse group including some who had launched enterprises 10 or more years ago and some whose enterprises are only a year old. Some had entered MED programs as early as 1991.

**Over 73% of respondents were still operating their enterprises** at the time of the survey. **A majority attributed their enterprise's growth to their program participation**, and 16% attributed their ability to maintain their enterprise's performance at its then current level to their program.

Although **business credit** is cited by the majority of participants as **the most important service** provided by the four MED programs, **other services (e.g., peer group support, training, networking) are rated as the most important** by a significant minority. There is consensus among program participants and staff that other services are important to meet the diversity of support needs among different groups of micro-enterprise owner/operators.

A variety of indicators of socio-economic impact was required to assess the full impact of the four MED programs. Indicators at the levels of the individual client's personal development (i.e., skills and attitudes enhancing his or her employability), of the growth and development of his or her enterprise, of his or her livelihood security and of the health of the local economy proved most useful in assessing impact. Indicators concerning client credit worthiness produced conflicting evidence of impact.

Some of the key areas where there is evidence of impact are as follows.

A majority of respondents experienced **increased self-confidence, business and management skills, and interpersonal skills** as a result of their programs.

A majority of their enterprises underwent **growth in revenues, in paid employment, and in work for the owner/operator**.

There were **significant decreases in the numbers of program participants receiving government income assistance** and increases in the numbers relying on self-employment as an income source.

Participants contributed to **diversification of their local economies**. It was the self-employment opportunity provided by their enterprises that **made it possible for the majority of them to remain in and contribute to their local communities**.

Further results follow as selected statistics.

## Select Participant Survey Statistics

**73%** of respondents were still operating their enterprises at the time of the survey

- 72.5% of these reported increased revenues following participation in MED programs
- 64% of these said that it was MED program support that allowed their enterprises to grow

**27%** of micro-credit program participants ranked non-financial support services (e.g., peer group support, training, mentoring) as the most useful service they received

**73%** of respondents experienced positive impact on self confidence

**73%** cited a positive impact on business planning skills and 61% an increase in budgeting and financial management skills

**3 out of every 5** participants receiving government income assistance at the outset of their programs no longer relied on government income assistance in the most recent year of their enterprise's operation

The 264 micro-entrepreneurs surveyed generated **a net gain of 173 full time** paid employee positions and **65 part-time** paid employee positions in their enterprises in addition to the self-employment they generated for themselves.

**61%** of respondents cited self-employment as the reason they were able to remain in their communities; **66%** of rural respondents cited their enterprise as the reason they were able to stay.

**31%** of all respondents reported revenue increases of more than 50% following participation in MED programs

## Conclusions

There is ample evidence to conclude that collectively the four programs have had economic and developmental benefits for the participants, their enterprises and their local communities.

The four programs have been effective in meeting a diverse set of support needs among Atlantic Canadian micro-entrepreneurs. This effectiveness results from each program's offering of various support services in addition to and integrated with the business credit each offers. It also results from a diversity of approaches and methods among the four programs.

MED programs centred around micro-credit have been effective tools for generating and supporting very small businesses in Atlantic Canada and for community economic development. MED should receive serious consideration for further use in the region and further attention with regard to the assessment and refinement of its methods. New MED programs and the extension of existing programs should be resourced, designed and implemented to include sound assessment and documentation of impact.

## INTRODUCTION

Atlantic Canada has been the site of some of the first Canadian initiatives for offering small amounts of business credit as part of a micro-enterprise development (MED) program. PARD, sponsored by the Calmeadow Foundation, commenced operations in Lockport, Nova Scotia in 1991. Since then many other MED initiatives using micro-credit have been undertaken in the region. In October 2000, the Regional Co-operative Development Centre (RCDC), the Atlantic Canada Opportunities Agency (ACOA) and the Rural Secretariat sponsored the first Atlantic Canada Micro Credit Conference to focus on micro-credit as a tool for Community Economic Development (CED) in Atlantic Canada. Practitioners from these initiatives, CED practitioners with an interest in micro-credit, and other interested persons attended. Consensus was established among participants concerning the “value of Micro Credit, in terms of encouraging individual self-reliance and helping communities build stronger economies.” One theme participants discussed at length was the variety in the perceived impacts of micro-enterprise development programs and the variety in the impacts for which different programs aimed. Out of this discussion consensus emerged concerning the need for research into impact to demonstrate the benefit of micro-credit to the region or the lack thereof.

In the wake of the conference ACOA, the Rural Secretariat, HRD New Brunswick, the Canadian Youth Business Foundation (CYBF), the Saint John Community Loan Fund, the Newfoundland Labrador Federation of Cooperatives (NLFC) and the RCDC established a Steering Committee to coordinate research on micro-credit and micro-enterprise development in the region. In a follow up to the conference ACOA requested a review of micro-credit and small loans programs in Atlantic Canada with a focus on micro-credit as a community building tool and on the role government could play in the further development of that tool. (*Micro Credit Review A Draft Report for Atlantic Canada Opportunities Agency & ACOA’s Micro Credit Review Committee*, 2001)

The review identified a variety of Atlantic Canadian micro-credit initiatives. Some, such as Calmeadow Nova Scotia and CYBF, offer small amounts of business credit as one service among several services designed specifically to support micro-enterprises. Others, such as Ulnooweg, offer business credit and other services to enterprises of a range of sizes. Among their clients are some (a few) micro-enterprises using small amounts of business credit. Many of the initiatives identified in the review, whether focused on micro-enterprises specifically or on a wider range of sizes, also target or targeted one or another of a variety of disadvantaged client groups, such as women, Aboriginal peoples, Afro-Canadians and youth. Ulnooweg, for example, serves Aboriginal entrepreneurs.

The review also noted that micro-credit programs may be measured with reference to their impacts or effects. “[P]overty alleviation, job creation and the improved economic well being of individuals and their communities” are impacts mentioned in the report that may be intended or that may result unintentionally from MED programs offering micro-credit. (*Micro Credit Review A Draft Report for Atlantic Canada Opportunities Agency*

& ACOA's *Micro Credit Review Committee*, 2001, page 15) The variety in program client groups and the consequent variety in program objectives may mean that the possible impacts by which micro-credit programs should be measured vary even more than indicated by the short list of three impact areas mentioned above.

Finally, the review notes the proliferation of private, public and non-profit micro-credit and small loan initiatives in the United States spurred by the Federal Community Reinvestment Act in 1977. This proliferation provides the Americans with a much richer experience in MED using micro-credit than Canadians have. It has made possible more sophisticated efforts to measure the impact of programs in a variety of ways. The Self-Employment Learning Project of the Aspen Institute, a 5 year longitudinal study of 7 MED programs, most of which offer micro-credit, is a prime example of systematic American attempts to measure impact as well as to measure efficiency and other program characteristics. (See Edgcomb *et al.*, 1996) In 1998 Accion International completed a comprehensive longitudinal study of impact of what it terms its "credit led" MED programs in six American cities serving nearly 2000 clients at the time. (Himes & Servon, 1998) Its study showed a variety of positive impacts and demonstrates a sophistication in MED program assessment lacking in Canada.

In light of the consensus among conference participants on the need for impact assessment, and in light of the variety of possible impacts that should be studied to establish the value of micro-credit as a development tool, the Steering Committee determined the need for a study of micro-credit in Atlantic Canada "to determine socio-economic impacts of this form of credit." ACOA requested such a study. Its purpose is to develop a "set of socio-economic indicators" appropriate to measuring the collective impact of the major initiatives that have already been undertaken in the region and to make appropriate recommendations for improving micro-finance services across the region on the basis of the findings. The major MED initiatives specified are:

- Calmeadow Nova Scotia (known as PARD before 1995)
- Newfoundland and Labrador Federation of Co-operatives Micro-Business Lending Service (actually a portfolio of 9 micro-credit programs in 9 different locales, hereafter referred to as NLFC-MBLS)
- ACOA Seed Connexion Program (hereafter referred to as SEED)
- Canadian Youth Business Foundation.

The first of the above ceased operations in 2001. The other three are operating at the time of this study.



## BACKGROUND

### Micro-credit and Micro-enterprise Development

Micro-credit is small amounts of credit financing for very small enterprises for either startup or on going operation or growth. These very small enterprises are variously known as micro-businesses, as micro-enterprise, as very small scale enterprise, and as income generating activities. They consist of the smallest enterprises in what government statistical agencies classify as the small business sector. They are so classified on the basis of size as measured by the number of their employees, their revenues or their assets, or by some combination of the above.

There are varied examples of how these criteria are used to define the class of enterprises at the bottom end of the business size spectrum. ACOA, using Statistics Canada data, has defined “micro-businesses” as firms with fewer than 5 employees noting that “[s]mall firms in Atlantic Canada are more heavily weighted toward micro-businesses ... than in the rest of the country.” (*The State of Small Business and Entrepreneurship in Atlantic Canada 1991*, page xviii) In this report and in subsequent versions of this report ACOA contrasts this subgroup within the small business sector (firms with fewer than 100 employees) with other subgroups (i.e., firms with from 5 to 19 employees, firms with 20 to 49 employees, and firms with 50 to 99 employees). By way of contrast, in their study of micro-enterprise’s access to and use of credit, Riding, Swift, and Orser define micro-businesses as those with “three or fewer full time employees and annual sales of less than \$200,000.” (Riding, Swift & Orser, 1993) They thereby use two of the criteria jointly. In other jurisdictions, such as the United States or the European Union, the use of the criterion of number of employees to define this subgroup varies. In the latter, for example, micro-enterprise is defined as firms with fewer than 10 employees.

The fact that definitions of micro-enterprise vary with regard to stipulating the upper limit to the number of employees of a firm in this category or to stipulating other criteria such as the maximum in annual sales revenues is less important than the common intent of such definitions. They are meant to mark off the very smallest of business enterprises among which certain interesting characteristics are observed to predominate. Among these are the following. Most are operated and managed by their owners. Many are located in or at the owner’s residence. Many rely on family labour. Many operate in the informal sector of the economy. Although firms of small size tend proportionately to be more labour intensive than firms of larger scale and to have proportionately smaller financing needs, they are alleged to have less access to financing from conventional sources of business financing.

MED programs may support and encourage micro-enterprise for a variety of reasons. They may target micro-enterprise operators and potential micro-entrepreneurs in any one or more of a variety of demographic groups related to those reasons. For example, some MED programs view micro-enterprise as a tool for poverty alleviation and would

therefore target persons from economically disadvantaged classes for MED support. Some view it as one means for empowering women or for developing youth. Accordingly these latter programs would target women entrepreneurs or youth. MED may also be viewed as a tool of general economic and enterprise development and as a means of strengthening an entrepreneurial culture generally. In such a case an MED program may target all micro-enterprise operators or at least a wide variety of them from many social and economic situations including the very poor and those on government income assistance programs as well as retirees and laid off skilled and professional workers establishing their own businesses.

The tools that MED programs employ vary from one program to the next in part as a function of their target clientel. Regardless of clientel, many MED programs employ credit and other forms of financing as tools. They do this because for many or most micro-enterprise operators access to business credit is an issue. Other services that such MED programs may offer in addition to credit include the following: business, interpersonal and life skills training; mentoring; business counseling; facilitation of collaborative activity among micro-enterprise operators (for example, joint marketing and promotional efforts); peer support; networking events; advocacy and lobbying; and lifestyle support (such as childcare for women micro-enterprise operators). For example, MED programs operating with the primary goal of poverty alleviation and targeting the economically and socially disadvantaged very poor may offer life skills training and business skills training in addition to credit or other financing services. As another example, MED programs targeting women and concerned with their social empowerment as well as economic betterment might offer lifestyle support, and organizational and advocacy services.

MED programs also vary with regard to the range of services they offer clients for reasons of program sustainability and intended program scope. Some programs emphasize credit and other forms of financing because clients are more willing to pay for this service through interest charges and other fees than they are willing to pay for other services, such as training, mentoring, and organizational and advocacy services. MED programs offering micro-credit have more potential to cover some of the costs of their operation through revenues generated from clients rather than relying in part or in whole on donors to cover the costs. Therefore, where program financial sustainability is an issue, an MED program may channel resources into offering credit and away from other services.

Micro-credit is financing typically for business or income generation purposes. However, given the integration of domestic affairs with income generation activities for many micro-enterprise operators, it is often difficult to target micro-credit exclusively at the financing of enterprises and income generation activity. Personal affairs and the financing thereof are often not neatly segregated from enterprise activity. For example, many micro-enterprises are operated out of the owner's home, and the micro-enterprise operator may use credit to finance various assets used for both income generation and domestic/personal purposes.

The upper limit on the amount of credit that counts as “micro-credit” rather than conventional credit varies from context to context. Typically, the amount is some amount below which conventional financial institutions do not offer credit financing in instruments traditionally offered to businesses. The appropriate line between micro-credit and conventional business credit may be drawn a number of different ways and may change over time and from region to region. It is a function as well of the amounts of credit that are useful or necessary for the types of enterprises that are prevalent. Service enterprises often need far less startup and operating credit than manufacturing enterprises. Finally, the appropriate dividing line may blur or change as conventional financial institutions innovate with new products that may be used for small amounts of business credit. As an example of a dividing line, a 1997 study for the Rural Secretariat on the demand for micro-credit in nine rural Canadian regions used \$20,000 as its dividing line between micro-credit and conventional business credit. (Wehrell *et al.*, 1998)

### **Assessing the Impact of Micro-credit and Micro-Enterprise Development**

Assessing impacts of MED programs means measuring changes that are caused or brought about by the programs. Impact assessments can be complicated in several ways that force assessment tools to take account of a large number of possible impacts.

First, each program assessed consists of a bundle of services, and each service may contribute to different impacts than other services. This means that an assessment may have to measure a wide variety of changes to cover the possible impacts of MED programs providing multiple services. For example, access to business credit may lead to higher program participant credit ratings. Networking events and mentoring may lead to more extensive business networks among participants and between participants and other members of the local business community. Facilitation of collaborative efforts among program participants may lead to emergent leadership and increased community involvement. This is a very diverse group of possible impacts that should be taken into account when doing impact assessments.

A second complication related to the first is that several different services in the bundle offered by an MED program may contribute to the same impact but to a degree different than just one of the services acting alone. For example, business credit and mentoring may both contribute to business success to a degree that business credit alone does not.

Finally a third complication to impact assessment is the likelihood of chains of impacts. An MED program may bring about one change which in turn contributes to another and so on. For example, an MED program may have a training component resulting in increased participant marketing skills in turn leading to more effective sales efforts, to higher sales revenues and to growth of the participants’ enterprises. Rapid growth in combination with other factors, may finally lead in turn to higher failure rates among the enterprises in question. In deciding what types of changes to measure the impact analysis must make decisions about how far along the possible chains of impacts to focus

its investigation. In selecting changes to measure, an impact study should focus on a variety of changes wide enough to capture possible impacts all along several chains of impact.

Although these complications make it desirable to measure a wide variety of possible changes resulting from programs being assessed, the actual number of changes on which an impact assessment can focus is limited by practicalities. The data available limit it. Where data is collected from program participants, program staff and other informed observers, the practical limitations of survey instrument design and administration pose limits. Survey interviews must be of limited length so that prospective interviewees will agree to be interviewed. Impact assessments must select some possible changes for measurement out of all the possible relevant changes.

The framework of impacts and indicators used for this study represents a selection made after a scan of the literature on MED programs and after exploratory interviews with five staff members and six clients from the four Atlantic Canadian programs under study. All four programs were represented among the interviewees.

The impacts selected for attention in this study include many that were cited as important to those designing and/or implementing the programs in question. In other words, they would be counted as indicators of success by those involved with programs. However, they also include impacts that program staff did not mention as being important to them or that were not specified in program objectives, missions or mandates. These are impacts mentioned as important in the literature and that also might prove to be of interest and importance to policy makers. MED programs can have significant and beneficial impact in ways not anticipated by their designers.

Impacts consist of changes and effects happening “at some distance or remove” from the activities pursued as part of the operations of the four programs. For example, Calmeadow set up its PARD program using a peer group model. In order to access business credit and other services provided by the program, a participant had to belong to a group of 4 to 7 program participants who had to meet regularly to review loan applications made by members of the group, business performance of the group members’ enterprises, and loan repayment performance. Much of the operations activity of the PARD program consisted of establishing and monitoring the groups and in effect establishing a peer support network for each program participant. This study did not focus on establishment of a peer support network as an impact or change to measure because establishing such a network was integral to the program activity of this MED program. On the other hand, the emergence of community leaders from these groups or the development of strategic business alliances among members of these groups would be changes possibly resulting from the peer group activity and “at some remove or distance” from it. The emergence of community leadership and the formation of strategic business alliances would be impacts appropriate for a program impact study. Another example is measurement of the total dollars of business credit used by participants in the four programs studied. In all four programs business credit is a key service and much of the program activity revolves around providing it. The dollars lent are integral to the

operating activity of the four programs and measuring them is not an appropriate measurement of impact “at some distance or remove” from the program. However, the dollars lent may allow the program participants to grow their businesses in terms of sales revenues and to raise their credit ratings. These last two changes would be appropriate impacts to study.

The entire range of impacts selected for study is listed on the following page.

## **M-E PROGRAM IMPACT AREAS AND SPECIFIC IMPACTS**

### **1. Client Employability / Self-Employability**

- Self-confidence
- Skill Development
  - Interpersonal skills
  - Business skills

### **2. Credit Worthiness**

- Improved credit record/history
  - Establishing a positive credit record
  - Erasing a negative record
- Ability to leverage funds from other sources

### **3. Enterprise Performance**

- Employment Creation
  - New Jobs
  - Part-time to Full-time jobs
- Enterprise Growth Overall
- Sales Revenue Growth
- Business formalization (e.g. registered, new premises etc.)
- Business survival/longevity

### **4. Livelihood Security**

- Integration of domestic and economic roles
- Diversification of income sources away from government assistance
- Financial security

### **5. Local Economy**

- Entrepreneurship role modeling
- Youth retention in local economies
- Expanded local business networking
- New services provided locally
- Business start-ups

### **6. Social**

- Increased Involvement in community organizations & activities
- Enhanced sense of community membership
- Personal support for doing business

## **Selection of Impact Areas and Specific Impacts**

Enhanced Employability/Self-Employability (1) and Improved Credit Worthiness (2) are two areas of impact on the individual persons participating in MED programs. The first includes personal development traits that are in turn understood to increase the individual's effectiveness as an economic agent. The second is a very specific impact area related to the use of credit as a tool of MED common to all programs with a business credit component, however much they may differ in other respects. An individual's credit worthiness would clearly have significance for his/her ability to function as an enterprise owner and entrepreneur.

In the framework of impacts and indicators constructed for this study, other than impacts concerning credit worthiness, no impacts of an economic/financial type are specified at the level of the individual program participant (for example, the person's income). All impacts of an economic/financial nature at the individual level are specified in regard to the participant's enterprise (in Enterprise Performance (3))—for example, the net income of the enterprise. The reasons are twofold: practical and theoretical. As a matter of practicality it may be difficult for survey interviewees to separate personal financial performance from the enterprise's performance. This is particularly true of very small and very informal enterprises. It may be less confusing for the interviewee to focus his/her attention on the enterprise. As a theoretical matter, the enterprise owner's personal financial situation is a function of many factors besides the state of the enterprise which he/she is operating while participating in an MED program and for which he/she has secured business credit if that is one of the services accessed. Since one explicit purpose of most MED programs is related to the health of their participants' enterprises, it is more appropriate to concentrate on the economic/financial impact on the enterprise rather than directly on the economic/financial impact on the participant.

The impacts selected above include some at the level of the household of a MED program participant. These are listed in the fourth category—Livelihood Security(4). The creation or the growth of one household member's small enterprise will often change that member's role in the household and the patterns of domestic activities along with its income patterns. This is particularly true of women small enterprise owner/operators, who experience shifts in the balance between their domestic and their economic roles. This effect is captured in the first impact of this category listed as "Integration of domestic and economic roles." Small enterprise creation and growth also can result in significant shifts in the portfolio of the micro-entrepreneur's income sources and in his/her household's income sources. A diversification of sources can result in greater overall financial security. A diversification away from reliance on social assistance as an income source would be one significant element in such a diversification. These effects are captured in the remaining two impacts in this category.

Finally, the impacts selected include impacts on the community. Many of these are economic and are listed in the category Enhancing the Local Economy(5). Others of a purely social nature are listed in the final category.

## **Four Atlantic Canadian Micro-Enterprise Development Programs**

The four MED programs whose collective impact is the subject of this study and from which the respondents were drawn for the client survey are somewhat diverse with regard to several dimensions including operating method, target group, types of lending, terms of lending and provision of non-financial services. Two of them use or used the peer group lending methodology. Two do not use it at all and deal with clients only on an individual basis. Two of the programs are mandated to target youth only, and one of these targets youth who are just starting an enterprise. Two use step lending offering clients loans of short terms (a few months to a year) following the repayment of which the client receives access to another short term loan of greater amount. Others offer five year term loans. Some of the key features of each program are outlined below.

### *Calmeadow Nova Scotia*

Calmeadow Nova Scotia began operations in 1991 under another name (PARD) in Lockeport, Nova Scotia. It extended operations to selected other areas of Nova Scotia, including the Halifax Metro area, during the next 7 years and eventually ceased operations in 2001 when, for strategic reasons, Calmeadow made the decision to cease operating all its Canadian micro-credit programs. PARD started by using peer group lending exclusively wherein borrowers are organized in groups of 4 to 7 borrowers and bear some responsibility for monitoring and repayment of the loans of other borrowers in the group. The loan application process requires that peer group members approve a participant's loan application as a first step in the approval process. There is no requirement for a formal business plan as part of the process. By 1999 Calmeadow Nova Scotia was emphasizing lending to clients on an individual basis. It targeted clients of all ages.

### *Newfoundland Labrador Federation of Co-operatives Micro-Business Lending Service*

NLFC-MBLS began lending in 1997 on the Northern Peninsula in partnership with the Red Ochre Regional Board. It is an umbrella program that operates in partnership with local development organizations in 7 areas of Newfoundland and Labrador. The local partners are responsible for the operations of the program in their localities and may vary with regard to their program objectives. However, they all use peer group methodology and common loan application and assessment procedures similar to those of Calmeadow. Program clients join business credit groups (peer lending circles) of 4 to 7 individuals, and meet regularly to help establish and advance individual businesses. The Lending Service offers business loans starting at \$500.00 to registered Business Credit Group members. Upon repayment of the first loan members can borrow larger amounts. Loans of \$2,000 to \$5,000 become available through a step process as a business grows. No loan security or credit rating is required to use the service. No formal business plans are required of those applying for loans. While with the program, clients can access peer counseling and marketing support as well as the program coordinator's business advice. Some training and skills development is provided upon request and where needed.



### *ACOA Seed Connexion Program*

Seed is an individual loan program specifically targeting youth from 18 to 29 years of age in the Atlantic Region. The program is delivered by each of the 41 Community Business Development Corporations (CBDCs) across rural regions as well as by other development agencies in Halifax, Moncton, St. John, and St. John's. ACOA provides partial operational funding, and the agencies and CBDCs find the balance required for running the program.

The program offers assistance in developing business plans, comprehensive business advice, business counseling, and follow-up services. A formal business plan is generally required as part of the loan application process. In addition, the program offers each client a training allowance. The program provides loans up to \$15,000 for business start-up or growth, with up to five years to repay. Once loans are repaid, clients are usually graduated out of the program. No loan security is required to access a loan.

### *Canadian Youth Business Foundation*

CYBF, a not-for-profit organization modeled on The Prince's Youth Business Trust in England, began operations in Atlantic Canada in Halifax. It operates in selected areas where local partner organizations perform the operations of client recruitment and selection. They do so by organizing committees of volunteer business and community leaders who choose loan applicants with promising business plans—i.e., formal plans—to receive start-up funding. The program explicitly targets youth just starting an enterprise and only occasionally funds clients already in business. Loan repayments of 3 or 5 year terms are available. There is a mandatory mentoring program in which monies are not released to the client until a mentor is selected and a working agreement established. Once a client receives a loan, he or she then deals directly with the bank with no follow-up services from CYBF.

### **Previous Studies of the Impact of Micro-Credit in Atlantic Canada**

Three of the four MED programs on which this study focuses have previously been the subjects of program reviews including some assessment of their impact. Calmeadow Nova Scotia was reviewed in 1994 after 3 years of operation, Seed was reviewed in early 1999 after over two years of operation, and the NLFC-MBLS was reviewed in February 2001. In all cases the results of the assessments indicated positive impact of the programs on the individual clients, on their enterprises and/or on their communities. Each review measured two of the same impacts the others measured:

- (1) new businesses being started by entrepreneurs accessing the MED programs and
- (2) creation of paid employment in client enterprises.

The findings indicate that all three programs had a positive impact in these areas.

Each review attempted to measure many other potential impacts which one or both the other reviews ignored, and each review concluded that the program it had assessed had positive impact in many of these other respects. Collectively the results of the studies of these three programs indicate that micro-credit should be given serious consideration as a development tool in Atlantic Canada.

#### *Calmeadow Nova Scotia*

This review was the most extensive with respect to the potential impacts it explored. At the time of the study the program had only 60 clients and former clients. The study consisted of a survey of 28 of them. The review concluded that the program had a positive impact in prompting new enterprises. Thirteen of the respondents reported starting new enterprises as a result of participating in the program, and 9 of the 13 were still operating at the time of the survey. It also concluded that there had been a positive impact on job creation. It reported a net increase of 4.5 full time equivalent paid employees (i.e., not counting the owner-managers of the enterprises) among the 28 respondents over the time of the program. In addition, the review concluded that the program was a factor leading to an increase in profits among the enterprises; 41% of respondents reported significant increases in business income; and 93% reported that their loans helped increase profits. The review also concluded that the program had moderate to high impact on 94% of women surveyed and on 62% of men in enabling them to meet their goals. Finally, the review concluded that the program allowed some clients to move from social assistance as a source of income to other sources.

#### *ACOA Seed Connexion Program*

The review of the Seed program was the most extensive of the three reviews with regard to the number of clients surveyed for their views. It surveyed a sample of 100 clients concerning their experiences through December 1998. However, the number of issues it addressed regarding program impact was limited. From its findings one might infer that Seed played a significant role in stimulating business start-ups because 64% of the respondents used the Seed loan to finance the establishment of a new enterprise. One might also infer that the program led to job creation. The review reported that median full time equivalent employment among the respondents' enterprises increased by 50% during the period in question. The review also reported that 79% of respondents reported that their participation in Seed had allowed them to leverage further financing for their enterprises from banks and credit unions. Finally, 66.7% of respondents reported being able to meet their business objectives in large part due to the program.

#### *Newfoundland Labrador Federation of Co-operatives Micro-Business Lending Program*

The NLFC-MBLS review generated a number of findings of beneficial program impacts through a survey of 46 clients randomly selected from a total population of 232 NLFC-MBLS clients and former clients and from data routinely collected by five of the programs in the course of operations. The review concluded that the program had had

some impact on employment creation. There had been a net increase of 4 full time and 12 part-time jobs among the enterprises of the 46 survey respondents during the period of operations in question up to December 2000. There had been enterprise growth; 40% of respondents reported increased revenues since joining the program; and 72% reported that their business had grown by some measure. In addition, 63% believed that either the survival or the development of their enterprise would be threatened if the program were to cease operations at the time of the survey.

## **METHODOLOGY**

Impact assessments for MED programs involve measuring changes in program clients, in their enterprises, and in their communities during the time following their first participation in the programs and then evaluating the extent to which these changes can be attributed to the programs. Resources for, and time constraints on, the research dictated that data on changes be gathered from interviews primarily with clients and former clients of the four MED programs. Interviews with 16 program staff from among the 4 programs provided information on the operating procedures of the programs, on the social and economic context of the programs including the context of financial services to very, very small business in the areas served by the program, and on community and social impacts which clients would not necessarily be well placed to observe.

The client surveys focused on clients and former clients who entered a program at least 2 years prior to the survey in late June and July 2002. Two years was judged to be sufficient time for clients to have experienced a range of possible program impacts and to be able to form judgements about them. In spite of the efforts of program officers to provide lists of clients with the requisite history, the sample contains 9 respondents (3.4% of all respondents) who report beginning participation in 2001. These were all CYBF and Seed clients. One of these had participated in his/her program less than a year at the time of the survey.

The client survey consists of a survey of three populations and of a randomly selected sample from a fourth population. The three populations are the clients of each of three MED programs who entered their program prior to a specified date. The client populations of NLFC-MBLS and CYBF were exhaustively enumerated from program records and, subject to a few mistakes, consist of clients entering the program two or more years prior to the survey. A list of the Calmeadow clients from the years 1991 to April 1998 were compiled from Calmeadow program newsletters and from information provided by former program staff. Since the program is no longer operating, there was no access to organizational records on clients. The list cannot claim to be exhaustive in enumerating the program's clients during this period although there is reason for confidence that it is nearly so. In the case of Seed, program staff provided lists of clients selected randomly by program from exhaustively enumerated lists of over 1000 clients

entering the program two years or more prior to the survey. The numbers are summarized in the table below.

<b>MED Program</b>	<b>Completed Interviews</b>	<b>Number of Attempted Interviews</b>	<b>Total Client Population</b>
Seed	92	229	1020
CYBF	60	106	106
NLFC-MBLS	66	152	152
Calmeadow	46	139	139 + ?
<b>Total</b>	264	626	1417 + ?

The response rates for the surveys of the three program populations are as follows:

- CYBF 57%
- NLFC-MBLS 43%
- Calmeadow 33%.

The response rate for the sample from Seed was 40%. These are all very respectable survey response rates. However, the likelihood of response bias is an issue in assessing results. There is likely a response bias towards program clients still operating their enterprises at the time of the survey and away from those who had ceased operating them. The latter are more likely to have been difficult to reach particularly if their decision to cease operations was coupled with changes in residence to look for employment or another source of income in another community.

Since the object of the study is the assessment of the collective impact of the four MED programs and not individual program assessment, survey results are reported and assessed collectively. The survey results specifically of the sample of Seed clients are not reported as such so that issues of levels of confidence with which specific results from that sample can be generalized to the entire population of Seed clients do not arise.

The survey did not employ control groups for experimental design, nor did it employ quasi experimental design techniques that would support statistical inferences concerning the causes of changes the respondents reported in their personal characteristics, their enterprises and their business and community contexts. In short the study design would not support statistical inference concerning impact. In the survey, respondents were asked to report changes and to make retrospective judgements about the role their programs played in bringing about many of those changes. In some cases the respondents merely reported changes or degrees of change, and the authors of the study make judgements about the role of the programs in bringing about these changes.

The survey questionnaire attached in Appendix I was administered by telephone over a 5 week period in late June and all of July 2002. Interviewers made up to seven attempts to schedule and complete the 30 minute interview with clients on the list. Where numbers had been disconnected or clients had moved from the location served by the phone number, interviewers made attempts to determine a current phone number for the client or former client and to contact the client or former client at that number. These efforts were successful in only a small percentage of the cases.

The results of the client survey are presented in the following section mostly as summary descriptive data. An interpretation of that data is offered drawing out patterns in the changes reported by respondents and in their judgements—patterns suggestive of impact or lack of impact of the MED programs in question. In that interpretation the results of the client survey are often supplemented by findings from the interviews with program staff in order to amplify patterns or provide likely explanations for the patterns. The interview guide for program staff is attached in Appendix II.

## RESULTS

### Profile of Client Survey Respondents

The study worked with a list of 626 clients and former clients (also referred to as “program participants” in this report) of the four programs, and interviewers attempted to contact each one by phone. Complete interviews were obtained with 264 clients and former clients. The breakdown by program is given below

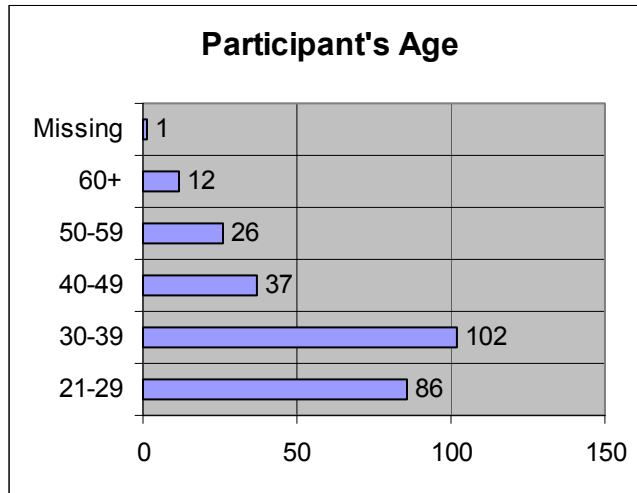
<b>Program</b>	<b>Number of Respondents</b>	<b>Percentage of Respondents</b>
Calmeadow	46	17%
Seed	92	35%
NLFC-MBLS	66	25%
CYBF	60	23%
<b>Total</b>	264	100%

Reasons for failure to obtain an interview include the following:

- Refusal
- No answer/failure to respond to messages
- Phone number no longer in service (phone disconnected).

Insofar as the respondent population reflects the population of program clients, one can form a picture of the types of clients attracted to the four programs and more generally to Atlantic Canadian MED programs offering micro-credit. The profile of the survey respondents is given below in terms of age, gender, rural versus urban, stage of development of the enterprise, and motivation for self-employment.

As indicated by the chart below, respondents were heavily weighted in the two youngest age categories 21 to 29 years old and 30 to 39 years. This is hardly surprising since two of the programs (Seed and CYBF) explicitly target youth, and 150 of the respondents (55%) are clients of those programs. The clients served by these two programs by mandate are, with some exceptions, 29 years of age or younger when they enter the programs, but many had moved into the 30 to 39 year old category by the time they were interviewed for this study. That category contains the greatest number of respondents as indicated in the chart below.



A larger proportion of respondents (54%) is male than the proportion of female respondents (46%). There is also a much greater proportion from rural areas (62%) than from urban (38%). For the purposes of this study the municipalities of Moncton, Fredericton, Saint John, Charlottetown, Halifax Regional Municipality, and St. John's are considered urban. Calmeadow Nova Scotia was originally established and operated only in rural areas of Nova Scotia and only focused on serving the Metropolitan Halifax area in 1997. The majority of NLFC-MBLS partners serve or served rural areas. Seed is delivered by the 41 CBDCs of Atlantic Canada through most of the rural areas and small towns—the areas served by CBDCs according to their mandate. ACOA makes arrangements with other agencies in urban areas to deliver the Seed program.

At the time of the survey many more respondents were still operating the enterprises either that they were operating when they entered their program or that they had started

as participants in their program than had closed their enterprises. At the time of the study 73% of respondents were still operating their enterprises. Only 25% had closed the businesses they had operated as participants in their program. And 2% had not yet started an enterprise. The reasons for closing enterprises ranged from problems with the viability of the enterprise to personal problems and lifestyle preferences. Insufficient sales was most frequently cited as the reason for closure; 44% of the respondents who had closed their enterprises cited that as a reason. Other reasons cited by a number of respondents are:

- (i) the need to work too many hours (7%),
- (ii) a preference for paid employment (9%), and
- (iii) the sale of the business (8%).

Statistics on the longevity of small businesses indicate a high attrition rate among business startups over the first few years of their life. Studies show that as many as two thirds of a cohort of enterprises starting in the same year can be expected to cease operations before the sixth year. (For example, see *The State of Small Business and Entrepreneurship in Atlantic Canada – 1992*, page 52) Typically many of these are failed enterprises. The high percentage of enterprises in the sample that were still operating at the time of the survey is suggestive of a positive impact of the MED programs involved. However, this is merely suggestive. For one thing, it is unclear how much bias there was in the survey procedure against the inclusion of program participants whose enterprises had ceased operations prior to the survey. Interviewers made efforts to track down program participants who had moved and disconnected their phone numbers in the interval between the survey and the time they ceased participation in their MED program but were unsuccessful in a high percentage of cases. It may well be the case that these participants, are not included among the respondents because they were not reachable, have a higher percentage of those who have closed their operations than the percentage of 25% among the respondents.

The respondents are predominantly micro-entrepreneurs who started enterprises after entering their MED program. The proportions of the respondents starting their enterprises before entering an MED program and of those starting enterprises after entering a program are given in the table below.

<b>Origin of Business</b>	<b>Number of Respondents</b>	<b>Percentage of Respondents</b>
Before Program Participation	119	45%
Startup during Program	140	53%
Never Started Business	5	2%
<b>Total</b>	<b>264</b>	<b>100%</b>

The predominance of startups is not surprising given that two of the programs (Seed and CYBF) accept youth only as clients and that youth are more likely to be just starting their entrepreneurial career when entering an MED program. In addition, CYBF explicitly targets youth who will start a business after entering the program. These factors are reflected in the fact that only 36% of the Seed clients and only 25% of the CYBF clients were operating their enterprises prior to participating in their MED programs.

Clients' primary motivation for establishing and operating their own enterprise is classified in terms of two broad types. Those that stated reasons indicating that some feature of their business or work situation attracted them to self-employment are classified as "pulled" to self-employment. Those whose stated reasons indicate they were driven to it primarily out of economic necessity are classified as "pushed". The assumption is that for the latter self-employment is seen as a second best option for earning an income. The reasons classified as "Pulled" include the following:

- wanting to run one's own business or not wanting to work for others
- wanting to develop a particular business idea or market opportunity
- love of a particular profession or interest in providing a particular service
- wanting to work at home

The reasons classified as "Pushed" include these:

- there were no other jobs
- had to work in the home
- needed to supplement other income.

A few reasons, such as "followed family tradition", do not clearly fit into either of the two broad categories.

The majority of the respondents (62.5%) cited a primary reason for starting and continuing their business that was a "Pulled" reason; more specifically 40% of all respondents cited the desire to run their own business and not work for others. Those citing "Pushed" reasons consisted of 32.5% of the respondent population, and those citing reasons defying classification as either of the two broad reasons amounted to 5%. Clearly, the majority of the program participants were attracted to self-employment.

### **Profile of the Micro-Enterprise Development Programs & Their Services**

The programs reflect a diversity in service offerings and operating methods. One dimension of diversity is whether services are or were offered directly to individuals or through the peer group mechanism on the other. A total of 111 clients (42% of all respondents) participated in peer groups. This group includes all the NLFC-MBLS clients and almost all the Calmeadow clients (45 of 46). On the other hand, 153 clients (58% ) received services as individuals.



The respondents' assessment of the relative importance of the services they received is as follows. The majority (72%) ranked the business credit they received as the most important of the services provided. However, this means that a significant portion (27%) ranked one of the other services (i.e., training, peer group support, mentorship, business counseling, business networks, client networks, and other support) as the most important to them. The other service most frequently chosen as most important is peer group support. Of all the respondents, 16% rated it as most important. Only 1% could not make a judgement about which was most important, and ranked other services as equally important to the credit. It is also of significance that 8% of all respondents never accessed credit. These results confirm the view that business credit continues to be an effective tool of MED development but that other services are very important for specific groups of clients. Business credit is not the only need that MED strategies must address.

Program staff interviewed concurred in this judgement that clients need more than credit. Staff tended to emphasize the value of other services provided by their programs. There was not a consensus about the relative importance of these other services vis-à-vis each other. For example, with regard to training, some suggested that it yields only slight benefits while others suggested that it had been essential to the success of many of their clients' enterprises. Some could not offer opinions on the value of mentoring or peer support because their programs did not offer these services. However, there was consensus that other services were required besides credit to support program participants if they were to be successful in their enterprises.

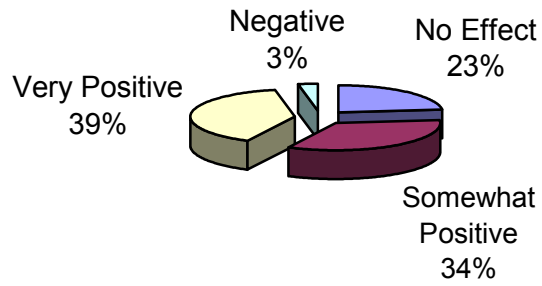
## **Impacts**

### *Employability / Self-employability*

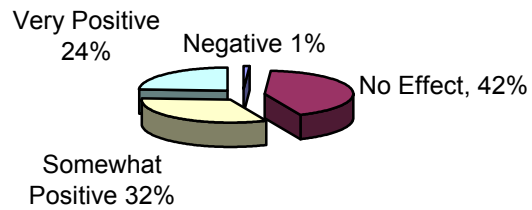
Survey respondents were asked to form judgements retrospectively concerning three possible impacts of their MED program participation on themselves: self-confidence, interpersonal skills, and several business skills. These were all areas judged to be significant for MED programs because positive impact in these areas (i.e., enhancements of skills and self-confidence) would make the program client more effective as an economic agent regardless of the outcome of the enterprise she/he was operating at the time of participation in the program. He/she would be more effective as employee in someone else's enterprise or more effective in running her/his own enterprise in the future.

Survey respondents reported impacts on their attitudes and skills as summarized in the charts following.

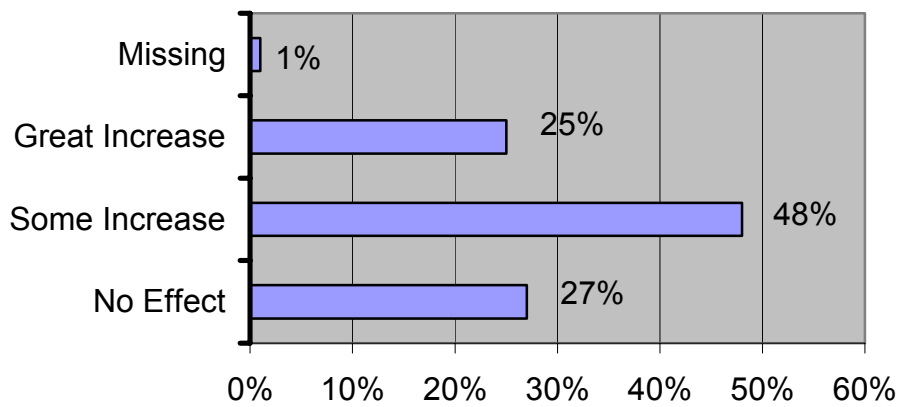
### Impact on Self-Confidence



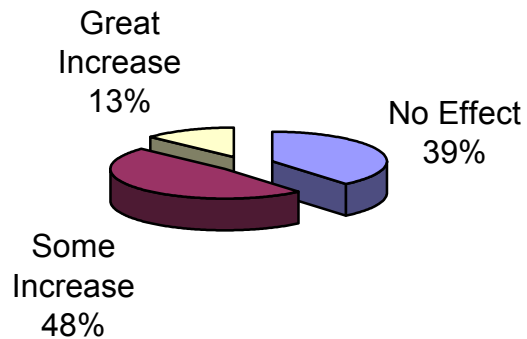
### Impact on Interpersonal Skills



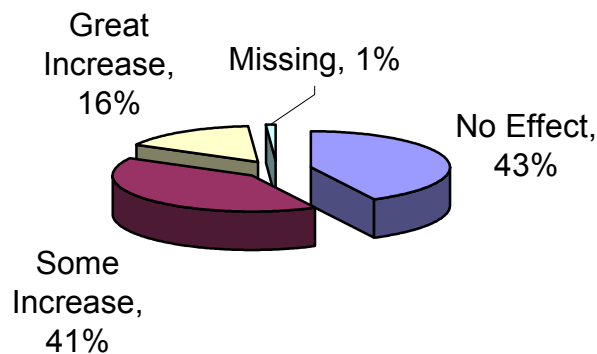
### Impact on Business Planning Skills



### Impact on Budgeting and Financial Management Skills



### Impact on Marketing and Sales Skills



The results above provide evidence suggestive of significant impact on the clients' personal development in several key respects. The overall net effect of the programs on participant self-confidence was positive. Of all the respondents 73% reported either a somewhat positive or very positive effect. Only 23% reported no effect from participation, and only 3% reported a negative effect. It was expected that few, if any, would report a negative effect.

These client survey results are in accord with the judgement of program staff interviewed. All reported marked increased levels of self esteem in the participants with whom they had dealt.

The reported benefits on client skill development also seem significant. A majority (56% of all respondents) reported positive effects (either somewhat or very positive) of

program participation on their interpersonal skills. The business skill area on which the greatest percentage of respondents reported an impact of increasing that skill (either some increase or a great increase) is business planning (73%) followed by budgeting and financial management (63%) and then marketing (57%).

The programs had far less impact on the development of computer skills and accounting/bookkeeping skills. A great majority (83%) reported no program impact on the former and 51% reported no impact on the latter.

In the case of all potential impacts examined, except with regard to computer skills and accounting skills, more than 50% of respondents reported positive impacts of program participation. Because the four programs have or had considerably different loan application methods involving different emphases on business plan writing and different types of forums in which participants defend or defended applications and answer for business and loan repayment performance, it is to be expected that each program may emphasize or have implicitly emphasized different business and interpersonal skill development in their participants.

### *Client Creditworthiness*

The impacts of the MED programs reported by survey respondents with regard to credit worthiness were mixed and in some cases at variance with the reports from program staff. Respondents were asked several questions of relevance to gauging program impacts on credit worthiness. Respondents were asked to form judgements retrospectively about the impacts of their program participation. In general, the impacts of program participation on credit worthiness perceived by respondents are less than researchers had anticipated.

A majority of respondents (54%) judged their participation in their programs to have had no impact on their credit ratings. Only 18% thought their participation helped create a credit history. Only 18% believed their participation improved their rating (either a poor rating or a good rating). It could be that respondents had a limited awareness of their credit ratings or that poor credit ratings were not an issue to many of them.

The program participants' assessments of the impact on their credit rating are certainly at variance with the assessments of program staff interviewed. The latter generally reported that they are convinced that those program participants accessing credit and successfully repaying it were improving their credit ratings with the banks, credit unions and other credit institutions with which the programs partnered in making credit available to program participants.

As well, contrary to expectations and to the judgement of most program staff, survey respondents reported very limited impact of the MED programs on expansion of their access to business credit. Only 20% of respondents reported increased accessibility with regard to the number of possible credit sources. In contrast, twice as many (40%) reported no change with regard to the number of possible lenders willing to give them

credit—i.e., no change in accessibility with regard to the number of sources. And 26% did not know whether their access to credit had changed at all. Furthermore, this seems to be inconsistent with the results of the 1999 Review of ACOA’s Seed Capital ConneXion Program. The study reported that 79% of the client sample it surveyed stated that their participation in Seed had allowed them to leverage further financing from banks, credit unions or other agencies offering business financing. There is conflicting evidence of impact in this regard.

There is some reason to believe that the respondents may not have been in the best position to assess changes to their creditworthiness. Presumably, they would have been in a good position to the extent that they had attempted to access new sources of business credit after participating in an MED program and they had been either successful or unsuccessful in these further credit applications. However, many may not have sought additional business credit at the time of the survey. Assessment of impact on creditworthiness must await further investigation.

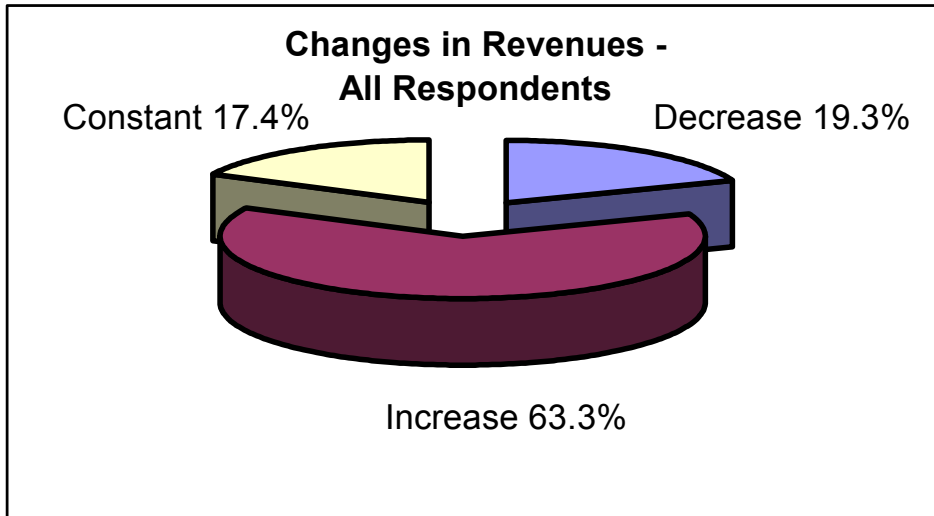
*Enterprise Performance: Growth*

Respondents were asked to make an overall summary judgement of program participation on the performance of their enterprise. A majority (52%) stated a belief that program participation allowed their enterprises to grow. A further 16% reported that program allowed them to maintain a stable level of business. Only 16% said that program participation was not a factor—i.e., had no impact on enterprise performance.

Respondents were asked whether their sales revenues had increased from what they were for the a base year of operation to what they were for their most recent year of operation. If the respondent started the enterprise while participating in the program (“Startups”), the base year was the first year of operation. If the respondent was already operating the enterprise prior to participation in the MED program (“Ongoing Enterprises”), the base year was the year before entering the MED program. The results for Startups, Ongoing Enterprises and all enterprises combined are given in the table and the chart below.

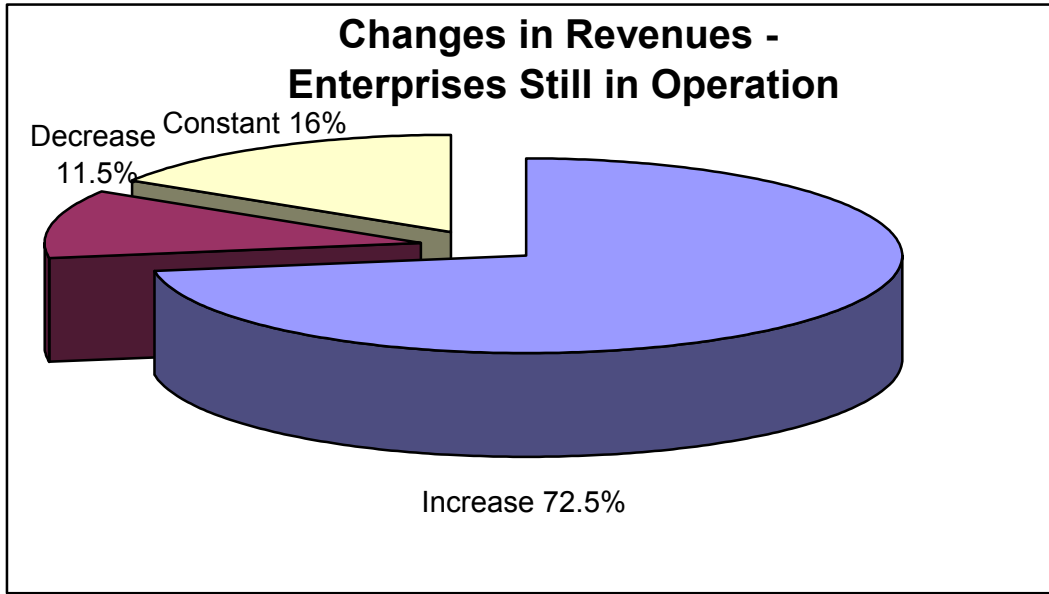
	Startups		Ongoing Enterprises		All Respondents	
<b>Change in Revenues</b>						
Increased	83	(59%)	81	(68%)	164	(63.3%)
Constant	25	(18%)	20	(17%)	45	(17.4%)
Decreased	32	(23%)	18	(15%)	50	(19.3%)
<b>Total</b>	140	(100%)	119	(100%)	259	(100%)

Note: 5 respondents did not or have not yet started enterprises, and are not included in these numbers.



The results show that there is a larger percentage of respondents with Ongoing Enterprises (68%) that reported revenue growth than the percentage of Startups (59%) reporting revenue growth and a corresponding difference in percentages reporting decreased revenues during and after program participation (15% versus 23%). This pattern suggests more positive program impact on the growth of MED program participants with already established enterprises than on participants who start up enterprises while participating in their program. The latter may lack the experience or resources to make most effective use of MED program support to build on their initial client base.

Overall a majority of respondents (63%) reported an increase in revenues subsequent to entering their MED program, and only small minority (19%) reported decreases in revenues. If one focuses on the respondents still operating their enterprises at the time of the survey (73% of all respondents) the results are even more impressive. As indicated in the chart below, 72.5% of them reported increased revenues since participating in their MED program.



These patterns suggest positive impact of MED programs on participants' enterprise growth. However, it must be remembered that other factors besides program participation may impact on the growth of a participant's enterprise, and these results are not necessarily related to a participant's aspirations for business growth. Some program participants may only want to maintain their enterprises and not grow them.

The subpopulation of respondents reporting increases (63% of all respondents) reported increases of the following magnitudes over the period in question.

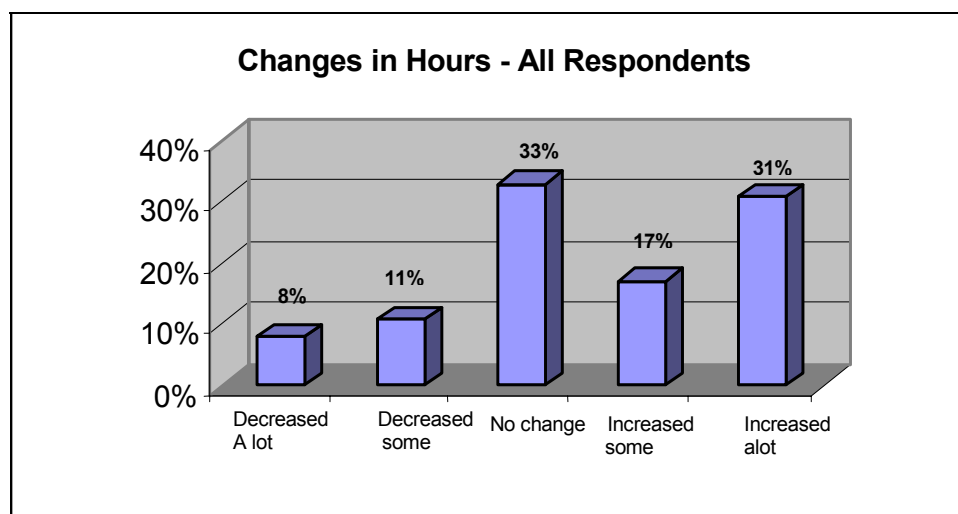
	Startups		Ongoing Enterprises		All Respondents	
<b>Magnitude of Increase</b>						
More than 100%	21	(25%)	25	(31%)	46	(28%)
60% to 100%	19	(23%)	15	(19%)	34	(21%)
30% to 50%	20	(24%)	11	(14%)	31	(19%)
Less than 30%	23	(28%)	30	(37%)	53	(32%)
<b>Total</b>	83	(100%)	81	(101%)	164	(100%)

These figures mean that 31% of all the respondents reported revenue increases of more than 50% following participation in their MED program.

A second measure of micro-enterprise growth is an increase in enterprise activity that generates more employment. This may mean more self-employment for the owner/manager/operator or more employment for paid workers hired as employees of the

enterprise by the owner/manager. Increased paid employment could come in the form of new full time positions or the transformation of existing part-time positions into full time employment or the creation of part-time positions where there had been no part-time paid employment previously.

The survey respondents reported changes to their hours of work on their enterprises that are consistent with significant enterprise growth following entry into MED programs for both startups and ongoing enterprises. Again one must keep in mind that some micro-entrepreneurs may not aspire to increasing their work commitment to their enterprises. Still 48% of all respondents reported increases in their work hours. Only 19% reported decreases. The detailed results are as follows.



With regard to changes in employment of paid personnel other than the owner operators of the micro-enterprises the following overall patterns emerge.

- *A net decrease in the number of own account operators and corresponding increase in the number of enterprises engaging paid employees.* In other words, fewer owner-operators were trying to do it all themselves; 199 respondents (75% of all respondents) had no paid employees at the beginning of the period in question. This number decreased to 166 respondents (63%) in the most recent year of their enterprise's operation.
- *A net increase in paid employment for all enterprises.* In the period between first participating in their program and the most recent year of their enterprise's operation, the respondents increased the number of paid full time workers they employed among all the enterprises by 173 and the number of part-time employees by 65. This second figure nets out part-time positions that may have been upgraded to fulltime. If one makes the assumption that those interviewed are representative of the full client population for all four MED programs during the periods in question (i.e., 1,417

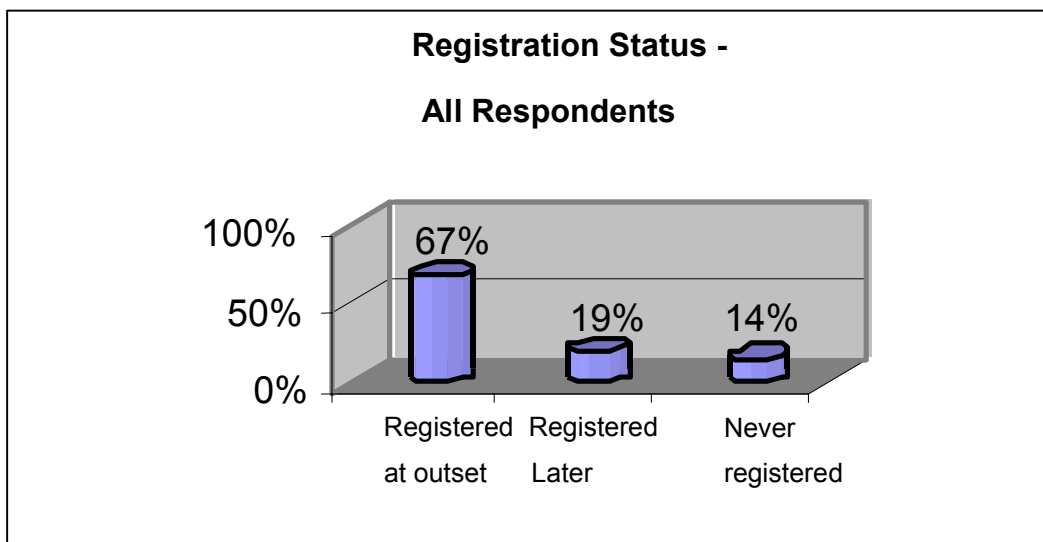


clients), one might roughly project an overall change of 930 additional full time jobs and 349 part-time jobs during this time.

*Enterprise Performance: Business Formalization*

As enterprises grow there are increasing pressures on owner/ operators to formalize the enterprises and their behavior. Formalization means operating according to rules and procedures constituted by outside authorities which accordingly recognize the enterprise as a business. It also means operating the enterprise more systematically in a more disciplined fashion according to those procedures. Increasing formalization is not only an outcome of growth but also of increased sophistication and business acumen on the part of the owner/manager. The micro-enterprise sector is well known for the tendency of enterprises within it to operate as part of the informal economy. A very large percentage do. One significant benchmark by which to gage degree of formalization is registration of the enterprise as a business with the appropriate provincial body. At that point it has clearly moved out of the informal economy and gains formal recognition as a business..

Survey respondents indicated the following patterns in changes in business registration status following the respondents' participation in the program. These patterns suggest some possible impact of MED programs on enterprise formalization, but a majority of the ongoing enterprises (63%) were formally registered as businesses prior to the owners' participation in their programs. Some (22%) registered subsequently. A high percentage of startups (70%) were registered from the outset of the enterprise. Two of the MED programs encourage this as part of the business startup process. Among all the respondents, only a few (14%) reported that their enterprises remained unregistered in the most recent year of operation. The detailed results are given in the chart below.

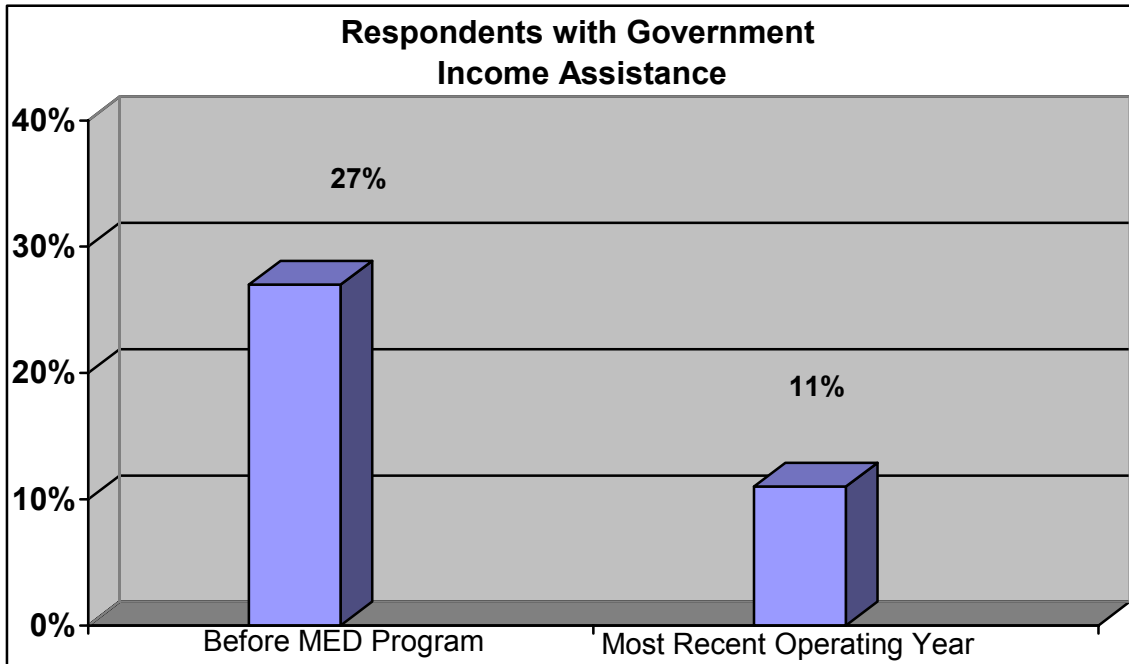


A second indicator of increased formalization is a change of enterprise location from a less conventional commercial location, such as the business owner's residence, to a recognized commercial location, such as a downtown storefront. Respondents reported their enterprise's location at each of 2 times—the first defined by their entry to a MED program and the second by their enterprise's most recent year of operation. A pattern of shifts in location from the home to conventional commercial locations would be suggestive of enterprise growth and increasing formalization. The results show only a small net shift of 10 enterprises out of the 264 respondents from home and other locations to conventional commercial locations. The small net change suggests little impact of the MED programs in this regard.

### *Livelihood Security*

One intended impact of some MED programs is to enable individuals and families in precarious financial circumstances to achieve greater security through an income from self-employment, over which they have more control, than an income from employment in seasonal and declining industries. In the client survey 53% of respondents reported feeling more secure financially since participating in their MED program. Of those 63% cited having a more regular income from their enterprise as the reason for their feeling of security, and 23% cited having more income earning options as the reason.

During the early years of its existence, Calmeadow Nova Scotia had, as part of its mandate, the aim of promoting income security among one group of potential clients it targeted -- namely, social assistance recipients. It did so by seeking to shift these clients from using government assistance as an income source to reliance on self-employment as an income source. The latter presumably would be more viable in the long term. This study investigated this as a potential impact, whether intended or not, of all four MED programs collectively. Respondents were asked about their income sources in the period prior to entering their MED programs and in the most recent year of their enterprises' operations. Of all the respondents 27% reported receiving some percentage of their income from government assistance programs prior to entering their MED program. This number is 2.45 times as many respondents as those reporting receiving income from this source (11%) in the most recent year of their enterprise's operations. Clearly there had been a significant shift as illustrated in the chart following.



In contrast, those receiving 100% of their income from self employment at MED program entry increased in number from 64 respondents (24% of the total of 264) by a factor of almost 2 times to 127 respondents (48%) in the most recent year of their enterprise's operation.

#### *Local Economy*

Many areas of Atlantic Canada suffer from depopulation as residents migrate to more prosperous areas in search of jobs and income opportunities. This is especially true of youth. One alleged impact of MED is employment and self-employment generation that allows many to stay in communities they would otherwise have left because of economic necessity.

Survey respondents were asked to form judgements concerning the role of their program and enterprise in allowing them to stay in their communities. A majority (61% of respondents) stated that creating their own enterprise allowed them to stay in their community thereby providing evidence suggesting that the four MED programs produced significant impact in this respect.

Moreover, the impact that the four MED programs produced in this regard was apparently greater in rural areas and small towns than in the urban areas of Fredericton, Saint John, Moncton, Halifax, Charlottetown and St. John's. This can be seen in the table

below in which responses to this question are broken out by the respondent's location—rural or urban.

<b>ENTERPRISE LOCATION</b>	<b>Rural (Frequency)</b>	<b>Rural (Percent)</b>	<b>Urban (Frequency)</b>	<b>Urban (Percent)</b>
<b>IMPACTED ABILITY TO STAY?</b>				
Yes	108	66%	52	52.5%
No	50	30%	45	45.5%
Don't know	7	4%	2	2%
<b>Total</b>	165	100%	99	100%

Almost two thirds of the rural respondents reported that their enterprise had allowed them to remain in their community whereas only 52.5% of the urban respondents reported this. This is a difference of 13.5 percentage points.

A second area in which MED programs may have impact on local economies is stimulation of enterprise diversification within these economies. A slight majority (51%) of respondents indicated that at the time they opened their enterprises there were no other businesses in their local community offering the same product or service. In other words, they did not have local competitors at the time they opened their businesses and were unique in offering the product or service locally. Insofar as the MED programs in question provided support to these enterprises, they in effect supported the diversification of local economies.

Again there was a significant difference between urban and rural respondents as one might well expect with regard to this question. This difference is apparent in the results summarized in the table following.

<b>ENTERPRISE LOCATION</b>	<b>Rural (Frequency)</b>	<b>Rural (Percent)</b>	<b>Urban (Frequency)</b>	<b>Urban (Percent)</b>
<b>EXISTING LOCAL COMPETITORS?</b>				
Yes	71	43%	57	58%
No	92	56%	41	41%
Don't know	2	1%	1	1%
<b>Total</b>	165	100%	99	100%

In launching their enterprises 56% of rural respondents had established one for which there were no local competitors at the time. They had contributed to diversification of their local economies. In the larger markets of urban settings, it is less likely that a new enterprise would diversity the local economy. This is reflected in the respondents' judgements. Only 41% of urban respondents thought they had added a new type of business to the local mix at the time they started.

Finally, the impact of those enterprises on the local economy can be gauged in part by the market orientation of the enterprises. To the extent they seek and service clients outside their local economy, they attract new dollars to that economy and increase its overall health. The differences in market orientation between rural and urban respondents is summarized in the results below. Enterprises with a client base of less than 15% from outside their local community were characterized as having a "Strong Local Market Orientation". Those with client bases of 15% to 44% from outside their local community are characterized as having a "Local Market Orientation". Those with client bases of 45% or more outside their local community are characterized as having an "Outside Market Orientation".

<b>ENTERPRISE LOCATION</b>	<b>Rural (Frequency)</b>	<b>Rural (Percent)</b>	<b>Urban (Frequency)</b>	<b>Urban (Percent)</b>
<b>MARKET ORIENTATION</b>				
Strong Local	38	23%	33	33%
Local	32	19%	27	27%
Outside	95	58%	39	39%
<b>Total</b>	165	100%	99	99%

The difference between the percentages of rural enterprises and urban enterprises (58% versus 39%) serving a client base largely from outside their local economies demonstrates the greater relative impact that these MED programs have had on the health of local rural economies.

## **CONCLUSIONS / FINDINGS**

The results reported above provide evidence of the collective scope of the four Atlantic Canadian MED programs and of their beneficial impact. Collectively the programs have targeted and reached micro-entrepreneurs predominantly with a need for business credit but also with diverse equally significant other developmental and business needs in a variety of circumstances. The diversity among the program participants provides one argument for policies supporting flexibility in the design and operation of any one MED

program and/or for policies supporting diversity among MED programs with regard to the services they offer and their methodologies.

The results reported above also provide evidence of collective impact of both a social and an economic nature at a number of levels—i.e., the individual micro-entrepreneur, his or her enterprise, and his or her local community. The results reinforce the view that MED programs designed around the provision of micro-credit have been an effective tool for economic development in Atlantic Canada and can continue to be so. They also reinforce the view that the impact of such programs is most accurately assessed using a framework of indicators covering a variety of social and economic impacts at several levels.

## **Scope**

The composition of the respondent population reflects a wide variety of situations and needs among the program participants. This diversity goes beyond the demographic variables of age and gender. The fact that a large percentage (45%) consists of respondents who had been operating an enterprise for some time before accessing their programs is consistent with many studies showing that micro-enterprise is not merely the initial stage of an enterprise beyond which the enterprise should grow. While some micro-entrepreneurs have high growth aspirations and potential, others aspire to run and maintain stable viable micro-enterprises. (For further examples, see Wehrell, 1996, pp. 57 ff.) Many can follow the second approach successfully. Some require the additional support that MED programs provide in the form of credit and other services to do so. Micro-entrepreneurs have needs more diverse than startup financing and startup counseling even if these two are important for the 53% of the respondents who started their enterprise only after accessing their MED program.

The diversity of primary motive for self-employment is another dimension of diversity to be taken into account. Although the majority of respondents were animated by “pull” motives—e.g., the desire to run their own operations and the desire to develop a particular business opportunity—a significant minority (nearly one third) reported they had been “pushed” to self-employment by some economic necessity. This suggests that the micro-enterprise sector is a positive force contributing to economic development—i.e., a source of dynamism and creativity-- as some micro-entrepreneurs experiment with their personal business passions on a very small scale before committing to a larger version of the enterprise. It also indicates that significant numbers who are “pushed” to try their hands at micro-enterprises may need support services that go beyond credit and business skills support. They may also need moral support and assistance with personal development of the sort provided by peer group lending methods.

This diversity of need is reflected in the respondents’ judgements concerning the most useful services provided by their programs. Although the majority of respondents judged business credit to be the most useful service their program provided, a significant minority found other services to be the more important.

The conclusion to be drawn from this diversity is that effective servicing of the diverse needs among micro-entrepreneurs may require a diversity of methods and services among MED programs even if all those programs are centred around the provision of business credit. Within the four MED programs whose clients were surveyed in this study, there was diversity in emphasis between peer group lending methodology and individual lending. Two used the former. Two used only the latter. There was also diversity among the programs in the attention paid to training and the type of resources allocated to it. One of the programs (CYBF) put special formal emphasis on mentoring as a service. This variety of services seems to have struck a responsive note among respondents. The peer group support that results from peer group lending methodology in particular seems to have met a prevalent need among certain client groups. Program staff as well provided further evidence about the importance of MED programs meeting a range of needs, not just the need for credit. Indeed, the diverse and interconnected nature of many of the needs may require flexibility within programs as well—not merely diversity among programs.

## **Impact**

The evidence from survey respondents and program staff interviews is strongly suggestive of significant positive impact in several areas:

- personal development related to the employability/self-employability of program participants,
- growth and viability of participant enterprises,
- local economies in which participant enterprises operate, and
- dependence on government for income assistance.

The evidence suggests that the four MED programs benefited their clients' personal development in ways likely to make them more effective entrepreneurs and economic agents. There was beneficial impact in the increase of particular business skills and of other skills and attitudes that contribute to an entrepreneurial approach. To the extent they had these impacts on the individual clients, the MED programs also strengthened the entrepreneurial culture of the communities in which their clients operate their enterprises.

The most impressive evidence of impact on skills is registered with regard to the following:

- business planning skills
- budgeting and financial management skills
- marketing and sales skills.

Some of the increase in these skills may have resulted from the formal training opportunities offered by some of the programs. However, likely more important than these were the systematic loan/credit application processes required by all four programs. Those processes differed from program to program. Some required a formal written

business plan; some did not. However, all required a planning process from each program participant seeking credit in which the participant eventually had to articulate and justify plans for use of the credit to other parties. Those other parties might be the peers in a peer group or the members of a program management board or a program officer. However, in any case, the exercise would develop the participant's planning and financial management skills. Furthermore, in all the programs staff and possibly peers would provide advice and one-on-one support to participants undergoing this process. Certain business skills would be learned in the course of undergoing the loan or credit application process. Other business skills, such as the marketing and sales skills and the financial management skills, might be refined and reinforced simply in the practicalities of setting up and running a new enterprise and in the feedback and advice from program staff, mentors and peers concerning their efforts to operate the enterprise.

In addition to these increases in business skills there is evidence of an increase in interpersonal skills, although not as impressive as the increase in the business skills above, and of a very impressive increase in self-confidence among program participants. The majority of respondents who started new enterprises in the course of accessing their program may have increased their self-confidence as part of the experience. Since 73% of respondents had enterprises that were still in operation at the time of the survey, the experience of running a viable enterprise (at least up to the time of the survey) may also have contributed to the level of self-confidence reported.

The study also produces results clearly suggesting positive impact from MED and micro-credit at the level of enterprise performance. The majority of respondents (52%) reported that their program had allowed their enterprise to grow, and an additional 16% attributed their ability to maintain their program at a stable level to their program.

There is further evidence of growth in the increases reported in the following:

- enterprise revenues
- owners employment in the enterprise
- numbers of paid employee positions.

Although some micro-entrepreneurs may have limited growth ambitions, all need to grow their enterprises to a level of activity at which each is economically viable. This is often an issue of accessing and developing appropriate markets. In addition many micro-entrepreneurs may aspire to growing their enterprise into the mainstream of the small and medium business sector. There is evidence that MED programs and micro-credit have been effective in supporting such growth in Atlantic Canada.

At the community level some of the impacts already noted translate into positive impact on the local economies of communities. The numbers of new enterprises launched by program participants as startups and the maintenance of existing operations are suggestive of program impact at the community level. So is the number of new jobs created in the enterprises served by the MED programs. Even more suggestive of impact



at this level, however, are the survey results concerning the role of the MED programs in bringing about the following outcomes:

- combating outmigration and depopulation
- diversifying local economies
- supporting enterprises oriented to markets outside their local communities.

A large majority of program participants reported that their self-employment opportunities allowed them to remain in their communities, and a slight majority reported that at the time they launched their enterprises they were without locally based competitors. All these results are significantly more pronounced for rural communities. For example, a majority of rural respondents reported an outside market orientation for their enterprise. There is ample evidence that the four MED programs have been an effective tool for development at the local community level, particularly rural community development.

A final impact area concerning which the study produces some interesting evidence is the mitigation of dependence on government for income assistance. Participants showed a net shift away from government income assistance toward dependence on their own enterprises as income sources. There was a significant net shift to their enterprises as the source of 100% of their income. This shift may be construed as a question of social development and underscores the desirability of assessing MED program impact using a broad range of socio-economic indicators in order to assess program impact accurately.

## **Final Conclusions**

The findings concerning the collective scope and impact of the four MED programs can serve as the basis for a few conclusions concerning their effectiveness as tools of community economic development. They can also serve as the basis of conclusions about the potential of MED and micro-credit more generally as development tools in Atlantic Canada. MED and micro-credit should be given serious consideration as development tools for the following:

- the micro-enterprise sector as a whole
- local, especially local rural, economies
- individuals with personal and social development issues.

Development in these areas, of course, contributes to the overall economic development of Atlantic Canada. For example, the micro-enterprise sector, according to David Birch, is key to net employment generation and net new business creation in the overall economy. (Birch, 1987). Because they contribute to overall regional development MED and micro-credit could be used as development tools by regional and provincial economic development authorities. However, their socio-economic impacts on specific groups and on local communities as outlined in the preceding report also means that they should be seriously considered by local development authorities and community

development organizations as tools that can be adapted to local priorities and targeted development efforts.

This study should also serve as the basis for conclusions about the importance of systematic attention to the study of the socio-economic impact of MED programs offering micro-credit and other services. The study shows that it is possible and desirable to design a framework for impact assessment that captures a wide enough array of program impacts to do justice to programs with a variety of mandates. The limitations of the study should highlight the desirability of building regular assessment into the design and the resources of Atlantic Canadian MED programs instead of waiting for them to cease operations before seeking to discover how effective they had been. The American precedents alluded to in the Introduction to this report show that it is possible to build longitudinal studies of impact into MED program design. It may be a sign of how seriously the potential of MED and micro-credit is taken as a development tool in the United States that some programs and development authorities are willing to do this. After ten years of experimenting with MED and micro-credit in Atlantic Canada it is time to take it as seriously as the Americans have. It is to be hoped that this study will contribute to moving us in that direction.

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## **APPENDIX I**

### **MED PROGRAM CLIENT SURVEY INTERVIEW FORM**



**17. What kind of enterprise do you operate?**

\_\_\_\_\_

**IF NO,**

**18. How long after entering program did your enterprise close? (# of months)**

\_\_\_\_\_

**19. Why did you close it down?**

- Insufficient sales
- Interests in other things
- Preferred paid employment
- Too many work hours
- Moved
- Other \_\_\_\_\_

**20. What was the primary reason you became self-employed?**

- Supplement income
- Did not want to work for others
- No other jobs available in community
- Had to find work in the home
- Wanted to find work in the home
- Other \_\_\_\_\_

**21. Which of the micro-finance services have been most helpful? (begin with the most useful)**

Loan \_\_\_\_\_ Training \_\_\_\_\_ Peer Group Support \_\_\_\_\_ Mentoring \_\_\_\_\_  
Business Counselling \_\_\_\_\_ Networking with business community \_\_\_\_\_  
Support from other clients \_\_\_\_\_ Networking with other clients \_\_\_\_\_  
Other \_\_\_\_\_

**22. How much has your participation in the Program affected the following:**

***Your overall self-confidence***

- Negatively       No effect       Somewhat positively       Very positively

***Your desire or opportunity to get more training or qualifications***

- Negatively       No effect       Somewhat positively       Very positively

***Your interpersonal skills (communication; oral presentation; ability to influence others; ability to work with others)***

- Negatively       No effect       Somewhat positively       Very positively

**23. Please indicate what affect, if any, your participation in the Program has had on your skills and understanding of the following:**

*Accounting/Bookkeeping*  No effect  Some increase  Great Increase

***Business Planning***

No effect  Some increase  Great Increase

*Marketing and Sales*  No effect  Some increase  Great Increase

*Computer Skills*  No effect  Some increase  Great Increase

*Budgeting and Financial Management*  No effect  Some increase  Great Increase

**IF YES,**

**24. In what way did participating in the Program help to change your credit rating?**

- No Change
- Improved a poor rating
- Improved a good rating
- Helped to create a credit history
- Damaged rating
- Other \_\_\_\_\_

**25. What other options were you considering for financing before participating in the Program? (Check all that apply)**

- Credit card
- Credit line at bank
- Supplier Credit
- Formal bank loan
- Other micro-credit program
- Family or friend
- Had no other options
- Other \_\_\_\_\_

**26. Why did you choose your current Program over the other options?**

\_\_\_\_\_

**27. How has participation in the Program affected your access to other sources of credit? (Check all that apply)**

- Other lenders are willing to lend to me now
- There has been no change in the number of lenders willing to lend to me
- Fewer lenders will loan to me now
- I am more likely to apply for a loan from another source now
- Other types of credit are assessable to me now (line of credit, supplier credit etc.)
- Don't know
- Other \_\_\_\_\_

**28. At the time you entered the Program what percentage of your income came from each of the following sources? (interviewers request self-employment data first)**

- Self-Employment \_\_\_\_\_%
- Wage or salaried employment \_\_\_\_\_%
- Family support (parents, siblings, Spouse) \_\_\_\_\_%
- Government Assistance Programs (EI, SA, CPP, Disability, FA) \_\_\_\_\_%
- Other (Investment Income, Pension) \_\_\_\_\_%

**29. During the most recent year of your enterprise's operation, what percentage of your income came from each of the following sources?**

- Self-Employment \_\_\_\_\_%
- Wage or salaried employment \_\_\_\_\_%
- Family support (parents, siblings, Spouse) \_\_\_\_\_%
- Government Assistance Programs (EI, SA, CPP, Disability, FA) \_\_\_\_\_%
- Other (Investment Income, Pension) \_\_\_\_\_%

**30. Since participating in the Program, have you felt more secure financially?**

- Yes
- No

**IF YES,**

**31. What has happened to make you feel more secure?**

- Have more regular income from business
- Found employment with someone else
- Feel I have more income earning options
- Moved from seasonal to full time working
- Other \_\_\_\_\_



**32. Did participation in the Program allow you to pursue a lifestyle combining home and work responsibilities that might have been difficult with formal employment?**

Not at all     Somewhat     Yes

**THE ENTERPRISE**

**33. Were you operating your enterprise prior to your participation in the Program?**

Yes             No

*IF YES, Proceed with **PRIOR ENTERPRISE** Section*

**IF NO**, go to **BUSINESS START-UP** Section

**Prior Enterprise**

*The following questions ask you to compare your enterprise at two times. The first is the year just before you began participation in the Micro-Finance Program. The second is the most recent year of operation for your enterprise. That would be the past 12 months if your enterprise is still in operation or it would be the 12 months prior to closing it down if you have done that.*

**34. During the year before you entered the Program, was your enterprise formally registered with the province?**

Yes             No

**35. IF NO, during its most recent year was your enterprise formally registered with the province?**

Yes             No

**36. During the year before you entered the Program, where was your enterprise located?**

At home

Conventional store front

Other \_\_\_\_\_

**37. During its most recent year, where was your enterprise located?**

At home

Conventional Store Front

Other \_\_\_\_\_

**38. Since participating in the Micro-finance program, the number of hours you worked in your micro-enterprise has,**

- Decreased a lot?
- Decreased somewhat?
- Stayed the same?
- Increased somewhat?
- Increased a lot?

**39. During the year before you began participation in the Program, how many people other than yourself worked in the enterprise?**

Paid Full time \_\_\_\_\_  
Paid Part-time \_\_\_\_\_  
Unpaid \_\_\_\_\_

**40. During its most recent year how many people other than yourself worked in the enterprise?**

Paid Full time \_\_\_\_\_  
Paid Part-time \_\_\_\_\_  
Unpaid \_\_\_\_\_

**41. From the year before entering the Program until now, your sales revenues have**

- Increased?
- Stayed about the same?
- Decreased?

**42. If Increased, by what percent did they increase? \_\_\_\_\_%**

**43. If increased can you say why?**

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### **Business Start-up**

*The following questions ask you to compare your enterprise at two times. The first is the first year of operation of your enterprise. The second is the most recent year of operation for your enterprise. That would be the past 12 months if your enterprise is still in operation or it would be the 12 months prior to closing it down if you have done that*

**34. During the first year you began participation in the Program, was your enterprise formally registered with the province?**

- Yes
- No

**35. If no, during its most recent year was your enterprise formally registered with the province?**

- Yes
- No

**36. During the year you began participation in the Program, where was your business located?**

- At Home
- Conventional Store Front
- Other \_\_\_\_\_

**37. During its most recent year, where was your enterprise located?**

- At Home
- Conventional Store Front
- Other \_\_\_\_\_

**38. Since participating in the Micro-finance program, the number of hours you worked in your micro-enterprise has,**

- Decreased a lot?
- Decreased somewhat?
- Stayed the same?
- Increased somewhat?
- Increased a lot?

**39. During the year you began participation in the Program, how many people other than yourself worked in the enterprise?**

Paid Full time \_\_\_\_\_  
Paid Part-time \_\_\_\_\_  
Unpaid \_\_\_\_\_

**40. During its most recent year how many people other than yourself worked in the enterprise?**

Paid Full time \_\_\_\_\_  
Paid Part-time \_\_\_\_\_  
Unpaid \_\_\_\_\_

**41. From the first year you began participating in the Program until now, your sales revenues have,**

- Increased?
- Stayed about the same?
- Decreased?

**42. If Increased, by what percent did they increase? \_\_\_\_\_%**

**43. If increased can you say why?**

---

**End of duplicate questions**

**44. To what extent has your participation in the Program affected your enterprise performance? (Check all that apply)**

- Was able to maintain business
- Allowed business to grow
- Not a factor
- Business failed in spite of participation in program
- Other \_\_\_\_\_

**45. How has the number of contacts you have with local business people changed since you entered the Program?**

- Decreased
- No change
- Increased somewhat
- Increased a lot

**46. Have you used contacts gained through the Program to improve your business?**

- Yes
- No

**IF YES,**

**47. In what way were they useful? (Check all that apply)**

- They became suppliers for your enterprise
- They became customers for your enterprise
- They provided you with new business ideas
- They provided you with useful business contacts
- Other \_\_\_\_\_

**48. Since participating in the Program has there been an increased awareness of you in the community as entrepreneur establishing, nurturing and/or expanding a small business?**

- No awareness
- Few people are aware
- Many are aware
- Widespread awareness

**49. Do you believe people look at you more positively since your participation in the Program?**

- Yes
- No
- Don't know

**50. At the time you opened your enterprise, were there any other businesses in your local community offering the same service or product as you?**

- No
- Yes
- Don't know

**IF YES,**

**51. How many others?**

- One other
- A few others
- Many others
- Not sure

**52. Did creating your own enterprise allow you to stay in a community where you might otherwise have had difficulty finding employment**

- Yes
- No
- Don't know

**53. What percentage of your customers are from outside your local community?**  
\_\_\_\_\_ %

**54. Has exposure to the Program increased your involvement in the community?**  
(e.g. belong to more organizations etc.)

- Decreased       No change     Increased somewhat       Increased a lot

**55. Has participation in the Program heightened your sense of community pride?**

- A lot  
 Somewhat  
 No Change  
 Decreased

## **APPENDIX II**

### **PROGRAM STAFF INTERVIEW GUIDE**

## ***PROGRAM STAFF INTERVIEW GUIDE***

### **General Overview of Program**

1. What were/are the program objectives?
2. What are the main types of services offered by your program? (i.e., credit, training, marketing, networking etc.)
3. What is/was the funding sources for your program?
4. How would you describe your target group?
5. How many clients has the program reached?

### ● ***Program Mission/Application & Results***

6. Does the program possess any broader mission (e.g. increase employment, poverty alleviation etc.)?
7. Have the program objectives changed over time?

### ● ***Program Clients, Markets & Results***

8. How many clients was the program supposed to reach?
9. What types of clients was it supposed to reach? (probe for percentage type answers)
  - Gender
  - Age
  - Minority groups
  - Type of Business
  - Startup enterprises vs. expanding existing enterprises
  - Social assistance recipients
  - Other characteristics
10. What types of clients has the program actually served?
11. How long on average does a client stay a member of your program? (Do you intend to graduate clients or hang on to them?)
12. Did you do any market research on your prospective clients?
13. If so what did it tell you about the size/segmentation/location of the market?
14. What kind of market penetration did you achieve?
15. How is the determination regarding location and target population for the program made?

16. What was the overall environment like for micro-lending in your program area? (e.g. other options for clients, finding funding sources etc.)

● ***Program Structure & Results***

17. What are the features of the program that distinguish it from other Micro-lending programs?
18. In hindsight, were there aspects of the program that you wished to change? If so, what were they?
19. Were there aspects of the program your clients wanted to see changed? If so, what were they?
20. If your target group, products, services, delivery mechanisms or methodology changed over time, why did this occur and what has been the result?
21. What further changes, if any, in the program features will make the program more successful?
22. What are the barriers to making positive changes in the program?

● ***Program Activities & Results***

23. Does the program focus on Rural or Urban areas (% of each)
24. Can you describe the loan approval process?
25. What is the lending process for those belonging to groups?
26. What are the incentives for good repayment of loans?
27. What are the disincentives for poor repayment?
28. In what ways do individuals attempt to guarantee repayment?
29. What were the expected and the actual default rates?
30. Can you describe your relationships with other agencies or organizations (i.e., referral of clients to or from them).
31. Of all your programming features/services, which takes up more staff/program time? Why?

● ***Program Management***

32. How are decisions regarding the program made and who is involved in this decision making?

● ***Community Impact***

33. Is your program by design supposed to have an impact on the community or communities in which it operates, and if so, what is your understanding what that impact is supposed to be?
34. What benefits to the community have you observed? (examples)
35. What have people around the community said about the program? Are there any benefits that particularly impressed community members?



## **Requested Information (supplied at some later date)**

Loan products

Sizes of loan and terms (minimum, maximum, steps)

Amount of portfolio (outstanding loans) in \$

Repayment rate/Portfolio at risk

What is the actual default rate?

#number of loans

Average loan size

Average term

Interest Rates and other fees

Eligibility Criteria

# of members in peer lending groups

Demographic information (gender, region program etc.)