Pathways to Success: Measuring the Impact of Small Business Lending

January 2017

Accion and Opportunity Fund partnered with Harder+Company Community Research to design and implement this study, which examines the qualitative and quantitative impacts of small business lending over time. In the first phase of data collection in 2016, we surveyed a diverse sample of 561 Accion and Opportunity Fund borrowers who received a loan between January 2014 and March 2015. In addition, in-depth phone interviews were conducted with a subset of 188 borrowers living in ten major metropolitan areas across the United States.

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What's Next

- In the next 12 months, we will examine the longer-term impact of small business lending through additional interviews and borrower surveys.
- We will also explore new questions that were raised in the initial phase of research, including the challenges small business owners face in preparing for financial emergencies.

The final report with longitudinal findings will be released in early 2018. We will use the insights gained through this study to:

- Improve products/services we offer to better support our clients.
- Generate momentum to expand responsible small business lending across the U.S.

For more than 20 years, Accion and Opportunity Fund have provided access to capital and advising to help small business owners succeed.

Now, we are partnering on the "The Small Business Lending Impact Study" to build on existing research and deepen our understanding of the role small business lending can, and should, play in supporting entrepreneurs, their businesses, and their broader communities. This multi-year effort aims to:

- Gain new insights about the long-term impacts of our lending on the small business ecosystem
- Learn how we can better meet our clients' needs to help them achieve success
- Inform peers, policymakers, and industry thought leaders about the efficacy of micro- and small business lending—both regionally and nationwide

Methods & Sample

Key demographics of the sample

Gender:  
- 47% female
- 53% male

Income level:  
- 73% Low/Moderate
- 27% Middle/Upper

Loan size:  
$200-$500,000  
(most loans were <$10,000)

Top Industries represented:

- Retail
- Professional Services
- Food Businesses
- Transportation/Trucking
- Health & Social Services
- Janitorial
- Multiracial/Other
- Asian
- White
- Black/African American
- Latino/Hispanic

Borrower ethnicities:*  
+ 37% Latino/Hispanic
+ 33% White
+ 19% Black/African American
+ 9% Asian
+ 6% Multiracial/Other

* demographics vary by region

This study is made possible by generous lead funding from W.K. Kellogg Foundation and JPMorgan Chase Foundation, with additional support from S&P Global.
Small business owners create jobs:

- A majority hire at least one employee
- They hire locally, and tend to purchase inventory and equipment from other local small businesses

Small business owners have diverse visions for the future:

- For many entrepreneurs, the desire for financial stability outweighs the desire for growth
- Entrepreneurs define success in a variety of ways, including both growth and stability

Loans and advising help business owners gain stability:

- Entrepreneurs report improved cash flow management and financial record keeping
- Many say they have greater control over their time and work-life balance

As a result, business owners gain a sense of confidence and resilience:

- Entrepreneurs have an improved sense of financial security and self-reliance
- Entrepreneurs feel optimistic about their ability to accomplish business and personal goals

Challenges:

- Working long hours, despite some improvement in work-life balance
- Lack of preparedness for financial emergencies

Entrepreneurs still face significant challenges:

- Working long hours, despite some improvement in work-life balance
- Lack of preparedness for financial emergencies

Insights from entrepreneurs:

“‘We have better health care for the kids and for us, my wife and I. My kids, of course, get what they need, if not what they want. Just overall, it’s better cars we’re driving, I could go on and on. Everything’s gotten better for us.’”
— Small business owner, Albuquerque

“‘I think the most important thing is that it’s given me the confidence to keep on and not quit and continue to grow.’”
— Small business owner, Albuquerque

“‘I’m profitable. I’m not rich, but I’m profitable and [the loan] allowed me to do that. I couldn’t have done that without a shot of capital.’”
— Small business owner, Tucson

“‘Now we are much more at peace. We are more relaxed. Since they granted us this loan we are happy that we were able to do what we wanted to do. We are less stressed!’”
— Small business owner, Miami

Read the full report of the study’s preliminary findings: http://bit.ly/SupportingEntrepreneurs
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Preliminary Insights

The first phase of this research asked borrowers to reflect on their goals and how their loan has helped them, 1-2 years after receiving their loan. We learned that small business lending and advising have clear benefits to entrepreneurs, yet barriers to long-term financial security remain.

SUCCESES

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— Small business owner, San Francisco Bay Area

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NOW HIRING!

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