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About The Midas Collaborative:
The Midas Collaborative (Midas) is a 501(c)(3) network of non-profit community-based organizations that integrate community development with asset-building and asset-protection initiatives across Massachusetts. Its mission is to facilitate asset development and protection of low-income families in a manner that is collaborative, helps build communities, and is practitioner-tested. Midas promotes, trains, manages, and supports asset-building and protection as economic development strategies in low- and moderate-income communities across the state.

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A copy of the full report can be viewed at www.MassAssets.org/ourwork.
What Helps Small Business Owners Succeed?

We often hear that small businesses are the engine of the economy. Community-based economic developers also know that for many immigrants, artists, single parents, and other less visible entrepreneurs, small business is often the most accessible route to economic opportunity, offering low barriers to entry while utilizing existing skills and local networks.

But what helps small business owners—particularly those with low income and low wealth; without family resources, access to venture capital, and loan co-signers—succeed? The common answer has been small business loans, offered individually or in a peer support delivery model.

Growing Assets, not Debt

Microfinance and credit services for small business are enjoying world-wide support through the financial inclusion movement, including in the US. Though lending has become the default funding approach in developmental projects, various studies have argued that microfinance does not live up to its promises.1 Why not focus on the asset side of the balance sheet, to give the business a healthier, less encumbered start? A relatively new support intervention brings financial education, small business training, owner investment, and an equity infusion over a period of months to build capacity, stability, and capital to small businesses. This study puts forward a different set of considerations for the cultivation of businesses.

The asset-based strategy, once referred to as Individual Development Accounts (IDAs), presents a combination of financial incentives, training, and support; helping thousands of low and moderate income people across the country save, learn, and invest in assets. In Massachusetts, Midas and its Community Partner Organizations across Massachusetts have helped more than 1,300 residents increase many types assets since 2007, such as first homes, and higher education, business investments, rainy day funds, vehicles, and more.

Summary Results of the Approach

In the first longitudinal study of its kind focusing exclusively on small business investments with the 302 entrepreneurs served, this report concludes that the program:

- Serves entrepreneurs with particularly low incomes and diverse backgrounds.
- Successfully incentivizes savings.
- Has a high rate of successful graduation.
- Increases participant income during the program and after graduation.
- Increases participant net worth during the program and after graduation.
- Expands financial and business skills, which entrepreneurs implement during the program and beyond.

Organizational Background

Founded in 1999, the Midas Collaborative advances the financial security of low and moderate-income residents across Massachusetts in collaboration with its member organizations and other partners. Midas is a statewide nonprofit network of innovative community groups working towards financial

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education, personal savings, and access to wealth-building assets such as homes, cars, college educations, and small business. The network provides tools, products, training, and expertise to assist community-based organizations, partners, public officials, and the general public to increase financial security, asset building, and asset retention.

Program Description
Matched Savings Programs, known previously as Individual Development Account (IDA) Programs, come out of a state and national movement in community development that represents a shift in thinking about poverty alleviation and community investment, from income supports and subsidies for expenses to asset building. In other words, the emphasis is on asset poverty alleviation and not solely on income supports. Related research\textsuperscript{2} posits that assets—and the activities undertaken and skills acquired during the process of building assets—are what keep people out of poverty more permanently.

Such programs enable low-income and low-asset individuals and families to improve their financial wellbeing through dedicated savings accounts, financial education, and asset-specific support services. In this program, individuals and families commit to combine their own savings and time—six to 24 months—to the program, while the nonprofit agrees to provide training and matching funds to mutually invest with the participants in a first home, post-secondary education, or small business. A number of programs throughout the state and have varied savings targets, training, and designs specific to the asset and the local community.

Program Delivery Model
Midas’s matched savings program is operated with Community Partner Organizations (CPOs), community-based nonprofit organizations across the state. Midas provides program design consultation, staff training, account management services, financial institution relations, match funding, and data management. The CPOs are the ‘face’ of the program to participants, enrolling, hosting trainings, providing participant support, and funding as well. Sixteen CPOs have hosted the program in partnership with Midas since 2007.

After years of experimentation and innovation, Midas concluded that this program yields best results in organizations that have deep community roots and networks, extensive technical expertise in the asset area, and stable resources to support a multiyear program. As the implications of running this kind of resource intensive program became apparent, only those CPOs that could attract and manage participant volume with sufficient community demand, technical resources, and staffing capacity have continued with Midas. Massachusetts Museum of Contemporary Art (MassMoCA) and Lawrence Community Works (LCW) have emerged as strong partners, and currently host programs that serve small businesses with Midas.

Program Support
Resources for Midas’s statewide program are sourced from the US Department of Health & Human Services Assets for Independence (AFI) program\textsuperscript{3} as well as other funding sources in Massachusetts including Commonwealth of Massachusetts Department of Housing & Community Development, Massachusetts

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The program also benefits from the direct support from banks and credit unions where match funding and the restricted accounts for individual participants are held. Midas’s financial institution partners include AllCom Credit Union, Boston Private Bank & Trust, Cambridge Savings Bank, Citizens Bank, East Boston Savings Bank, Eastern Bank, Leader Bank, Metro Credit Union, Monson Savings Bank, and TD Bank.

Report Findings, Executive Summary

This longitudinal study evaluates the Midas Collaborative’s Small Business Matched Savings Program for the eight-year period from March 2007 to February 2015. In this time, the program supported 302 business owners to expand their businesses through a combination of dedicated savings accounts, financial education, small business training and matching funds. Business owners were part of community-based programs hosted by Community Partner Organizations (CPOs)—Midas members—across the state of Massachusetts.

“Retirement, health insurance, etc. have really been a huge step that I would not have taken without this program’s influence.”

— GRADUATE 2014, LOWELL, MASS.

The results support the following conclusions:

1. The program serves individuals with particularly low incomes and diverse backgrounds. The matched savings program was open to people with a household income under 200% of the federal poverty guideline. More than two thirds of program participants (69%) were

![Figure 1: Entrepreneurs Lower Income, More Diverse than Massachusetts Population]

either at or below 150% of the poverty level. CPOs recruited entrepreneurs from the communities they serve (see Figure 1).

“I am more proactive in managing finances in my business and personal life, and I am more careful before I buy things.”

—GRADUATE 2011, LEE, MASS.

2. **The program has a high rate of successful graduation.** Over the nine years, 302 individuals entered the programs, 55% have graduated after reaching their savings targets, and 34% are currently active. Only 11% of participants left the program prior to reaching their goals, which is substantially lower than the 48% reported termination rate reported for federally funded matched savings programs of all types nationally.4

   Financial hardship was the primary reason for participants’ inability to remain in the program. The highest number (77%), of terminated individuals exited during 2009-2012, the years following the national financial crisis. The number of exits has remained very low, as the overall volume has increased. One explanation is the ongoing implementation of program adaptations in response to yearly reviews of the program practices and results (see Table 1).

3. **The program successfully incentivizes savings.** The 165 graduates had withdrawn a total of $579,368 to capitalize their businesses: $318,511 of their own savings, and $260,857 in matching funds.

4. **Program graduates increased their income while in the program, and continued to increase their income after graduation.**

   Financial education, business training, and business expansion contributed to the increase in incomes from program enrollment to graduation. The subgroup of survey respondents reported an additional income increase in 2015, as indicated below.

   - When they enrolled, 42% of graduates had an income below the Federal poverty line.5
   - By the time they graduated, only 6% of graduates report a household income below the Federal poverty line.
   - The proportion of graduates who reported income greater than 150% of the Federal poverty line grew from 35% to 71% (see Figure 2).
   - Over time, more individuals increased their income, with 50% of the 54 survey respondents reporting income higher than 150% of the Federal poverty line. This is an increase from the 24% that reported this level of income at the time of enrollment.

   **TABLE 1**

   **Distribution of Program Participants from March, 2007–February, 2015**

<table>
<thead>
<tr>
<th></th>
<th>All participants</th>
<th>Graduates</th>
<th>Currently Active</th>
<th>Terminations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>302</td>
<td>165</td>
<td>103</td>
<td>34</td>
</tr>
<tr>
<td><strong>Percentage</strong></td>
<td>100%</td>
<td>55%</td>
<td>34%</td>
<td>11%</td>
</tr>
</tbody>
</table>


5. The Federal poverty line changes annually. The complete and updated table for 2008 to 2015 can be found at: [http://aspe.hhs.gov/prior-hhs-poverty-guidelines-and-federal-register-references](http://aspe.hhs.gov/prior-hhs-poverty-guidelines-and-federal-register-references). At the start of the program, in 2007, the line was set at $10,210, with $3,480 for each additional person. By 2015, it was $11,770 with $4,160 per additional person.
5. **Participants' net worth increased during the program and continued to increase after they left the program.**

The combined net worth of participants at the start of the program was -$4,805,514, and the average was -$16,401. Positive net worth is realized by graduates, as well as the survey respondent subgroup at the three points of data collection (see Figure 2).

6. **Entrepreneurs increased financial and business management skills during the program and continued to implement what they learned after graduation.**

All of the graduates and the subset of survey respondents show that the skills learned were put to use immediately and longer term, as indicated by the responses below (see Table 2 and Figure 4).

> "I’m better at budgeting and I have a better understanding of my business and the market."

—GRADUATE 2014, FALMOUTH, MASS.

7. **Graduates acquire appropriately productive assets.** Two in-depth case studies illustrate that the skills and assets acquired during the program are used to expand the business and generate income (see pages 9 and 10).
As a result of the program, do you now follow a debt repayment plan?

- Yes: 50% 74% 85%
- No: 83% 70% 61%
- Does Not Apply: 9% 11% 4%

As a result of the program, have you taken steps to improve your credit score?

- Yes: 65% 87% 87%
- No: 11% 11% 11%
- Does Not Apply: 4% 11% 11%

As a result of the program do you now pursue a personal finance strategy to build assets?

- Yes: 30% 30% 30%
- No: 30% 30% 30%
- Does Not Apply: 3% 3% 3%

**“Learning to write a business plan allowed me to focus on specific goals and track outcomes better.”**

—GRADUATE 2013, LOWELL, MASS.
CASE STUDY
Lawrence Community Works (LCW)

After falling on tough times, Danaris used food stamps from her mother to buy a few ingredients for cakes and desserts. She sold them for a good profit and built the business from there. Sweet Grace Heavenly Cakes now employs five people on a part-time basis. She describes her products as “Dominican-style cakes” that are like pound cake, only more moist, and “filled with pineapple, strawberry or dulce de leche.”

Asset Strategy
“I’m investing everything back into the business. I’m using the money for a down payment on a property where my business is going to be. I thought about renting, but the rent was really high. It was much better for me to have the property and pay less than the rent. The mortgage is less than the rent. I also took a loan for the mortgage.”

How the Program Helped
“I approached LCW to get all the knowledge that I need to bring my business to another level, and I knew they had all those tools and advice that I needed. The knowledge I gained from the program helped me even with the mortgage application. Many people like me have dreams to have our own business but don’t have the right knowledge and advice. It is very important to have this program.”

OWNER:
Danaris Mazara,
Lawrence, MA
SAVINGS/MATCH:
$1,200/$3,600

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CASE STUDY
Mass MoCA

This is a multi-service music operation. Liz offers in-person lessons at Root Note Studios in downtown Lowell. The studio has also expanded to Nashville, TN, where Liz has a “student base.” She also offers lessons via videoconference. The premises in Lowell are large enough to host workshops and community gatherings.

Asset Strategy
“The first thing that I did was purchase a pedal steel guitar for the studio so that people could come in and experiment with it. People love the sound in New England, but it’s expensive to buy. Most people that played often bought their own and started to enroll for lessons. Another goal of mine was to hold community events, so I began having clinics and workshops with touring musicians. The money [I earned] helped me get over the fear of making a loss. I could now pay the musician and cover the costs. So far we’ve had Anthony Wellington, an extraordinary bass player, and Toby Walker for a guitar workshop and concert. I could now bring opportunities to the community that I didn’t have.”

OWNER: Liz Lawrence, Lowell, MA

How the Program Helped
“I was trying to run a private lessons studio, with just $200. I knew that money management was important. I was already frugal and I knew that my business could use a little extra capital. No bank would have considered me—I barely had any credit history. I saw a true need in music instruction in the community. I could see how it could be used but it was just out of reach. I learned so much about business . . . like how to make a business plan, a marketing outline, and working out my profit and loss. I stopped just ignoring it because I was scared of it. Financial knowledge is power—know what is happening with your money.”

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Community Partner
Lawrence Community Works, Inc.
Lawrence Community Works, Inc. (LCW) is a nonprofit community development corporation, working with residents and other stakeholders to transform the physical, economic, and civic landscape of Lawrence, a struggling but vital former mill city that is home to a large immigrant and Latino population. LCW employs a multi-pronged approach to revitalization, rooted in a nationally-recognized community organizing strategy and encompassing real estate development, neighborhood planning, youth development, and family asset building.

Community Partner
Massachusetts Museum of Modern Art (MASS MoCA)
Massachusetts Museum of Contemporary Art (MASS MoCA) is a non-profit in North Adams with a unique two-pronged mission of supporting and presenting the best contemporary art in all disciplines, while also serving as a laboratory and engine for economic and community development throughout the region. To achieve the economic and community development aspect of its mission, MoCA works with residents and other stakeholders to improve the physical, economic, and civic landscape of North Adams, a struggling but recovering former mill town. It undertakes real estate development, neighborhood planning, and education for the general community, and it has pioneered an innovative asset building program for low-income artists known as Assets for Artists, in collaboration with The Midas Collaborative and other partners.

Conclusion
This study shows the effectiveness of small business as a viable pathway to financial growth of some of the lowest income residents of the state. This program unleashes the often hidden talents of entrepreneurs as additional drivers of the economy. In light of the challenges to the efficacy of lending-based programs, this business cultivation strategy—based on a capital injection and not debt—is highly effective. Additional resources in business expertise and matching capital in this approach would be a worthy investment.
For a downloadable copy of the full report, visit