

Investing in the community: Economic empowerment through microenterprise lending

by

Angela Leski  
B.S.W., University of Victoria, 1995


A Thesis Submitted in Partial Fulfilment of the Requirements for the Degree of

MASTER OF SOCIAL WORK


In the Faculty of Human and Social Development

We accept this thesis as conforming to the required standard

  
Dr. Brian Wharf, Supervisor (Professor Emeritus, School of Social Work)

  
Dr. Marge Reitsma-Street, Departmental Member (Faculty of Human and Social Development)

  
Dr. Ian MacPherson, Outside Member (Faculty of Humanities)

  
Dr. Jim Cutt, External Examiner (School of Public Administration)

© ANGELA LESKI, 1999

University of Victoria

All rights reserved. This thesis may not be reproduced in whole or in part, by photocopy or other means, without the permission of the author.

## Abstract

In recent years there has been increased interest in alternative strategies to address unemployment and underemployment. Growing structural unemployment and the effects of global economic trends have led to efforts to develop new ways to create jobs, encourage entrepreneurial activity and reduce poverty.

This research focuses on a particular aspect of local economic development – self-employment through microenterprise development. In particular, this research explores how a microenterprise lending program supports its clients (borrowers) in their efforts to achieve economic self-sufficiency through small business development. The literature shows that access to credit is a significant concern to many individuals who wish to be economically self-reliant. Ironically, those individuals who are refused access to credit are typically the people who need it the most - including the unemployed, the underemployed, recent immigrants, individuals who have declared bankruptcy, and single parents. The literature reveals that while extending credit for the purpose of microenterprise development is a well-established strategy for generating economic opportunities in developing countries and in the U.S., it is less known and practised in Canada. Furthermore, the literature contains little in the way of the perspective of the clients of these funds - i.e. the borrowers. For example, who participates in microcredit programs? What has been their experience? What are the specific issues associated with low-income entrepreneurship? And how do the programs support borrowers in overcoming the barriers to self-employment?

I decided to answer these questions by conducting qualitative research into a microenterprise lending initiative. I proposed a research study aimed at increasing understanding of microenterprise lending in Canada, from the perspective of the lending initiative and of the

borrower. In July of 1998, I conducted an on-site visit of the StartUp program in Calgary, Alberta. The data collected consists of program participant and staff interviews, and a documentary review.

The research findings show that the program supports its participants by "demystifying" the basics of running a business, helping to increase skill levels, and providing opportunities to build the confidence needed to succeed once the business is up and running. The program reduces isolation by providing access to both peer and staff supports, and by helping to build a cooperative network of entrepreneurs within the community. The findings suggest that the program may be particularly helpful in providing women entrepreneurs with the support and advice needed to assist them in overcoming barriers specific to women. However, the data also indicates that peer group style lending may not be for everyone, as peer group participation takes a lot of time, requires certain skills, and can be a stressful experience for the participants involved.

The research findings also indicate that the StartUp program extends access to credit in sufficient quantities to start up a small business. However, more research is needed to determine whether the loan size is sufficient enough to assist the participants to establish a business that increases the participant's incomes over what would have occurred otherwise.

Finally, the findings suggest that StartUp will need to increase its efforts to ensure that the social and economic empowerment intent of microcredit is not lost. Actions to support this goal could include increasing opportunities for participants to be involved in the program's ongoing development, broadening the criteria for success to reflect a vision of advancing the social and

economic empowerment of participants, and forming coalitions with other groups in order to lobby for increased resources and influence lending practices to low income groups.

Examiners:

[Redacted]

Dr. Brian Wharf, Supervisor (Professor Emeritus, School of Social Work)

[Redacted]

Dr. Marge Reitsma-Street, Departmental Member (Faculty of Human and Social Development)

[Redacted]

Dr. Ian MacPherson, Outside Member (Faculty of Humanities)

[Redacted]

Dr. Jim Cutt, External Examiner (School of Public Administration)

## Table of contents

<b>Abstract</b> .....	ii
<b>Table of contents</b> .....	v
<b>Acknowledgments</b> .....	vii
<b>Chapter I. Introduction</b> .....	1
<b>Chapter II. A review of literature on self-employment and microenterprise lending initiatives</b> .....	6
Self employment: pros and cons .....	6
Barriers to self-employment .....	12
Investing in the community: A survey of selected microcredit lending initiatives .....	14
Summary .....	30
<b>Chapter III. Methodology</b> .....	33
Site selection .....	33
Sources of evidence .....	34
Method of analysis .....	38
Validity issues .....	39
<b>Chapter IV. Description of the program</b> .....	46
Socio-economic setting .....	46
Background of the program .....	47
Financing the program .....	49
Borrow characteristics .....	51
Orientation .....	52
Group formation .....	54
Loan approval and dispersal .....	58
Guaranteeing the loan .....	60
Lending record .....	62

<b>Chapter V. Research findings</b>	
Section I. ....	64
Participant perspectives .....	64
Section II. ....	74
Defense of the client .....	76
Sharing power .....	83
Sharing control .....	91
Political change .....	96
<b>Chapter VI. Observations and conclusions</b> .....	99
<b>REFERENCES</b> .....	105
<b>Appendix I. Document list</b> .....	111

## Acknowledgments

I would like to extend my thanks to the participants and staff of the StartUp in Calgary, Alberta program for their enthusiastic and persistent interest in helping to complete this research, and to my thesis committee at UVic for providing guidance and encouragement along the way.

## Chapter I. Introduction

As current economic and employment trends point toward increased rates of chronic unemployment and underemployment, there is growing interest in community economic development as a strategy for enabling individuals to exercise social control over economic conditions. My own interest in this topic emerged in part as the result of my work with the B.C. Ministry of Health, where I learned of the significant impact that income, employment and working conditions have on health status and well-being. Research has consistently shown that people who are unemployed or underemployed are more likely to be affected by social and health problems, including stress, depression, isolation, familial difficulties and poor health (Province of British Columbia, 1996). The fact that high levels of unemployment have persisted after protracted periods of economic growth points to the deficiencies of a mainstream economic approach, and the need for alternatives that take into account social goals as well as economic ones (Douglas, 1995; Perry and Lewis, 1994).

This research focuses on microenterprise lending initiatives and their role in assisting the economically marginalized (i.e. the unemployed or low-income individuals) in establishing a small business. In particular, the study looks at how these initiatives are extending credit and other supportive services to individuals whom are unable to access financing from conventional lending sources. For the purpose of this study, credit refers to capital that is lent at a set rate of return for a specific period of time. Credit has been described by many practitioners as the most practical means of mobilizing capital to borrowers who lack access to the financial resources needed to create self-employment opportunities (Institute for Community Economics, 1984; Yunus, 1987; Perry, 1987; Stevens and Tholin, 1991).

Through my readings into community economic development, I learned of the difficulties many entrepreneurs' face in trying to obtain financial capital in order to establish their business. The literature shows that access to capital is a key concern of many individuals who wish to be economically self-reliant. Ironically, those individuals who are refused access to credit are typically the people who need it the most - including the unemployed, the underemployed, recent immigrants, individuals who have declared bankruptcy, and single parents.

Concern over lack of access to credit and its link to unemployment and poverty prompted the OECD (1990) to identify the need for new mechanisms to help communities use their resources to create employment opportunities. Microenterprise lending initiatives appear to fill this niche. These initiatives provide financial capital, along with a range of services, including technical assistance, education and training, peer support and advocacy to economically marginalized entrepreneurs.

Extending credit to support microenterprise development has both economic and social goals. Economic goals include providing individuals with the opportunity to develop business skills, and to move toward self-sufficiency through self-employment. For many borrowers, credit is the first step toward economic independence. For others, it provides a means to establish or improve their credit history through the experience of borrowing and repaying loans.

Social goals include the personal and social development of borrowers with a view toward empowerment (Randolph, 1997). Lending for the purpose of microenterprise development is unique in that rather than emphasizing a person's deficiencies, such as their lack of training or difficulty attaining employment, it focuses on a person's strengths - the skills, interests, and aptitudes they already have (Edgcomb et al., 1996). Microenterprise lending initiatives seek to

build on the ideas and skills of entrepreneurs and potential entrepreneurs by providing credit and business assistance within a supportive, learning environment. Borrowers enter into an explicit contract with the lending organization that outlines their obligations to the program. This often includes attendance at training sessions, preparation of a business plan, evidence of managing their business, and loan repayment. The process aims to increase entrepreneurial and personal skills that result in better business decisions and management, and to raise the overall quality of people's lives through higher self-esteem, enhanced economic self-determination, and greater participation in civil society (Edgcomb et al., 1996).

Lack of access to capital means low-income individuals and communities do not own the basic resources of their community, nor do they have control over local economic decisions (Stevens and Tholin, 1994). Efforts to assemble financial capital for small business loans reflect the desire to regain control over local economic development by advancing the needs of the local population and by helping to ensure that ownership of resources remains with workers, residents and the community as a whole. Microenterprise lending initiatives bring together those who are in need of capital in order to invest in small business enterprise in the community, and those who can organize the financial capital and/or the technical assistance to assist these individuals in achieving their goal. These initiatives help expand the economic base of the community by encouraging small business entrepreneurship and fostering new supports and alliances. The OECD notes that substantial amounts of private capital are available and local communities must influence the way in which these funds are invested in order to enhance economic growth and job creating chances at the local level (1990).

Despite these benefits, microenterprise lending in Canada is still a relatively new field of practice. This research will explore how a microenterprise lending program supports its clients (borrowers)

in their efforts to achieve economic self-sufficiency through microenterprise development. In carrying out this research, I hope to increase understanding of microenterprise lending within a Canadian context, from the perspective of the lending initiative and of the borrower. I also anticipate that the research results will contribute to the existing literature on microenterprise lending. The research question that guides this inquiry is:

*How does the StartUp microenterprise lending initiative support borrower's efforts to establish and/or maintain a microenterprise?*

The thesis is organized into five chapters. Chapter one (this chapter) introduces the study. The results of the literature review are presented in chapter two. The literature shows that self-employment through microenterprise development represents an important economic option for many low income, unemployed or underemployed individuals. However, these individuals are systematically excluded from access to credit needed to assist them into self-employment. This is largely because the decision making process and administration of these loans cost more than the loans are ultimately worth to conventional financial institutions (Partington, 1996; Edgcomb, et al., 1996). Microenterprise lending initiatives address this concern by providing financial capital, along with a range of services, including technical assistance, training, peer support and advocacy to entrepreneurs. In some cases they also offer an alternative investment vehicle for individuals and companies to direct private capital into local enterprise, thereby expanding the fund's capacity to finance small business enterprise.

Chapter three describes the methodology used to conduct the research. I chose a case study approach to address my research question. A case study approach uses multiple sources of information that converge on the same set of facts or findings to develop study conclusions. Data

consisted of interviews and documentary evidence. A case study protocol was developed to help guide the data collection. Initially questions focused on increasing my understanding of the program, and how the process of loan dispersal worked. As the interviews progressed, questions became more focused on the participant's experience of borrowing. Once I had the opportunity to review the interview transcripts and documents, additional questions began to emerge, and these were posed to study participants in follow-up interviews, which took place, by phone. These questions centred more on the specific ways in which the program studied assisted and supported borrowers in establishing their microenterprise.

In order to explore how the StartUp program supports participants, it is necessary to have an overview of the program operations. Chapter four presents this overview, including sections on the program's history, orientation of program members, process of loan approval and dispersal, and the process of guaranteeing loans.

Chapter five presents the research findings. Overall, the findings suggest that the StartUp program supports participants in a number of ways, including increasing access to resources to assist clients establish their own business, strengthening participant confidence levels and increasing supportive networks. However, given StartUp's limited resources, and the poor record of conventional financial institutions for serving low-income clients, the research questions whether the program will have an impact beyond that of assisting its clients in the short term.

## Chapter II. A review of the literature on self-employment and microenterprise lending initiatives

### Self-employment: pros and cons

Persistent unemployment and underemployment, wage and income disparities, welfare dependency, poverty and poor health are characteristic of communities experiencing economic stagnation and decline. Shrinking community economies, shifts in labour demands, and the depletion of natural resources have resulted in disappearing work options and increasing structural unemployment (Teeple, 1995; Perry and Lewis, 1994). Welfare and unemployment insurance were designed as means to alleviate the negative effects of economic fluctuations. However, according to the B.C. Ministry of Social Services (now the Ministry of Human Resources), the nature of unemployment has changed. While fifteen years ago, most people receiving welfare were unable to work, today more than 70% of people on welfare are employable (1995). While in recent years the official unemployment rate has been periodically lowered, these new jobs are primarily in the service sector, where earnings are lower, and part time and temporary jobs are common place (Carniol, 1995).

The relationship of unemployment to welfare dependency and poverty is well documented (National Council of Welfare, 1994; Gaffikin and Morrissey, 1992; Brodhead et al, 1993). Callahan, et al (1990) found the most powerful influence affecting the number of social assistance caseloads is the number of jobs available. The conventional social welfare response to poverty and unemployment has been transfer payments and job training programs. Research by Gueron and Pauly (1991) suggests that while these programs may have a modest impact on people's incomes, they are unlikely to move anyone out of poverty. New jobs are primarily in the service sector, a low wage segment of the economy in which many of the jobs are part-time, temporary,

and/or poorly paid (Raheim and Bolden, 1995; Teeple, 1995). Thus, while they may provide employment, these jobs leave little opportunity for advancement or pay increases, and welfare recipients simply move from being the welfare poor to the working poor (Gaffikin and Morrissey, 1992; Carniol, 1995).

The B.C. government has acknowledged that the welfare system does little to provide employable adults with the skills they need to get out of the system and into decent jobs (B.C. Ministry of Social Services, 1995). This lack of support, along with changes brought on by the onset of the global economy, has left many people with little choice but to stay on welfare. From 1987 to 1995, there was a 66.8 % increase in the number of people receiving social assistance in B.C. This works out to one in every ten British Columbians receiving welfare. More than a third of current welfare recipients, and more than half of single-parent families have received welfare for two years or more (B.C. Ministry of Social Services, 1995).

Moreover, a combination of historical factors, societal values and employment practices has resulted in certain groups being disproportionately represented at the bottom of the economic scale. These groups include youth, aboriginal peoples, women and visible minorities. Individuals within these groups face chronic disadvantages to employment, including high unemployment, occupational segregation, lower wages, and limited opportunities for career advancement (Province of British Columbia, 1997).

Growing numbers of individuals are turning to self-employment out of necessity or by choice. Research from the U.S., United Kingdom and in Canada indicates that small and medium size businesses represent an important role in job creation. Such firms generate between 40 and 90 per cent of all new jobs in industrialized economies (Jackson and Pierce, 1993).

Recognition of the value of self-employment as a strategy for self-sufficiency and economic self-determination was initially brought to the attention of practitioners and researchers by the events in the developing world (Raheim, 1996). Research undertaken in Africa, Asia and Latin America found that self-employment was an important employment alternative, or in some cases, the only alternative for low-income people. Businesses are usually small scale, labour intensive, rely extensively on local markets, and are a major means of acquiring technical and entrepreneurial skills (1996).

The efficacy of this strategy in the third world led many practitioners and researchers to suggest support for its use in North America. Strategies for self-employment have been proposed as an important element in new thinking about social welfare (Midgely, 1996; Raheim, 1996.) Arguments for self-employment include that the creation of opportunities for clients to engage in productive self-employment can restore self-respect, facilitate self-reliance, and transform a condition of dependency to one of self-sufficiency (Raheim, 1996). Gellatly (1990) points to the long-term benefits that can extend to families and communities:

There is the potential for increasing individual wealth, and increasing the economy of the low-income neighbourhood in which the new entrepreneur lives and works. Children of these entrepreneurs become exposed to ownership and business. Exposure to role models then becomes a factor in breaking the cycle of welfare dependency within families. People in low-income communities, particularly children, become aware that other options and opportunities exist for them (p.1)

Balkin (1990) notes that the growth in demand for self-employment programs is from persons who have become unemployed, underemployed, or pushed out of the economy, and from people experiencing changes in life circumstances, such as becoming widowed, disabled, acquiring a criminal record, or being forced to retire. Other researchers have noted that economic and political forces have systematically excluded certain groups from power and access to information needed for economic participation within society. This includes groups defined by age, colour, gender and sexuality (Carniol, 1994; Rodriguez, 1995). Rodriguez (1995) and Carniol (1994) argue for the need to recognize that systematic barriers limit certain group's abilities to create change. Thus, rather than categorizing and blaming the economically marginalized for their situation, we should seek increase avenues for democratic participation in society, and to demystify the processes and actions that lead to greater personal empowerment and involvement in economic activities.

One criticism of self-employment programs is that advance the political agenda to reduce the social safety net. Conservative and "right wing groups" have long argued that the welfare state promotes passivity among the poor and creates a culture of dependency, and thus people must be encouraged to get off public assistance by any means possible. This reasoning has been the impetus behind the reduction of welfare benefits and "workfare" programs, which require welfare recipients to work for their benefits (Kymlicka and Norman, 1994). Proponents of entrepreneurial programs for the poor embrace social policies that support the poor and unemployed. Indeed, Raheim (1996) stresses the need to emphasize that extensive social supports are needed to improve the well being of the poor. At the same time, these proponents argue that the most effective solutions to solving poverty are those which involve local control and self-help (Evoy, 1997; Rodriguez, 1995; Raheim and Bolden, 1995). In fact, social activists have criticized conventional social policy for advancing the belief that solutions to social problems are out of the

reach of the poor and thus require extensive systems of social service programs (McKnight, 1987; Midgley, 1996; Microcredit Summit, 1997). Midgley argues that the social work profession can help to remedy this situation by going beyond a narrow concern with remedial services and instead promoting activities that address social and economic development. He states that projects that mobilize local people to improve their neighbourhood and to organize for better social conditions are examples of this type of approach (1996). In writing about their experience with self-employment programs for women, Raheim and Bolden (1995) also argue for the need to rethink social work practice:

Although improving their economic conditions is central to the poor women exercising control over their lives, the literature rarely addresses this dimension of empowerment. If social work is to realize its mission of promoting social justice and helping poor women overcome the effects of oppression, more attention must be directed toward generating economic opportunities (p.183).

Raheim and Bolden (1995) go on to say that self-employment challenge patriarchy and the State: "through them low income women can gain independence from male dominance in the home and the workplace and from the collective male control of the welfare system" (p. 138).

Another criticism directed at entrepreneurship strategies for the poor is that self-employment may provide less than satisfactory working conditions. Proponents have responded to this criticism by arguing that waged work is increasingly insecure, irregular and underpaid, and does nothing to change the societal patterns that lead to poverty and economic dependency (McMurty, 1993; Balkin, 1993; Raheim and Bolden, 1995). Furthermore, microcredit offers benefits beyond those

gained through waged work, including asset accumulation, flexibility for child care and family responsibilities, and the opportunity for improved self-esteem and self-efficacy as a result of learning to plan and manage one's own business (Microcredit Summit, 1997; Raheim and Bolden, 1995). Based on his experience working to reduce poverty in Bangladesh, Yunus (1987) adds:

Employment per se does not remove poverty. Unless designed properly, employment can turn into a mechanism that perpetuates poverty. Employment may mean being condemned to a life in squalid city slums, or working for two meals a day for one's life. Wage employment is not a happy road to the reduction of poverty. The removal or reduction of poverty must be a continuous process of creation of assets, so that the asset base of the poor person becomes stronger at each economic cycle, enabling him to earn more and more. Self-employment, supported by credit, has more potential of improving the asset base of an individual than wage employment (p.144).

In sum, while self-employment will not meet the needs of everyone, it represents an important economic option to many low income, unemployed or underemployed individuals. McMurty (1993) and Perry and Lewis (1994) note that microenterprise initiatives should be used in tandem with other economic development efforts and be grounded in a long-term vision that draws upon the talents and capacities of the local community to develop a culture of enterprise, adaptability and resilience. Viewed as such they are a way to strengthen the local community to move toward overall community improvement and empowerment.

## Barriers to self-employment

The literature suggests that while the economically marginalized have the skills and determination to be self-employed, they are often constrained by the socio-economic processes that act to keep them poor. Rodriguez (1995) refers to this as the "critical under weaving of gender, class, economics, and policy" that restricts economically marginalized from pursuing dreams of business ownership. It includes the denial of access to capital; restricted access to information and technical expertise; a lack of informal networking opportunities and chances to join and participate actively (Remenyi, 1991; Raheim & Bolden, 1995; Balkin, 1993; Perry and Lewis, 1994).

Restricted access to financial capital is one of the most commonly cited barriers faced by low-income entrepreneurs. By definition, the poor do not have much in the way of personal savings, and are also less likely to have friends or relatives with enough wealth to finance a business start-up (Randolph, 1997). Banks view the loans sought by many low income and/or first time borrowers as unattractive for any number of reasons: they are considered too risky; they may not have assets or collateral to back up a loan; they may require financing at a lower than market rate; and the profit margin is greater on a large loan than a small one (Raheim and Bolden, 1995; Riding and Swift, 1990; Partington, 1996).

Research has consistently found that it is difficult or impossible for low-income individuals without collateral or credit history to access credit through conventional institutions (Evoy, 1997; Microsummit Declaration, 1997; Canadian Federation of Independent Business, 1988). As creditworthiness is assessed mainly on employment status, low income and unemployed persons who do manage to obtain credit are often driven to accept high interest debt because of the

assumed risk of repayment (Gaffikin and Morrissey, 1993). The observation that the poor are regularly denied access to credit prompted Mohammed Yunus, founder and managing director of the Grameen Bank, a highly successful bank and poverty alleviation organization, to suggest that access to credit is social power (Holcombe, 1995).

Overall, low-income people are not considered a profitable market for credit. This is despite the fact that the poor have consistently demonstrated themselves to be a good credit risk. Research findings reported in the Microcredit Summit Declaration and Plan of Action (1997) found that programs representing different models and operating in different cultures have shown that low-income people achieve strong repayment levels, often above those of conventional banking institutions. The credit gap is particularly significant in low-income communities. According to Gunn and Gunn (1991), poor communities remain poor because surplus capital is drained out of them, limiting their basis for development. Banks have not accepted responsibility for the credit needs of the poor, nor does Canada have legislation like the U.S. Community Reinvestment Act which requires financial institutions to set and meet standards of service for low income and minority neighbourhoods in their service area (Perry and Lewis, 1994).

Yet evidence from Canada and in the U.S. indicates that even low-income communities generate significant capital which is in turn deposited in local banking institutions (Institute for Community Economics, 1984; Perry, 1987). However, this capital is usually transshipped to meet capital needs elsewhere (Perry and Lewis, 1994). The bank deposits of low-income individuals and communities which are not recycled back to them are a leakage that exacerbates the chronic cash shortage facing the poor (Remenyi, 1991). These conditions adversely affect the rate of new business formation and economic dependency is perpetuated.

Lack of financial capital is not the only barrier to self-employment faced by low-income people. Balkin (1993) argues that economic non-participation and dependency is also the result of a lack of social capital (social networks); human capital (skills and education); and cultural capital (lifestyles and mores conducive to investment behaviour and work ethic). Of these, Balkin suggests that social capital may be of the greatest importance. Defined by Putnam (1993) as "features of social organization, such as networks, norms, and trust that facilitate coordination and cooperation for mutual benefit", Balkin (1993) argues that by tapping into the social capital of a community, other forms of capital can be augmented.

A third barrier to self-employment is lack of access to technical assistance and training. Research suggests that the availability of these resources may be a key factor that leads low-income people to choose sole business ownership in response to their economic circumstances (Rodriguez, 1995; Perry and Lewis, 1994). This includes access to skill building and training opportunities, capital, mentors, and strategies to nurture and release the participant's capacity for innovation and risk taking. Perry, Lewis and Fontan (1993) note that local entrepreneurs will almost always need advice and training to be successful. This is because: (a) they are often experiencing their first try at business, and start-ups require sustained consultation; (b) the entrepreneur does not have all of the skills needed, though these can be learned over time; and (c) the environment of a deteriorated community involves more risk for the local business.

Investing in the community: A survey of selected microcredit lending initiatives

The basic premise of strategies to support economic self-reliance through self-employment is that economic non-participation is not caused by a person's unwillingness to work. Rather, it reflects a lack of the human tools to make the changes that people want (Perry, 1987). Actions to create

change must therefore alter the structures and barriers that prevent people from pursuing self-reliance and hamper their ability to be their own agents for change. Microenterprise initiatives are designed to do this.

Microenterprise initiatives are generally divided into two main types: (1) community loan funds - where the primary service offered is credit with varying degrees of training and technical assistance and (2) group lending programs (or loan circles) - where borrowers participate in peer support groups. Edgcomb et al (1996) also note a third type of initiative - training led strategies, where the primary service offered is entrepreneurship training, with access to credit as an option. While they differ in their methods, they share the goal of reaching low-income individuals, minorities and others who have difficulty in obtaining credit, and assisting them into self-employment. The following is a brief survey of the literature on microcredit lending organizations in Canada. Because it is recognized as a leader in peer group style lending, the Grameen Bank model is also described.

Community loan funds (CLFs) - Like mainstream lending institutions, CLFs act as intermediaries between those with capital to invest and those who need financial capital. However, CLFs differ in that they use their loans to advance the goals and needs expressed by the larger community, as opposed to individual entrepreneurs, business owners or homeowners (Stevens and Tholin, 1991). Stevens and Tholin (1991) summarize the key elements of CLFs in five points: 1) a focus on disadvantaged or poor communities 2) democratic participatory governance 3) lending which promotes long term community benefits 4) a focus on urging those with capital to commit to community development and 5) building the long term viability of the funds themselves.

The U.S. Institute for Community Economics (ICE) in Greenfield Massachusetts is one of the leaders in the use of CLFs. They developed a model based on a coalition of three groups: borrowers, lenders and technical assistance providers. The typical borrower has never borrowed before, or is considered too risky for conventional loans. Lenders are typically investors who are willing to donate funds and/or accept a lower interest rate for the opportunity to direct their money toward socially useful projects. Debt financing is provided in the form of loans or loan guarantees to individual and local entrepreneurs, worker co-operatives, or other forms of community owned businesses and projects. Those who administer the loan fund generally provide technical assistance.

Perry and Lewis (1994) note that CLFs are less commonly used in Canada than in the U.S., where they are predominantly used to support housing and other real estate investments. This is partly because real estate financing is more easily secured by the property being developed, while a business loan is apt to be riskier with fewer assets to secure the funds. In any case, Perry and Lewis (1994) note that CLFs have amassed a strong record of very low losses, a record that competes favourably with the loan /loss ration of conventional banks or other lending institutions.

The Montreal Community Loan Fund Association (MCLA) is an example of a Canadian loan fund initiative. MCLA was created after community organization representing women, single parents, immigrants and the unemployed met to discuss how they could overcome poverty in their neighbourhoods. This group agreed to form a community economic development centre to coordinate its work. The group noted that previous government led economic initiatives had been introduced in a "social vacuum" which resulted in their failure to produce change. These failures were then interpreted as the economic inertia of the poor. The group proposed developing an

initiative that responded to the long-term needs and longstanding impediments to the social and economic integration of the poor (Evoy, 1997). MCLA was the result of this proposal.

According to Evoy (1997), MCLA brings together individuals who are searching for capital to invest, and those who have both the capital and the will to help residents rebuild their communities. MCLA is legally constituted as a non-profit organization that provides loan capital and technical assistance for business start-ups and affordable housing projects. Its mission and objectives are to combat poverty and unemployment by providing economic and technical assistance for the development of socio-economic projects. Projects must have a positive social impact in the community. MCLA seeks to fulfil its mission on three levels: a) by working with people who have the capital and are prepared to invest in socially responsible projects; b) by working with people who are in need of capital to develop socially responsible projects; c) by working with people who possess the necessary technical resources to develop projects (MCLA, 1998).

MCLA is described as a teaching and learning institution. According to Mendell and Evoy (1993), it educates community groups, potential lenders, and existing financial institutions on matters related to community investment. A Technical Aid Committee is made up of volunteers who provide assistance as needed. For example, before a loan is granted, technical aid is oriented toward defining the project and applying for the loan. When a loan is granted, technical support is provided by an MCLA representative who meets regularly (at least once a month) with project entrepreneurs. Good relations between project entrepreneurs and MCLA are believed to reduce or eliminate the risk of default or bankruptcy. According to MCLA, it is this relationship that sets the loan fund model apart from conventional financial institutions (1998).

MCLA has three types of capital. Loan capital comes from investors willing to accept a low or zero rate of return in consideration of the socio-economic benefits to be derived. Investors include individuals, foundations, non-governmental organizations, businesses, religious institutions, and other private sources that support the objective of lending to individuals or community groups that propose projects addressing community needs. Beneficiaries of MCLA's loans are always marginalized people, including the unemployed, recent immigrants, women, and welfare recipients, or community organizations serving these people. Loans have ranged from \$200 to \$55,000 and are usually extended for a period of three years.

Among the unique aspects of MCLA is that credit is provided only to initiatives which respond to the specific social and economic criteria identified by MCLA, including creating decent, secure jobs for low-income individuals. Furthermore, MCLA has forged new partnerships with the private sector. For example, rather than seeking charitable donations from corporations and businesses, MCLA prefers to negotiate loans. Evoy (1997) notes that charitable donations are typically a one-time gift and the opportunity to relate to the organization on an ongoing basis is lost. On the other hand, loan capital can be repaid to the original donor and further loan capital can be requested. Perry and Lewis (1994) note that for those people who seek to make their dollars work in a social or community cause rather than simply to obtain a return, the nature of the investment is an important part of the satisfaction to be gained. Thus, MCLA's strategy of clearly articulating how the money will be used when appealing for support from the community is important to the success of its fundraising efforts.

Perry and Lewis (1994) state that from a policy standpoint, MCLA has probably had an impact far beyond its small resources. Government researchers in Ontario studied the model in order to develop its provincial program for supporting community loan funds. The result was the Ontario

Community Loan Fund program, one of a number of strategies established under the heading of jobsOntario, a Provincial initiative aimed at helping Ontarians get off welfare and into the work force. Designed to facilitate the pooling of local capital for investments in microenterprise and similar small businesses, the objectives of the Ontario loan fund program included providing access to capital, and creating a mechanism for mobilizing community savings to help finance small business start-ups and expansions (Province of Ontario, 1994, p. 1).

After several years of planning, the CLF program was launched in 1994. Individuals anxious to access the funds quickly made use of this legislation and a number of CLFs were established in communities throughout the province. Several approvals in principle were given, and two loan guarantees were issued. However, in July 1995, the new Progressive Conservative government cut budgets by \$1.9 billion and the jobsOntario program was cancelled (Lindquist and Sica, 1995). The province withdrew its loan guarantee, the approvals in principle were withdrawn, and the program was dismantled.

The Waterloo-Wellington Community Loan Fund was one of the loan funds originally started up under the legislation of Ontario's CLF program. It managed to amass over \$400,000 through business and private citizen loans before the Province withdrew its loan guarantee. Instead of folding, the sponsoring organization approached the fund's investors with a proposal to create a self-sustaining community financial pool. All but two of the over 50 sponsoring lenders agreed to keep their investments in the new fund, which is now called the SEED Loan Fund. The fund has become an independent lending resource for individuals who have experienced difficulty in obtaining funding from traditional lending sources. Since January of 1997, over \$200,000 in loan fund guarantees have been issued, with 10% of these loans defaulting. The one year business survival rate is 87%.

The SEED Loan Fund organizational structure is comprised of one full time manager, and 10 volunteer board members. The manager is in charge of overseeing the operations of the fund. This includes meeting potential borrowers to discuss their application, making referrals and recommendations when appropriate; reporting to the board of directors on a monthly basis; and responding to general inquiries about the Loan Fund.

Individuals interested in accessing a loan through the fund must supply a letter from a financial institution stating that their loan application has been turned down. According to a board member, when a loan is for less than \$10,000, this is not a difficult thing to obtain:

*We had two bankers on our board who said, look, I'll just write you a whole bunch of blanks, because there is no way a bank wants to issue a loan for less than \$10,000. It just was not in their interest to do so. They will tell you to go use your credit card. So it's not difficult to get a letter from a bank.*

The Seed Loan Fund does not lend out its base capital of \$400,000, but rather has invested this money with a local investment firm. This money is in turn used as collateral to back up loans made by a local credit union. The credit union issues the loans on the recommendation of the SEED Loan Fund. Loans are issued at prime plus 5% - prime plus 2% goes to the credit union, and the remaining 3% is paid to the SEED Loan Fund. Up to 90% (or 360,000) of SEED funds capital base of \$400,000 can be lent out at one time. If one of the loans goes bad, the money is taken from operating money, or from the capital if necessary, though it is the board's policy to avoid doing this if possible. The Loan Fund does not seek donations from government. There are a number of reasons for this. According to the loan fund manager, every time you take

government money it comes with strings attached: *"You have to answer to an outside party who has no concept of what you are doing."* Speaking from past experience of involvement with another loan fund, the fund manager notes that funds provided by various government Ministries had to be directed toward the people helped by that particular Ministry:

*It couldn't be used for anyone else, it had to be used for a specific purpose, you had to do all kinds of reporting to the Government, and you were always worried that the program was going to be cancelled and you were going to lose it - it was very frustrating.*

A key focus of the Fund at this point is to become self-sustaining. According to a Board Member, currently the SEED Fund does not have enough money to cover its operating costs. A three-year grant from a community foundation is currently being used to cover its overhead - primarily the manager's salary. However, by the time the grant runs out at the end of next year, the SEED fund intends to have raised enough capital to make the Fund self-sustainable - about \$2,000,000.

*The Nanaimo based Colville Investment Corporation (CIC) is also based on a loan fund approach. CIC was established in 1979 and is funded wholly by government assistance, including the Canada Employment and Immigration Commission. The goal of the CIC is to promote long term entrepreneurial growth by providing investment capital to people unable to tap traditional markets. Its objectives were to (1) provide technical and financial assistance to new or existing businesses and (2) to become self-sustaining as a community based organization (Baron and Watson, 1993).*

According to a 1993 case study report by Baron and Watson, the corporation has been successful in addressing the first goal of generating private sector employment. Baron and Watson (1993) state that CIC provided about 2 million in financing to 141 firms in the Nanaimo area, resulting in the creation of 596 full and part-time jobs. However, as the number of firms assisted expanded, increasing amounts of technical assistance were needed, resulting in raised operating costs. Thus the program has continued to be sustained by federal and provincial grants. Baron and Watson conclude that a nearly threefold increase in loan interest, and hence portfolio earnings would be required to achieve self-sufficiency (1993). Baron and Watson (1993) do not discuss the possibility of the use private capital to expand its loan reserves.

Saskatchewan's Small Business Loans Association Program is one more example of a loan fund model. Like Colville, it is capitalized through government funding. According to Saskatchewan Economic Development literature, the purpose of this program is to encourage diversification of the Saskatchewan economy by making funds available through community-run organizations to non-traditional entrepreneurs. "Non-traditional" refers to entrepreneurs who have experienced difficulty obtaining financing through conventional means, such as banks or credit unions (Province of Saskatchewan, 1998).

A Small Business Loans Association (SBLA) is formed through the incorporation of four or more community interest groups (e.g. individuals, partnerships, cooperatives, etc.). The Association acts as an agent to the Department of Economic and Cooperative Development by collecting the principal on the loans for remittance to the Department. The Association retains all interest collected on its loans to cover its administration costs. The interest rate varies and is set by each association. Presently, the maximum rate is set at 10 % per year. Interested borrowers contact

their local Loans Association for an application form, fill it out and return it to their SBLA. Applicants wishing to start a new business must submit a business plan at the time of application. Assistance for developing the business plan may be provided through neighbouring organizations, such as the Regional Economic Development Associations.

Each SBLA may have their own process for handling loan applications, but in all cases applications must be forwarded to Regina for final approval. When a loan has been approved, the funds are sent to the SBLA. The Association pays out the loans, and collects post-dated cheques from borrowers. If a borrower experiences difficulties repaying their loan, the SBLA will do what it can to accommodate the borrower in helping them to pay back their loan. Cases in which the borrower defaults on their loans are referred to a collection agency.

As of May 1998, 340 Associations had been approved, for a total of \$24,702,026 in client loans. Of these, \$1,581,410, or approximately 6.5 % of the loans have defaulted. A total of 5,469 businesses were assisted, including loans to both new and existing businesses. The total number of jobs resulting from the program (including both new jobs and maintained jobs) is 12,185.

Loan circles - The literature largely credits the Grameen Bank in Bangladesh for raising the profile of the loan circle model as a means to respond to the credit needs of the poor. Established in 1976 with start up funds from the Government of Bangladesh and the International Fund of Agricultural Development, the Grameen Bank is both a commercial bank and a poverty alleviation organization. As a bank, it provides small-scale credit for business development projects. As a poverty alleviation organization, it disperses very small amounts, about \$75 each, to the poorest members of the population - landless and illiterate borrowers in rural areas of Bangladesh - to allow for improvement in family wellbeing and self-sufficiency.

A unique feature of the Grameen Bank model is its decentralized structure. The power to make decisions on loan dispersal is transferred down the managerial line as well as across to people at the field level. Those who are at the 'lowest' level in the field hierarchy in most cases play the most significant roles in shaping the decision process of loan disbursal. Thus the decision of whether or not to grant a loan is actually pushed down to the level of those who have the responsibility for loan repayment. The area manager is in most cases performing a pro forma function (Holcombe, 1995).

The process of loan disbursal begins with an eligible member's identification of the small business she or he wants to finance. The proposal is discussed by the group to which the potential borrower (or "member" to use Grameen terminology) belongs (organizing into groups is a precondition for access to the service). Other group members and a Bank Assistant attend these meetings. During this stage of the decision making, the group members often provide suggestions or advice. However the member maintains her or his autonomy in regards to the selection of the enterprise. Once the group has discussed the proposal, the group and the centre give their approval for the loan to be forwarded to the Branch Manager. Proposals do not advance beyond this stage without the endorsement of the group and centre.

The loan proposal is reviewed and approved by the Branch Manager before a final proposal is prepared and sent to the Program Officer at the area office. It is checked for accuracy, and if approved, signed by the Area Officer. This signature authorizes the Branch Manager to disburse the loan. Holcombe (1995) states this entire process takes on average two to four weeks time, often less. Area Officer loan authorization is typically a routine endorsement of the recommendation of the Branch Manager. At times Area Managers do provide feedback - for

example in the case of inconsistent figures or other irregularities. However, according to Holcombe, these cases appear to be the exception (1995).

An important observation from this example is that the decision making process of loan disbursement is bottom-up and participatory. Holcombe (1995) notes that the boundary between field staff and members is permeable - and therefore it is the clients who perform many of the tasks associated with loan dispersal. The role of the field level staff is primarily to provide support and advice, and to forward the loan proposal along for approval of funds. Upper management monitors loan approval through review of loan applications, and may contribute input in exceptional circumstances. However, the ultimate responsibility for endorsement of loans lies with the member and with the group to which this member belongs.

This control also extends to loan repayment. The branch managers that detail loan status prepare weekly and monthly reports. These reports are used to keep upper management informed of the branch activities. Program Officers and Area Managers also visually and verbally monitor loan utilization during their scheduled visits to centres. However, when problems are discovered, the decision as to how to resolve the issue is once again pushed down to the centre and group level.

Holcombe (1995) provides numerous examples of how local participation and control is supported by the functions of the Bank. The Grameen Bank example uses a number of mechanisms to ensure the participation of all relevant individuals is built into its organizational structure. For example, group formation is used as a mechanism for enabling participation. The groups help to ensure participants have a voice in local decision making. Informal practices legitimize communication across hierarchical lines and provide opportunities for people to voice their ideas on all aspects of the bank's activities. The "vertically enlarged" decision making

structure ensures that the participation of the people closest to the operation - the field workers and borrowers - follow a decision through nearly all its stages. Holcombe (1995) notes that there may be explicit or implicit resistance to participation by staff and managers. Therefore a methodology is needed to put participation into practice.

Training and education are also an important aspect of the Grameen model. Grameen encourages questioning, consultation, and a team approach through use of a learning process approach. According to Holcombe (1995), a learning process approach assumes that learning or technical transfer is most effective when it is experience-based learning. Thus, while Grameen provides scheduled training, it also responds to particular training needs by addressing them as the need arises.

Grameen's record of providing loans and generating savings and assets, while at the same time attaining a loan repayment rate of over 98%, indicates significant achievement as a bank, and considerable success as a poverty alleviation organization. Additional impacts include its member's growing confidence in their abilities and their opportunities to exercise their rights to participate in further training and extension services (Holcombe, 1995).

The experience of the Grameen Bank reinforces the importance of local participation and control as fundamental features of successful development efforts. It is difficult to conceive the organization attaining the level of widespread acceptance it has without its commitment to a participatory implementation process which views the ground level (fieldworkers, borrowers) as the starting point for action and source of skills and capacities. Holcombe argues that rather than being dichotomous, top-down and bottom-up approaches may be complementary. While on one hand, development and empowerment are things people do for themselves, on the other hand,

policies and projects develop and empower people (1995). However, this entails a shift away from a framework of aiding clients and the detailed application of programs, toward a framework that emphasizes partnership with local groups and flexibility for local strategies.

Holcombe (1995) notes that local participation and control remains widely ignored in the design of initiatives aimed at increasing self-sufficiency. In her view, steps must put into place to elicit participation of the community. In particular, efforts must enhance the opportunity for marginalized people to participate fully in the development and implementation of initiatives.

In summary, Grameen Banks decision making process for loan disbursal is congruent with its overall organizational philosophy of participation and empowerment. Decision making control is transferred away from senior management and across to the lower levels of the organizational hierarchy. Field staff and members are seen as a source of skills and capacities, and have control to influence decisions and actions that affect them. Holcombe's (1995) observation that models are only as good as the effectiveness of their implementation is worth noting. Engaging community members in a participatory process in which decision-making and control are democratically shared is more likely to create an environment in which participant's abilities and capacities are tapped into. Therefore, this is more apt to generate a sense of control and empowerment which can help participant's address their economic problems and achieve their goals.

The success of the Grameen model has led to its export to other developing countries, and more recently, to North America. The loan circle program of the Grand-Plateau area of Montreal is an example of one of these initiatives. The "Centre d'innovation en developpement economique local" (CIDEL) was developed to respond to the demand that economic control be shifted from

outside the community to local community institutions that are in the best position to recognize and respond to community needs (McMurty, 1993). It aimed to do so by offering participants the "tools that enable them to begin to control the economic aspects of their lives" (1993, p. 71). McMurty (1993) states that with the assistance of the Grand Plateau loan circle program, borrowers hoped to get off and/or stay off welfare and become recognized as self-employed. At the same time, the long term development strategy of the program was to encourage the development of a strong mutual aid infrastructure that could support community initiatives from small businesses to barter and skill exchanges.

According to McMurty (1993), the philosophy driving the CIDEL initiative runs counter to more conventional training programs that focus solely on skills development: "the program...is most concerned with enhancing the social welfare of the participants...governments are concerned with the integration of the unemployed into the labour market" (p. 70-71). CIDEL sought to achieve its aim of enhancing social welfare by involving the community of interest to participate directly in the creation of strategies and solutions through self-employment. According to McMurty (1993) a support committee made up of community representatives, potential participants (borrowers) and community organization staff designed the preliminary guidelines outlining how the loan circle model was to operate. Potential borrowers are involved in the loan decision making process. Borrowers also are given the opportunity to manage capital in the loan funds, and receive technical assistance in the early and critical stages of their initiative (1993).

McMurty (1993) states that as the program grew, the intention was that borrowers would make up at least half, if not most of the loan circle committee membership. This way borrowers would be assured access to decision making beyond the decision of loan distribution within the circles themselves. However, McMurty (1993) points out that this situation is problematic in that it is

dependent on the unpaid labour of borrowers. Therefore, if the loan circle members are unable to actively participate on the loan committee, the transfer of control for the program to them would not occur.

The members of the loan circle have the responsibility to provide the support and pressure mechanisms necessary for the proper functioning of the model. According to McMurty (1993) the responsibilities of the program staff were in the areas of administration, public relations and resource provision (including, for example, technical assistance skills such as conflict resolution and feasibility study skills). The program staff were not meant to be in a policing or controlling position but rather were to monitor and facilitate the group process.

As with many of microcredit initiatives, the program depended on government start-up funding. City officials played an intermediary role by channelling funds from Canada Employment and Immigration Commission. According to McMurty (1993) the city originally stated the funds would be provided for five years. During the first year the money was used to pay the salary of one full time staff member and a small portion of the operating costs of the fund. By year two, two loan circles were established. However, also at the time, the city cut funding in half and threatened to cut it completely. According to McMurty (1993), the organization found itself caught in a tug-of-war between the community's need for autonomous goal setting and local resource management, and, as McMurty puts it "the government's need to incorporate the CIDEL staff as another level of bureaucracy in the State employability program"(p. 63).

McMurty (1993) states the most obvious effect of this funding arrangement was that it hampered development of the program. Job creation in the short term took priority over other social indicators of success: "The funders are focused on the idea of five participants working to create

five businesses...This myopic vision is extremely problematic for the loan circle program...(if only one of five participant is able to create a viable business, the other four participant businesses will be seen only as failed efforts" (p. 70).

While originally conceived to be based on Grameen Bank's participatory and empowering model for providing credit, McMurty (1993) states that staff soon were co-opted into the more narrow and immediate aim of job creation, and as a result, some members began to view staff as government bureaucrats. Because of this, McMurty states that rather than addressing the root causes of unemployment, the program might simply "contribute to the self management of low wage and precarious jobs"(1993, p.72). McMurty (1993) concludes that the program had to increase its base of support in terms of participants and alternative funding sources if it were to survive.

## Summary

The literature findings show a number of common characteristics among the lending initiatives examined. A key commonality seems to be their belief in the borrower as an agent for economic and social change through the process of small business development and borrowing and paying back a loan. All of the initiatives reviewed also put emphasis on providing access to credit to people who have been largely cut off from information and resources supporting business development. The literature demonstrates that unlike conventional lending institutions, microenterprise lending programs look at client willingness to meet program requirements and their motivation as factors in deciding their eligibility for a loan. At the same time, all of the initiatives examined put emphasis on client accountability through loan repayment and program participation.

However, microenterprise lending initiatives vary significantly in terms of how they go about the business of lending. Some lending initiatives put more emphasis on borrower participation and empowerment while others focus exclusively on loan repayment and training. The latter may be more likely to deny lending to certain "riskier" clients to the degree by which they are adverse to loan defaults.

The literature also demonstrates that unlike the Grameen Bank experience in rural Bangladesh, individuals seeking access to financial capital have diverse backgrounds and needs. Borrowers include disadvantaged populations who have historically experienced difficulties accessing credit (low income individuals, women, recent immigrants, etc.) as well as individuals who have been denied access to conventional sources but who are experienced at running their own business. Initiatives seek to assist these borrowers by addressing the barriers to self-employment, including unequal access to credit, availability of training and support, and networking opportunities. The experience of the Montreal Community Loan Association suggests that the participation and involvement by local residents is important in identifying the barriers faced by different communities and in ensuring that initiatives remain accountable to the community in which they are located.

Some microcredit initiatives have worked toward this goal by building strong social partnerships with many sectors of the community, including business people, foundations, the banking community, government, community members, corporations and private investors, and social service agencies. These networks are seen as playing an important role in providing referrals, mentorship, training, loan review, and investment dollars to lending initiatives. The literature also suggests that privately funded initiatives may better meet the needs of borrowers and the

community than the public sector, since the former may allow more local control. However, it has the disadvantage of requiring ongoing efforts to locate funding.

In sum, the literature provides an overview of microenterprise lending, including the underlying philosophy shared by proponents of microcredit, and the different strategies that are being used to extend loans to target populations. However, while the literature on lending initiatives in Canada provides a general description of microcredit, little detail is provided on how the initiatives actually work, for example, the day to day operations, loan procedures, etc. Furthermore, the literature is written predominantly from the perspective of the proponents of these initiatives - no one has asked clients about their experience of seeking assistance through a microcredit program. In order to attempt to address this gap in the literature, I devised the following research question:

How does the StartUp microenterprise lending initiative support borrower's efforts to establish and/or maintain a microenterprise?

The research will explore how the microenterprise lending program studied supports its clients (borrowers) in establishing a microenterprise from the perspective of the lending initiative and of the client. Thus the research can be used to increase understanding of microenterprise lending within a Canadian context, and contribute to the existing literature on microenterprise lending.

### Chapter III. Methodology

Case study methodology using primarily qualitative data was selected for this study. Yin (1994) states that case study methodology is advantageous when you want to ask "how" and "why" questions, and when the research focuses on a set of contemporary events, within a real life context. The purpose of this research - i.e. to explore how the microenterprise lending program supports its clients - fits with the methods employed by case study research. Case study methodology enables the researcher to use a variety of data collection strategies, including documents, interviews, and archival evidence in order to answer the research question (Yin, 1994). The use of a variety of evidence contributes to both the richness of the data, and the validity of the research findings. In the case of this research, quantitative data in the form of loan and borrower statistics were also used to supplement the research data.

#### Site selection

Identification of a suitable site for this study was guided by the following criteria: (a) the aim of the lending organization or initiative is to provide access to credit for the purpose of microenterprise development; (b) the credit is provided to individuals who are unable to access traditional financing; and (c) evidence that the interventions of the lending organization had assisted clients in microenterprise development.

In order to identify a suitable site for this study, a number of potential organizations were identified through documents which list organizations that provide credit for microenterprise development, and through consultation with key community economic development contacts. From this list, the site which best met the criteria was contacted by letter. This letter described the

study, and requested that the organization indicated their support of the research by forwarding a letter of support to the researcher. The StartUp program of the MCC organization met the criteria established by the researcher, and agreed to the proposed research. The StartUp program is described in detail in chapter four. Final approval to carry out this research was granted by the Human Subjects Committee of the University of Victoria.

#### Sources of evidence

I visited MCC during the week of July 20 to 24. As case study methodology relies on multiple sources of evidence, data collection included organizational documentation and personal interviews. Rather than viewing one source of evidence as having an advantage over another, multiple sources of data are complementary and help to ensure the research study's validity (Yin, 1994; Maxwell, 1996). I used the data from interviews and documents to answer the questions identified in the case study protocol. This data was in turn used to answer the research question and questions asked of the entire study (the findings as compared to the propositions that emerged out of the literature review).

Documents - I undertook a systematic review of documentary information on the site studied. This included administrative reports, promotional materials, newspaper editorials, application forms lists, service records, charts, and other written reports of events and meetings. Specifically, these documents included:

- a) 'Be your own boss' promotional pamphlet directed toward potential participants, provides a general overview of program, services provided, etc. - 2 pages.
- b) StartUp, promotional brochure directed toward potential funders, - 2 pages.

- c) Monthly newsletter. General information, stories, directed toward participants and potential participants - 2 pages.
- d) ABC program delivery process. Overview of curriculum structure of training program for first time entrepreneurs - 2 pages.
- e) Overview of MCC, Calgary. Includes history, mandate statement, organization chart and revenue history - 4 pages.
- f) Loan program summary, May, June 1998 - record of lending, new groups formed, total number of loans given, number of late payments, etc.
- g) StartUp strategic planning, core program recommendations, July 1998 - 9 pages.
- h) Loan fund manager's review and recommendations for StartUp program - 4 pages.
- i) Loan application checklist. Checklist filled out by peer groups to evaluate group member's application for a loan - 1 page.
- j) StartUp program application form. Initial application form filled out prior to admittance into the program - 7 pages.
- k) Calgary credit union and StartUp program loan agreement form. Loan agreement form filled out by participants. Outlines obligation to repay and particulars of repayment - 1 page.
- l) Borrower's warrant. Borrower's agreement to use loan for business development and agreement to repay loan, signed by borrower - 1 page.
- m) Membership packages pamphlet. Overview of the business support services provided at the StartUp office - 1 page.
- n) Newspaper editorials - 4 articles on the StartUp program that appeared in the Calgary Herald.
- o) The Nuts and Bolts Guide to Starting a Peer Assisted Lending. StartUp orientation manual for program participants - approximately 75 pages.
- p) Business plan evaluation and writing. Guidelines used by staff in reviewing peer group members business plan - 4 pages.

- q) Job description, Microcredit loan fund manager.
- r) Loan status report - 4pages.
- s) Microbusiness activity report, 1998 - 1 page.

Documents were used as an information source to increase my understanding of how the program works. For example, the documents clarified the program history, loan model structure, training provided, selection of participants, record of loans, and the challenges faced by the program. The documents were also used to define areas for inquiry and to verify information that arose from the interviews. Specific information found in documents is linked back to the source through citation, based on the lettering system used above.

StartUp has not developed a formal statement of program objectives. This may be a reflection of the evolving nature of both microcredit and the StartUp program itself. As new information becomes available from sources in the U.S and in Canada, programs such as StartUp have continued to adapt and change. Since the program's inception in 1994, StartUp has undergone many shifts in its operations. Frequent staff turnover has also contributed to alterations. Thus, my understanding of the objectives of the program was based on documents outlining the overall program goal and the program targets established in conjunction with program funders.

At the time of writing, an evaluation of the program was underway and was expected to be completed in the spring of 1999. Prior to this, no attempt at evaluating the program was made (with the exception of individual seminars and workshops, which participants evaluated as they went through the program).

Interviews - Purposeful sampling technique was used to select the research participants. According to Maxwell (1996), purposeful sampling "is a strategy in which particular settings, persons, or events are selected deliberately" (p. 70). I interviewed the three staff employed by the program, and seven borrowers. I tried to interview borrowers who had varying experiences and perspectives of the lending process, and thereby attempted to get variations in borrower input, including both positive and negative experiences. Variations included: gender, length of time the borrower had been involved with the program, number of loans taken out, and degree of difficulty in paying back the loan (as measured by payments in arrears). The loan fund manager identified program participants based on these criteria. He then contacted them, gave them information about the study and asked them to notify me if they were interested. As participants contacted me, I set up times to conduct the interviews. Three of the preliminary interviews were conducted in person, and four of them were conducted over the phone.

I did interviews until I started to hear repetition in the borrower's stories and I determined that I was not discovering anything new. The interviews were recorded on audio-tapes and later transcribed. The participants were made aware of the tape-recorder during the initial scheduling of the interview, and their permission to tape the interviews was requested. The audio-tapes will be erased one year after the completion of the thesis.

In general, interviews with staff focused on program goals, general day-to-day operations, lending procedures, and questions which arose from my interviews with borrowers. Interviews with borrowers began with open-ended questions such as: "please describe the process of getting a loan" or "how did you find the peer group process". Subsequent questioning assumed a conversational manner as I focused on encouraging each interviewee to go into more detail regarding their experience of obtaining a loan. Interviews took approximately forty-five minutes.

Once I began to sort and analyze the data, a number of "gaps" in the data became evident. I sought information to address these gaps in follow-up interviews conducted by phone, and in some cases, by email. Of the seven program participants I originally interviewed, two could not be contacted for further interviews. As a result, five participants were asked follow-up questions.

#### Method of analysis

I began the data analysis by reading over the interview transcripts and documentary evidence to review their content. Next, I began to develop codes for sorting the data in relation to the questions contained in the case study protocol. Specifically, the codes developed included:

- a) Process information – how the program works. Codes included: program background, staff, loan review and approval process, financing, other.
- b) Barriers to self-employment – challenges to becoming self-employed. Codes include skills development, self-confidence/esteem, lack of support, banks/money.
- c) Participant perspectives/experiences - participant's stories in relation to their involvement with the program. Codes include peer group process, peer support and networking, staff support, loan review process, other.

I then used my computer to cut and paste quotes from the borrower interview transcripts and sort these into the various code categories. This helped to facilitate comparison between the interviewee's perspectives and experiences on how the program supported them into self-employment. It also helped me to begin to identify patterns, paradoxes, and further lines of inquiry. I then compared the borrower's perspectives with the staff perspectives and the documentary evidence in order to contrast perspectives and to examine whether the borrower's

perspectives on how the program supported them were consistent with the intent of the program and of the staff.

### Validity issues

A number of strategies were used to establish the quality of this case study. Following guidelines set by Yin (1994) these strategies focused on addressing the construct validity, external validity (generalizability) and the reliability of the research study. The steps taken to address these concerns are discussed in the following section.

Construct validity refers to establishing the correct procedures to identify the variables being studied. In other words, how can I be sure that the research actually identifies how the program supports its borrowers, as opposed reflecting my own impressions or bias? Following Yin's (1994) advice, two tactics were used to increase the construct validity of this study: (1) using multiple sources of evidence, and (2) having key informants review the interview transcripts and draft case study report. The use of multiple sources of evidence that converge on the same set of findings increases construct validity by providing multiple measures of the same phenomena. According to Yin (1994) research findings are likely to be much more convincing when different sources of information are used. Having case study informants review the transcripts and the report also addresses construct validity by enhancing accuracy and reducing the likelihood of falsely reporting an event or occurrence. As a researcher carrying out case study research at a distance, I found I faced several challenges in employing these two tactics.

During the time I spent on-site at the organization, most of my time was taken up by orientating myself to the organization and the StartUp program, arranging and conducting interviews, and

seeking out and collecting documentary evidence. The time spent carrying out these activities left very little opportunity for collecting additional sources of data, such as direct observation of workers and participants. Furthermore, there were no peer group meetings held during the week of my visit, eliminating the possibility of observing a meeting as an additional source of data. Ideally, I would have liked to have returned to the site at least one or two more times to conduct additional interviews and to observe the day to day operations of the program. However, due to the travelling distance, it was only possible to visit the site once. As a result, this case study relies primarily on two sources of evidence: 1) the stories and experiences of the borrowers and workers of the program, as told to me; and 2) internal documents, written descriptions of the program, loan activity reports and other documentary evidence that describes the program. While this meets Yin's (1994) criteria of evidence from two or more sources, I feel that observational data would have strengthened the case study findings.

In addition, several pieces of documentary evidence that are not available would have strengthened the case study. The first was a set of program objectives. While I knew the overarching goal of the program, and the specific targets the program meant to achieve, there was nothing to indicate how the program intended to get from "A" to "B". Second, while data was available on loan activity, no overall evaluation of the program had been completed at the time of this research. The absence of both these pieces of documentary evidence made it difficult to me as the investigator to gauge what the program intended to do to achieve its goal and to support its program participants. I was forced to rely heavily on the stories of the participants themselves, and the staff of the program to figure this out.

Having the interview participants review the interview transcripts and case study report also posed problems. As previously mentioned, at the time I carried out follow up interviews, two of

the seven program participants initially interviewed could no longer be contacted. By the time the transcripts were ready for review, two additional program participants were no longer available. As a result, three program participants reviewed the interview transcripts and three program staff reviewed the draft report. While it would have been preferable to have the borrowers review the draft report, this was not done because of time constraints, and borrowers moving or being otherwise unavailable,

External validity - External validity refers to knowing whether the study's findings are generalizable beyond this particular case study site. In other words, to what extent can the findings of this case study be used to assist other microenterprise lending initiatives.

The generalizability of the research findings is demonstrated in part by showing the congruence between the findings of this case study and the literature on microenterprise lending. By linking the findings back to structural theory, and using this theory to interpret how the program supports borrowers, the generalizability of the research findings is further strengthened. The similarities and differences between the subject of this case study and other microcredit programs should also be considered when attempting to determine the extent to which the findings can be generalized to another setting. I return to the issue of external validity in chapter six, where I make several suggestions that may assist other microcredit initiatives.

Reliability – According to Yin (1994), the test of reliability in case study research is whether *another investigator following the same research procedures employed in this study would arrive at similar findings or conclusions*. Two methods were used to demonstrate reliability. First, a chain of evidence was established throughout the case study by means of citation. This chain of

evidence helps contribute to the validity and reliability of the case study report by enabling the reader to follow the derivation of the evidence from initial research questions to ultimate case study conclusions.

Second, following the advice of Yin (1994), a case study protocol was developed as a means to guide data collection. According to Yin, a case study protocol contributes to the reliability of the study by providing a framework to track what was actually done in the process of data collection and analysis (1994). The protocol outlines the overall case study questions that I posed to myself as the researcher, lists the specific questions to that were kept in mind in collecting the data, and lists the sources of information that I sought in answering each question. The following outlines the case study protocol used for this research:

#### Question 1:

*What do I need to know?* What is the goal/purpose of the program, how is the program organized, who is employed by it, how is the program financed, and what are the steps involved in obtaining a loan?

*Why do I need to know this?* In order to understand how the program supports its clients, I first need to know about the program itself and what it does. This question seeks to develop context by exploring what it is the program does, how it does it, the structures and processes in place to achieve its goal/purpose, and the history of the program.

#### *Sample strategies*

Obtain an organizational chart that shows the positioning of the program in relation to the overall organization

Obtain job descriptions of staff

What is the mandate of the organization/program?

What is (are) the goal(s) of the program?

What does the program do to address these goals?

Who are the employees? (volunteer and paid)

What do the employees do?

How is the program funded?

What have the results been?

### *Sources of information*

Program coordinator

Coordinator's immediate supervisor

Organizational chart

Program documents, annual report

Borrowers

Job descriptions

Volunteers

### Question 2:

*What do I need to know?* Who are the borrowers, what are the steps involved in obtaining a loan, and what are the perspectives and experiences of the borrowers in regards to the borrowing process?

*Why do I need to know this?* Part of the purpose of the research is to determine how the program supports borrows from the perspective of the borrowers themselves. Thus, this question reflects

my intent to uncover the borrower's perspectives on how the lending process works and how the initiative supports them in their efforts to establish a small business.

### *Sample strategies*

Protocol for selecting borrowers, application form

List of technical assistance and training

How does the process of loan dispersal work?

How are the borrowers targeted and/or selected? Who decides?

Who is involved in making decisions about loan dispersal?

What training/skills development is provided to borrowers?

Who decides what will be provided?

Who provides the training?

What do borrowers have to say about the training/skills development?

What is the lending record of the organization?

### *Sources of information*

Borrowers

Loan fund manager

Program coordinator

Records, application forms, training schedules, and other documentary evidence

### Question 3:

*What do I need to know?* What barriers to self-employment do the borrowers face and how does the program help them to overcome them?

*Why do I need to know this?* While the previous questions deal with how the program works, this question seeks to uncover why the program works. For example, what challenges do borrowers face, how does the program help them overcome these challenges, what specifically works for them, and why. This question ties back to the purpose of the research - i.e. to determine how the microenterprise lending program studied supports its clients (borrowers) in their efforts to achieve economic self-sufficiency through microenterprise development.

#### *Sample strategies*

What are the specific challenges and barriers faced by borrowers in seeking to become self-employed?

How has the program helped them to overcome these barriers?

#### *Sources of information*

##### Borrowers

Besides providing an outline of how data collection took place, the case study protocol is also useful in clarifying how the process of data reduction and conclusion drawing took place. As previously described, codes for sorting the data were developed in relation to questions contained in the case study protocol. These codes were in turn used to focus on and sort the data that appeared in the interview transcripts and the documentary evidence. Once data was displayed under the various code headings it became possible to make comparisons and to identify patterns and paradoxes.

## Chapter IV. Description of the program

This chapter presents an overview of the StartUp program and of the lending model. This data provides context into what the program does, including background on the program, orientation of program members, process of loan approval and dispersal, and the process of guaranteeing loans.

### Socio-economic setting

Calgary is a city of 850,000 people. The median income of Calgarians in 1995 was \$51,388 (Canadian Council for Social Development, 1999). However, evidence suggests that a growing number of people are employed but not making sufficient wages to earn a decent living. In 1997, the average unemployment rate in Calgary was 6 %. This figure takes into account only those individuals actively looking for work. Another measure, the employment to population ratio, indicated that approximately 30 % of working age Calgarians were not in the labour force. While some of these people may not be looking for work (i.e. students, early retirees, or stay at home parents, etc.), others are thought to be discouraged workers - those who would like to work but have given up actively looking (Sustainable Calgary: State of our City Report, 1998).

The mayor of Mayor of Calgary recently noted that within Calgary 130,000 people are counted among the working poor (f) (See Appendix I for a list of the documents cited). Statistics Canada figures support this finding. Based on 1995 low income cut-off figures, 19.8% of people are considered low income (i.e. 70% or more of their income is spent on food and shelter) (Canadian Council for Social Development, 1999). Alberta's low minimum wage (now \$5.40/hr) and an increase in part-time work resulted in many low income Calgarians becoming even poorer. In

order to meet basic needs at minimum wage in Alberta in 1997, a single person had to work 69 hours and a two-person family had to work 43 hours each per week. Family poverty rates in Alberta jumped 82% in the ten-year period from 1981 to 1991 (Canadian Council of Social Development, 1999). In 1993, significant changes to Alberta's Family and Social Services Act were introduced. According to a spokesperson for the department, changes to the welfare system included tightening eligibility requirements to make it a "program of last resort". Between 1993 and 1999, the number of people on social assistance decreased by 67% (Province of Alberta, 1999). However, during roughly the same time period (from 1993 to 1997), the number of food hampers donated by food banks increased by 32 %. Calgary's historic dependency on the oil and gas industry has also meant that residents have been exposed to ongoing boom and bust cycles. As these non-renewable resources are depleted, it has been argued that Calgary's economy must diversify if it is to be sustainable (All figures from Sustainable Calgary: State of our City Report, 1998, except where noted).

### Background of the program

The Mennonite Central Committee, or MCC, an international service and relief agency for the Mennonite churches, established an Employment Development office in Calgary in 1991. MCC's mission statement is to "partner with the unemployed and underemployed to develop their productivity". Its mandate, adopted by the Employment Development Board in January 1997, is divided into four broad categories: training in vocational skills to sustain employability; developing entrepreneurial skills among the un/underemployed; promoting awareness of the potential of the un/underemployed; and providing good value to program participants, funding sources and the community (e).

The StartUp program grew out of the awareness that while the Calgary economy grew in 1990's, certain segments of the population were not doing that well. While anti-poverty groups argued for greater funding for education as a means to counter unemployment and underemployment, MCC concluded that education was an inappropriate strategy for some, considering the individual learning styles, entrance requirements, and cost. Self-employment was viewed as an alternate route out of poverty. Designed after the Grameen Bank and American micro-credit models, the StartUp program was launched in 1994 after 11 months of research. The overall program goal is to provide Calgarians with a loan and support system so that they can establish themselves as successful entrepreneurs (b). In particular, the program is aimed at low-income entrepreneurs with the purpose of helping them reach financial independence through self-employment (a). It does this by providing training, support and credit to assist people in establishing a microenterprise (A microenterprise is defined by StartUp as a business started with less than one year's minimum wage or \$10,000 (a)).

The StartUp program office strives to be a "full service centre" for entrepreneurs. Training services include business workshops, counselling, bookkeeping assistance and market research. Business related services such as computer rental, photocopying, fax service, Internet access and business mailboxes are also available. Individuals can purchase these services as they need them, or they can purchase a membership package that enables them access to services at reduced rates.

Ideally, a program coordinator, loan fund manager, marketing assistant and administrator staff the program. The role of the program coordinator is mainly to oversee the program, including program intake, training, planning, etc. The loan fund manager has the greatest amount of interaction with the participants of the program. Duties include client intake, forming and

monitoring peer-lending groups, and working with peer lending groups regarding payments. The marketing assistant assists clients in the development of marketing strategies for their business.

Maintaining staff continuity has been a challenge for the program. Since the program's inception and up to the time of writing, a number of staff turnovers and shifts have taken place. During the year this research took place, a new loan fund manager was hired, the loan fund coordinator left the program to take another job, and a new marketing assistant and administrator were hired.

In addition to the duties of the regular staff, support services to the program are provided by the MCC, including marketing, fundraising, volunteer coordination, administration, book keeping, and the services of the director. StartUp also relies heavily on over thirty community volunteers to carry out its activities. There are thirteen volunteer loan reviewers that take turns reviewing loan applications. The remainder of the volunteers provide training to participants of the ABC program (a pre-peer group training program on establishing a small business) at an average of six hours per program participant.

### Financing the program

StartUp has positioned itself to its funders as a low-cost job creation strategy to assist people to achieve self-reliance through self-employment (b). This appeal appears to be well situated to attract a variety of funding sources. For example, in 1997 MCC was one of only three agencies selected for funding under the United Way's new Economic Well-being Initiative, which, according to a spokesperson for the United Way, is directed at initiatives which focus on what stands between people and a job, not job creation as such (n). During the same year, StartUp was the only winner among new applicants for social service funding by the City of Calgary. Other

funding sources include the provincial and federal governments, local businesses, associations and agencies, and Foundations

StartUp has two types of capital: operating capital and loan capital. Operating capital is used to pay operating costs. StartUp's operating budget for 1999 is \$ 236,155 of which \$131,333 is allocated toward salary and benefits. The remainder is allocated toward building rent, furniture rental, advertising, training, administration fees and other costs.

Loan capital is the money used to issue guarantees for loans to StartUp clients. A one-time provincial grant of \$30,000 helped established the loan security fund. Fundraising efforts have now increased the loan fund to over \$120,000. All of these dollars have come from non-governmental sources, including private and corporate donations. Plans are underway to increase this amount to \$200,000, which by StartUp's estimates will enable the program to approve at least 150 loans at any given time. Money in the loan security fund is not loaned directly to clients. Rather, it is used to guarantee loans issued by First Calgary, a Calgary-based credit union. Initially StartUp's agreement with the credit union stipulated that loan guarantees were to be issued at a one-to-one ratio. In other words, for every dollar held in its loan reserve fund, one dollar could be guaranteed in loans. However, its successful lending record has allowed StartUp to renegotiate its agreement to allow guarantees to be issued at up to a three-to-one ratio.

StartUps's heavy reliance on community donated funds has meant its funding decisions are influenced by the funding criteria of the organizations that support it. MCC's fundraising coordinator notes that the reality of fundraising in the 90's is that funding has specific targets attached to it. Locating a number of funding sources that will support similar goals is one of the challenges faced by a program such as StartUp. The fundraising coordinator notes that the MCC

works hard to get funding that supports a common direction – that is to support people into self-employment. The following lists the targets set for StartUp for 1998, followed by the actual amount achieved (in italics), when available:

- \* 600 people a year to receive self-employment assistance (technical assistance, counselling, etc.)
- \* 1600 to receive self-employment information over the phone (1252)
- \* 450 hours of business counselling to be delivered (280)
- \* 250 memberships are sold (memberships entitle individuals to the services of the centre, such as photocopying, computer use, faxing, etc.)
- \* 60 participants to receive loans (29)

Despite StartUp's success at attracting funding, the sustainability of the loan fund is of ongoing concern. Like most other non-profit agencies StartUp is largely dependent "*on the whim and wish and the match of external funding*"(9). StartUp is also working toward establishing a long-term endowment fund of \$2,000,000. Interest generated by this fund would be used to help the program to become self-sufficient. Currently, a user fee of 5 % is charged on the value of each loan issued as a means to offset costs incurred in issuing a loan. Thus, a \$2,000 loan would have a \$100 user fee attached to it.

#### Borrower characteristics

StartUp defines its clientele as "low-income". This is different from credit programs run in less developed countries that are known for working with the "poorest of the poor". The clients of the StartUp program on average are "working class" people who, for one reason or another, have

encountered economic difficulty. Women make up 44% of the program participants, and men 56%. The average household income of StartUp program participants is \$18,027 (s).

The program office itself is situated in a low-income area of Calgary where unemployment and poverty rates are approximately twice the city average. However, the program draws participants from all parts of Calgary. Because credit is available to both new and existing businesses, the participants who come to the program have a wide range of business experience.

### Orientation

Potential participants are asked to complete an application form. This seven page form asks questions such as the level of business experience the individual has, their training, previous work experience, the level of risk they are willing to take, business interests, etc (j). This form is used for three purposes: (1) to screen applicants who are clearly not eligible or suited to the program; (2) to determine what training/support is most appropriate given the client's experience and interests; and (3) to identify individuals with similar interests in order to place them into peer groups.

Over time program intake has become more stringent. The loan fund manager spends time with each client to first confirm their eligibility for the program, and to determine their needs and interests in order to ascertain whether self-employment makes sense as an option for them.

In addition, as the demand for the program grows, StartUp has been forced to prioritize based on the greatest need. This has meant lending money to individuals who have no other options for getting a loan, have no significant assets, and/or do not have another source of income. Finally,

potential participants must be willing to follow the program guidelines, including participation in a peer group and regular attendance at meetings.

On top of this, there are several additional criteria for acceptance into the program. First, potential participants must be discharged from any previous bankruptcy. This means that if the individual has filed for bankruptcy in the past, it has been forgiven and past creditors are no longer able to pursue clients for money owed. Individuals who have not been discharged of a past bankruptcy are excluded on the basis that any money loaned to them would have to be handed over to the participant's creditors.

Second, if the potential participant currently has a high debt level, it is not likely that the program will accept the candidate. According to the loan fund manager, StartUp does not want to add to what may already be an insurmountable debt level. Instead, the fund manager will spend time with this individual to discuss other employment and training options that are available.

According to the loan fund manager, personal interviews are used to help StartUp to assess the participant's business idea and commitment level: *"We are really soft on the business idea but the commitment has to be there. They have to want to start a business"* (8). The loan fund manager spends time with each applicant to discuss his or her needs and interests. If the applicant expresses uncertainty over whether self-employment is the best option for them, the fund manager will discuss other possible options, and if necessary to make referrals to other agencies. A person who is currently in business is required to attend a refresher on course self-employment basics prior to forming a peer group. If the potential borrower has an idea for a business, but does not have business experience, he or she is put through the ABC program - a 13 week evening

program that covers the basics of starting a business. It includes topics such as personal and business goals, marketing and sales, operations, finance, and business plan writing.

#### Group formation

Once the participants have completed preliminary training, they are invited to form into groups of five to seven participants. The StartUp program manual states that peer groups must meet on a regular basis to review performance, offer encouragement, and assist each other in problem solving. Typically this means groups meet once a week for nine weeks before loans are dispersed and once a month afterward, for a period of one year.

A review of a current list of peer groups indicates that groups range in size from three to seven people. According to the loan fund manager, participants are free to move to another group if they are not working well within the one in which they are originally assigned, and thus group sizes may vary. However, all potential borrowers must be attending a group to be eligible for a loan.

Participation in a group involves:

- a) formation of a peer lending group;
- b) appointment of members to positions deemed necessary by the group (for example, chair, record keeper, and treasurer);
- c) creation and enforcement of group by-laws, including meeting schedule, group functions, late payments, additional membership obligations, etc.);
- d) establishment of an emergency loan fund; and

e) participation in a peer group through information sharing, support, review of each members loan application and business plan, including completing checklists and recommendation forms.

Emphasis on group formation reflects an important dimension of StartUp's peer assisted lending. According to the program coordinator, people typically have part, but not all of the puzzle. Each peer group member is recognized as representing a resource and as bringing unique insights and experiences to the table. Besides providing the opportunity for support and networking, groups also provide an extra form of insurance that loans will be repaid:

*(Groups) are responsible, to a certain extent, for each other's loans, in terms of approving the loan, and in terms of reviewing and putting up the emergency fund. So for us, in terms of the integrity of the loan fund, there are those checks to ensure repayment (10).*

In general groups will meet once a week for nine weeks to go through exercises and prepare a business plan. The exercises are outlined in an orientation manual that guides participants through the steps of developing their plan. Between meetings participants are responsible for completing "homework" which essentially consists of the various parts of the business plan required for loan approval. According to the loan fund manager, groups are free to schedule meetings when they want. Therefore at times groups may decide to meet several times in a week to go through exercises which require less time to complete, or spread the meetings further apart to allow participants time to complete more time consuming tasks. The exercises are then discussed during the meetings and any problems or concerns are addressed by the group participants. The lending group members work together to provide input into each other's plans and address any questions or problems which may arise during this process. Essentially, the groups provide a sounding

board against which individual borrower's have the opportunity to test out their ideas, discuss problems, share knowledge and learn from each other's collective experiences.

Similar to the Grameen Bank, StartUp is structured to decentralize decision making by pushing the loan decision making process down to the level of the borrowers. While they are not ultimately accountable for the loans of other group members, each group member must provide their endorsement of each of the other group member's business plans in order for loan applications to proceed to the next step of staff review. The premise behind this is that by the time the borrowers get to this stage they are well versed in each other's plans. They also have the skills and insight to identify problem areas and provide advice and recommendations regarding necessary changes. Thus, the peer group members themselves have an important role to play in the review and approval of business plans.

According to the loan fund manager, microcredit programs in the U.S. have been subject to recent criticism. These criticisms center on the argument that microcredit is irresponsible because it sets low-income people up for failure by encouraging them to take on debt without giving them the proper tools to start a business. Thus, if the business fails they find themselves in a worse financial position than when they started. StartUp has responded to these criticisms by introducing a number of changes to the program. The loan fund manager notes that StartUp has moved from a very "hands-off approach" in terms of assisting groups, to one in which they provide more of a resource to groups:

*Before the idea was that if you are going to be successful in business, you have to develop the tools to work with people, you have to develop the tools to resolve conflicts with other persons, to organize meetings, and to stay on*

*schedule, and to be ridiculously meticulous in terms of your business plan preparations. And the best way to do that is to be on your own. What we've found however, is that people need a little bit more help developing these tools (8).*

In their research on seven agencies in the U.S. Edgcomb et al (1996) note a similar modifications in the level of technical assistance and/or training that microcredit organizations provide to borrowers. They note that many group lending programs were originally designed as "minimalist" models. It was anticipated that participants would build business experience through "learning by doing" and through informal technical assistance provided by other group members. However, over time programs have evolved to include more formalized training:

Although group members appear to play a highly valued role in providing peer support, marketing advice and business contacts to each other, they are limited in their ability to provide more specialized advice about and insights into the operations of each other's business ventures. This reality reflects key differences between domestic and international microenterprise efforts...in the Grameen Bank's portfolio, there are relatively few leading business types, such as paddy husking, cow fattening, and rattan production...In the U.S. context...businesses are much more diverse and specialized, meaning group members are far less likely to be able to provide advice or insights in to the operational issues facing their peer group colleagues. Similarly, even the smallest businesses in the U.S. must function within a highly developed legal and regulatory system, and complex supplier and distribution channels (Edgcomb 1996, et al, p.27).

Recent refinements to the program to reflect this information include an approximate four fold increase in the number of staff hours per client per month (from three to twelve), mentoring support when requested, and greater availability of business seminars and training opportunities.

According to the loan fund manager, prior to obtaining a loan, all borrowers must demonstrate through a series of exercises that they have the skills and confidence to tackle self-employment. Strategies include networking exercises, organizing trade shows to previous members, and other communications exercises. This addition to the curriculum is in response to the previously mentioned criticism that microcredit programs are turning out participants who are not fully prepared to tackle self-employment.

#### Loan approval and dispersal

At the end of the nine weeks, each group member is expected to have formulated a business plan that is in turn reviewed and discussed by each group member. Group members must provide their "clearance" of each other's proposals by means of a loan application checklist signed off by each group member in order to be eligible for a loan. The loan application checklist contains 23 questions that range from questions pertaining to the applicant's attendance at meetings, clarity and feasibility of the business plan, and process for paying back the loan (i). In general, problems with any one group members' plan are expected to have been dealt with prior to this stage so that all of the group members plans can be approved. Peer groups may also approve an application on the basis of certain conditions being met. For example, a participant in one group developed a business plan that was contingent on getting a loan from a friend, along with the loan from

StartUp. The peer group decided to approve the participant's application, on the condition that the friend's loan was in place prior to dispersal of the loan from StartUp.

Once group members have recommended each other's applications, they are passed on to staff for their review. Staff look for factors such as clarity in the business plan, realistic financial projections, sufficient market research, and projected profit (as opposed to sales) (p). All of the group members proposals must pass this stage before applications are forwarded to the next level - the external loan review committee. This independent panel of volunteer loan reviewers is comprised of volunteers from the community, including business people, social service workers, and entrepreneurs. Their role is similar to that of a loan officer of a bank - they protect the money of the loan fund. Thus while StartUp acts as an advocate for its clients, the external loan review committee protects the assets of the fund by providing an additional level of review before loans can be approved.

The members of the committee receive copies of the business plans from the peer groups. The review committee discusses any concerns they have with the application with the loan fund manager, and provides written feedback to the applicants. The loan fund manager will in turn present these comments to the applicants. According to the loan fund manager, StartUp takes the responsibility to make sure everyone's application gets through this final stage of review. If any one participant's application is not successful at passing this stage, the remaining group members will still get a loan. Staff members will then work with the applicant in question to help them make any adjustments necessary for the application to be approved.

Once a borrower's loan request has been recommended, the borrower meets with a staff person to sign a loan agreement and borrower' warrant (k, l). These documents outline the participant's

obligations to the StartUp program. The actual loan is administered by a Calgary-based credit union. Thus, once the borrower's loan has been approved, the borrower sets up an account with the credit union, and payments are automatically withdrawn from the his or her account on the set payment dates. Borrowers are responsible for ensuring that sufficient funds are in their accounts on payment dates. The interest charged on the loan is a point above prime, payable to the credit union. In addition, there is the previously mentioned user fee of 5% on the total value of the loan which is paid to StartUp. Loans are dispersed in increments. A first time borrower may apply for a loan of up to \$2000 for a start up business, and up to \$3000 for an existing business. This amount increases by \$1000 increments with each successful repayment, to a maximum of \$5000. Loans are generally for a period of two years but may be up to four years.

#### Guaranteeing the loan

When the StartUp program was first introduced, borrowers were responsible for the loans of the other members in their group. Based on this approach, the group was the guarantor for the repayment of the loan. If a member was in default, no other member of the group was eligible for a loan. Furthermore, it became the whole group's responsibility to work out a solution to assure repayment to the sponsoring organization. The Grameen Bank has had considerable success with this strategy. According to Islam, et al (1993) this is because the geographic, economic, and social closeness of being from the same village creates an environment of frequent, constant and effective peer monitoring among the members. StartUp however, did not experience the same degree of success with this approach in Calgary. According to the StartUp program coordinator:

*We saw that in an urban environment, society is really capital based rather than relationship based...when you look at the third world, society*

*is organized based on relationships. So my relationship to you, living next to you or whatever, in a small community, or whatever, is more important to my livelihood in the big picture than money is. And in a city, like Calgary in Canada, it just wasn't working. I mean we have a capital based society, people could borrow money within the context of a peer-lending group and just disappear (10).*

Rather than helping to enforce group cohesiveness and ensure loan repayment, a peer model seemed to have a punitive effect on borrowers: *"They had to make that relationship suddenly very, very important...and whenever somebody's business was beginning to have problems and they weren't going to be paying the money back, that person would often just not show up at the group" (10).*

As a result, in 1996 StartUp altered the lending procedure to what they call peer assisted lending. Essentially, peer assisted lending means that while the borrowers participate in groups, provide support and advice, and assist each other in the development of each other's business plan, they are not ultimately responsible for paying back each other's loans if a group member defaults. Instead, each group is responsible for establishing an emergency loan fund. This fund can be accessed, with the approval of the members, by a group member who is unable to make a loan payment. The group decides how they will raise funds. The group must provide proof of a minimum of \$300 balance in their emergency loan fund with each loan application. If a loan payment is delinquent, the loan fund manager contacts the group to inform them of the late payment. The group must then decide what can be done to assist the borrower repay his or her loan, and if necessary, may recommend that the participant access the emergency fund. In 1998,

five of the twelve groups in place used their emergency funds. Of these three of the funds have been paid back and two of the funds have been depleted.

#### Lending record

StartUp's record of assistance indicates that since the program's inception in 1994, a total of \$107,800 has been lent out. The number of dollars dispersed per year has increased from approximately \$7,000 in 1995, to \$54,100 in 1998. Projections for 1999 are for total loan dispersal of over \$80,000. In 1998, 12 new peer assisted lending circles were formed, and 29 loans were taken out. The average loan size has been \$1,713.55. As of early 1999, 34% of participants have taken out a second loan. Loans are usually for a period of two years, however the average loan repayment is 21 months. As of December 1998, the total number of loans outstanding was \$ 53,783.65, and approximately \$2,863.55 is being repaid every month (r).

If a participant misses three payments (90 days) the loan is considered to be in default. Since the program's inception, there have been 9 loans in default (three missed payments), 4 of which occurred in 1998. The loan fund repayment rate currently stands at 96.1%, down somewhat from its earlier repayment rate of 98.3%. The loan fund manager views the drop represents a positive development, in that it indicates a willingness to take more "risks" on people. From 1995 to 1998, 61 businesses were established. Of these, 46 are still in business, and 18 have hired employees (s).

## Chapter V. Research findings

This chapter presents an analysis of the research data collected. The case study protocol helped guide data analysis by focusing my inquiry on: (a) the perspectives and experiences of the clients of the lending program, and the barriers to microenterprise development they face; and (b) how the program helps them to overcome these barriers. In essence, the protocol helped to keep me on track in regard to the questions that were asked and the responses to these questions, and the themes and areas of agreement and disagreement that emerged from this questioning. This in turn helped me to address the key question underlying this study: how the StartUp program supports borrowers in their efforts to establish or maintain a microenterprise.

The first section of this chapter provides insight on the borrowers interviewed, including their perspectives, views and thoughts on becoming self-employed and their experiences in taking steps toward this. The purpose of this section is to tell the stories of the borrowers from their own particular standpoint in order to develop a richer understanding of the challenges they face as fledgling entrepreneurs.

In the second section, the participant's experiences and perspectives are viewed through the lens of structural social work theory. Structural social work theory (a theoretical approach derived from critical theory) takes the view that economic and political forces have resulted in differential access to power and access to opportunities. It argues that certain groups have been systematically excluded from power and access to information needed for economic participation within society. This includes groups defined by age, colour, gender, and sexuality. Rather than categorizing and blaming the participants for their situation, structural theory argues that systematic barriers limit certain group's abilities to create change (Carniol, 1992).

Structural social work concepts provide a window for interpreting the stories and experiences of the clients of the StartUp program by helping to illuminate the challenges faced by low-income and economically marginalized individuals, and by addressing the social and economic empowerment potential of microenterprise. This theoretical approach is particularly useful in interpreting how the StartUp program seeks to equalize power relations and to demystify the processes and actions that lead to greater personal control and empowerment.

The process of analyzing the data in this section did not focus solely on the experiences of the borrowers. Rather, the research aimed to understand how the program as a whole supports its clientele, and this required looking at the program from a number of different angles, including staff perspectives on how and why the program works, and analysis of documents. Thus, a more comprehensive understanding of how the program supports borrowers can be developed.

## **Section I.**

### Participant perspectives

The participants interviewed for this study had all experienced economic hardship in one form or another. Two of the participants I interviewed have health problems that have interfered with their participation in the workforce. During the time they participated in the StartUp program, one relied on social assistance payments to cover her cost of living. The other had exhausted her employment insurance benefits and was living off the earnings of a part-time job, having been obliged to give up her full-time work due to health reasons. She relied on her part time job

earnings, along with her husband's income, to support her and her children while she participated in the StartUp program.

Another two participants had experienced difficulty maintaining steady work. One woman had been laid off several times from her place of employment. When she started the program she was on unemployment insurance, but later she was rehired by her place of employment and was working while she participated in the program. Her credit rating was affected by a previous bankruptcy. The other individual had difficulty finding full-time, adequately paid employment in his field. He had worked for several employers but at the time of his participation in the program he was relying on his wife's income to cover the bills.

One of the women interviewed had been employed prior to joining the program, but had found her job kept her away from home and her family too much. She went back to school to upgrade her education and learn a new occupation, but shortly afterward she found out she was pregnant. At this point she decided that working at home would best meet her needs. A previous bankruptcy prevented her from taking out a bank loan to start up a business. During the time she participated in the program she relied on her husband's income to support her and her children.

The two remaining participants had been previously self-employed but had business problems that forced them into bankruptcy. They joined the StartUp program because their credit records precluded them from obtaining a loan from a conventional financial institution.

Of the participants interviewed, five were starting up a business for the first time, and the remaining two had previously run a business. Of the first time business owners, one participant ran a landscaping company, one provided specialized computer services, and another provided

recreational therapy in the homes of clients. Another first time business owner was a potter, and one worked with textiles in a home-based sewing business. The two individuals who had been in business before were restarting businesses similar to the ones they had previously had operated. One was involved in interior/cabinet finishing and the other was a convenience foods distributor.

Two of the participants interviewed belonged to the same peer lending group. This group had completed their business plans and their loans were approved a week prior to my visit to the program. The remaining participants were in separate groups and were in various stages of repaying their loans. All but one of the participants interviewed were paying back their first loan of \$2000. The remaining participant had successfully paid back his first loan and had recently received his second loan for \$3000.

The diversity of the participants is not surprising and is consistent with the literature on microcredit lending, which tells us that microentrepreneurs of all income levels need and seek services from lending agencies (Edgcomb et al, 1996). On the whole, all of the participants could be described as working class people who could not get credit or borrow money elsewhere, but were eager to re-establish economic self-reliance through their own small business. Yet they faced formidable barriers in doing so.

Money, or lack of it, was cited as the biggest problem that the participants faced. As noted in the review of the literature, banks and other financial institutions do a poor job of serving low-income individuals, the unemployed, or people with previous poor credit records. Indeed, a recent National Council of Welfare report questions the extent to which financial institutions are willing to meet the needs of all the people they are chartered to serve, as opposed to only the most profitable ones. For example, the report cites a recent study that found that banks have been

closing branches in poor neighbourhoods of larger cities and in small rural communities for the last twenty years or so. Another study cited in the same report showed that 10.4% of Canadians (not including those living in Quebec) with incomes of under \$25,000 do not have bank accounts. The report goes on to state that while there is little solid evidence that banks, trust companies and credit unions do not provide loans and credit to low-income individuals, anecdotal evidence suggests that banks do not go out of their way to help this sector of their clientele (1998). The experience of the borrowers interviewed certainly supports this finding. According to one respondent:

*If you understand the banks, the way they operate, they won't lend you money unless there is income coming in. And unfortunately, for a lot of us that want to start our own business, if we were all working and decided to start our own business it would be fine. But most of us are, let's say, in the scenario where we are between jobs, and that's what kind of motivated us to start our own business, so you don't have any income. And banks won't loan on the premise that you don't have any income. If you don't have sufficient income to qualify for a loan, they are not going to touch you with a ten-foot pole (2).*

A lack of adequate collateral and previous bankruptcies were also cited by study participants as reasons for being turned down for loans. While there is an understandable need for financial institutions to practice due diligence when administering loans, evidence suggests that this has gone too far, with the result being lost jobs, further bankruptcies, and increased unemployment and welfare costs (Perry and Lewis, 1994). The comments of the participants interviewed suggest that they are getting short shrift in their dealings with banks. Speaking of his experience of bankruptcy caused by his inability to collect accounts owed to him, one borrower stated:

*They (the banks) are overlooking a lot of good people out there, sure you hit the dust once in a while, but everybody, sooner or later will...and some of us can pick ourselves back up, we just need help to do that (6).*

The borrowers also expressed a frustration of not being able to shed the stigma of being considered a "bad risk". As one woman who had previously declared bankruptcy put it: *"being a women and getting a loan for under 10,000 dollars, they (the banks) just look at you funny" (7).*

Another women who had experienced a bankruptcy explained:

*I just felt like, you know, I have to prove myself. I have to wait these seven years now, and that's all I can do. And like I was a single parent raising two sons, and just working at jobs and getting laid off...I got laid off twice in my field. You know, and I, even my kids, went to live with their father, because I could not afford to keep them (5).*

Unemployment and the pressures of irregular employment are known to produce enormous social and personal distress. The stress is exacerbated by the reduction in social programs to assist people who are experiencing economic difficulties. A recent study by the Canadian Labour Congress found that shrinking eligibility criteria for Employment Insurance benefits resulted in a record low number of jobless Canadians collecting employment insurance benefits in 1997. The percentage of unemployed covered by E.I. benefits fell to 36% - less than half of what it was in 1989 (McCarthy, 1999). And as the experience of one borrower suggests, even those who are eligible for benefits may find that the assistance they receive is inadequate:

*I had been ill, and then an injury on top of a hereditary problem. Nobody wanted to deal with that. I couldn't retrain when I was on unemployment because I wasn't healthy enough to do it and then when*

*I was off UI nobody wanted to know me because I was off their books (3).*

I asked this respondent to tell me more about this and she added:

*Well, you don't exist, because you are not on their books. They are worried about the stats. The stats are if you're unemployed, they want to get you employed, but if you are off their books, and I wasn't the magic age of 45. If I was 45 I could have gone back for retraining and they would have paid for everything...And I had a three year old but that didn't matter. So once you are off their books, you know, forget it (3).*

It is disturbing that on top of already difficult circumstances, both the men and women interviewed related stories that reflect a sense that as individuals, they were not being taken seriously, and in some cases were being rebuffed, by the very people, organizations and institutions that by definition should have supported them. This included business support and employment agencies, financial institutions, employers, and at times even their own friends and family. One woman described her experience of seeking help from an agency meant to assist entrepreneurs in establishing a business:

*I went to (a business development agency) and put forward my proposal of what I would like to do and where I could get help in going about doing this, and the remark that I got was why don't you sell Tupperware? And its like, if I wanted to sell Tupperware, I know where to go to get into this business. I wouldn't have wasted my time or your time for you to tell me that (4).*

Participants were put into a position where they felt they had to defend themselves: *"A lot of times its hard working people out there that you know, get bumped off the system somewhere and they run into problems and people do, good people do that"* (6). Another participant who was frustrated by the lack of options available to him commented:

*I've had a rough time in the last two years to place myself...in other words, seven different jobs in the last two years. So I decided that if they don't want me to help them, I'm going to help myself, so I'm going to start my own business in an area I know* (2).

Access to appropriate information is also a critical part of start up businesses (Perry and Lewis, 1994). Yet, locating these resources proved to be another challenge for many of the participants interviewed. *"When you are starting out, you have no resources to tap in terms of information"*(2) stated one participant. Half of the participants interviewed attended courses in entrepreneurship prior to seeking assistance from StartUp. These courses include those sponsored by Employment Insurance, as well as privately run programs of local community agencies. However, participants found these courses to be insufficient because they did not address the problem of access to credit, and/or they did not offer the type of help or support that they needed: *"they (the instructors) are just getting paid for this, they don't really care"*(3) stated one borrower. Another women who found that the course she was in was directed toward people at a different level of learning:

*Before I went to StartUp I started a new course and everything was over my head. You know these were people who were big professionals and they left it (their jobs). They had clients they could take with them. They weren't coming from the bottom, if you understand what I mean* (4).

Of the participants interviewed, the women were most likely to cite "psychological" barriers as a deterrent to starting up a microenterprise. *"When you've been unemployed...your self-confidence isn't quite up to par"*(3), stated one borrower. *"I wasn't sure if I could do it, if I had it in me"* (5) stated another woman. Fear of the unknown, insecurities, and competing against others were other barriers cited by participants. Another borrower stated: *"I was worried about competing against other potters, the confidence level, whether or not you can do it or not"*(7). Another woman who was lost her job due to problems with her health also described her concerns of not being able succeed. I asked her what barriers she felt she faced and she responded: *"Fear, fear of the unknown... Lack of, I would really say lack of confidence within myself"* (4).

The women's feelings of self-doubt reflect strongly held social constructions of women's roles in society. According to Brush (1997), the socialization experiences of women and men result in different self-perceptions, motivations and belief structures. For example, men are socialized to be competitive and masterful - the "breadwinners". Women, on the other hand, are encouraged to be nurturing, relational and subordinate. Women's skills and abilities as wage earners are generally devalued. Having and raising children may also reduce opportunities for women to develop wider social networks (Elster, 1988), which in turn may reduce the self-confidence and personal contacts needed to embark in self-employment. Furthermore, despite evidence suggesting that women entrepreneurs are as successful, or more successful than male entrepreneurs, women continue to face a lack of credibility from the outside world. Brush (1997) notes that women are forced to work harder to overcome "perceptions that women-owned businesses are less successful, capable, credit worthy and innovative"(p.9). This lack of credibility is reflected in the words of one of the women interviewed, who described her friend's reactions when she told them she wanted to start her own business:

*And as I say, talking to friends and its like: why would you want to do something like that? Do you know how many hours you have to put in? You know, its like there wasn't even a speck of say, well, go for it. And you know, when you are alone, you talk to people to get support. And if you are getting negative support, you really start to think 'why do I want to do this?' (4).*

The opportunity costs of self-employment may also be higher for women. For example, the responsibility for childcare and other domestic services continues to fall primarily on women, which means that women have taken the responsibility for locating, scheduling, and paying for childcare, and for attending to household duties. These responsibilities may act as a deterrent to women considering self-employment as an option. According to Pateman (1988), this situation has not been adequately addressed by the welfare state, which exacerbates the dependency of women by restricting their options. Teeple (1995) argues that the provision of state-subsidized child-care and other services is typically so limited that it hinders women from considering anything other than low paid jobs and life on social security.

Despite these barriers, both the male and female respondents were determined to establish their own business. Balkin (1990) notes that business ownership has traditionally been used strategically in two ways: to advance one's career path, and as a survival mechanism by being the employer of last resort. Consistent with the second reason, several of the participants noted that circumstances left them feeling they had few other options for employment, or that self-employment was the "*only option*" (2,3) for them. However, for many, the decision to become self-employed had more meaning than just a survival tactic to create an income. The desire to obtain work that fit their lifestyle and interests, and that reflected personal values were also cited

as reasons for choosing small business ownership. In the words of one borrower, self-employment was viewed as a way of becoming "*a contributing member of society again*"(3).

Extending affordable credit to these participants was a significant factor in small business ownership. According to one borrower, access to credit "*made the difference between having a job and not having a job*". When asked to tell more, he summed up by saying:

*Well it gives you the very small but solid building block on the very bottom. Where as if you don't have that, you just can't get any foothold to go up from there. And if you do get a building block that you can stand on, and you can get a start, you really appreciate it because then you start to, you know, start doing some good work. And most people that are in business here they have something they are very excited about, and are willing to put in a lot effort. And I think that is sometimes lost in the shuffle with our system (6).*

## Section II.

To a great extent the participant's stories mirror the experiences documented in microcredit and community economic development literature. An increasing number of people face reduced opportunities for employment brought on by changing economic conditions. Attempts to re-enter the work force through self-employment are often met with frustration due to the lack of adequate resources and supports to assist people into business.

Being unemployed or underemployed is made particularly difficult by the emphasis our society puts on individual self-reliance. Carniol (1995) notes that a central tenet of societal status quo is the belief that each individual has both the responsibility and the opportunity to "make it". Pateman (1988) states that society's recognition of an individual as a citizen of equal worth to other citizens is closely linked to whether or not that individual is self-supporting. Indeed, Pateman (1988) goes as far as to say that employment is the "key" to citizenship - a statement that reflects deeply ingrained beliefs of the relationship between one's work and a person's worth in society. Wharf-Higgins (1997) notes that individuals who are not self-supporting are stigmatized in society and perceive themselves as unequal and unaccepted. These perceptions are made worse by the pervasive view of the unemployed and underemployed as individual failures, or as a sign of defects in the operation of the system, but not a sign of problems with the system itself (Midgley, 1996).

In contrast to this, concern about growing unemployment and poverty has drawn attention to the ways in which unfettered global economic restructuring has resulted in increasing economic inequality and long term, structural unemployment (Fairbairn et al, 1991; Nozick, 1994; Teeple, 1995; Mendell and Evoy, 1993; Kymlicka and Norman, 1994; Korten, 1995; Desai, 1996).

Recognition of the extensive effects of underlying, oppressive structures prompted Moreau (1979) to argue against dichotomizing people and situations. Rather, he states that attention should be focused toward the relationship between a person and their specific social, political and economic situation. Following this argument, in order to answer the research question which guides this study - how the StartUp program supports its clients - the analysis must consider how the program addresses the underlying factors which lead to economic inequality, including access to resources, opportunities and information. For this reason, structural social work theory is used to guide the analysis.

According to Moreau (1979), a structural approach is concerned with the ways in which the rich and powerful in society define and constrain the poor and the less powerful: "Of paramount concern are the injustices of the economic inequality endemic to society and its related requisite ideology" (p.78). Moreau (1979) and Carniol (1992) argue that Canadian society is presided over by white, affluent males who exercise control from above and shield the system from basic critiques. Thus the conventional social work response to social problems has been to psychologize problems and to encourage clients to adapt or adjust to oppressive structures and relations. Bureaucratic professionalism is used to create social distancing between clients and workers, and to increase worker power over clients. Personal change is limited adjustments that are congruent with dominant patterns of social relations, and the client is portrayed as primarily responsible for problems and solutions (Carniol, 1992; Moreau, 1979).

In contrast, structural theory seeks to develop alliances with the powerless in order to challenge the system. It does this by calling for a fuller conceptualization of social problems and a reformulation of objectives. The central concern of a structural approach is to get to the root of social and personal problems through personal empowerment and political change.

In the following section the StartUp program is analyzed in terms of the structural social work concepts developed by Moreau and described in Carniol (1992) *Structural Social Work: Maurice Moreau's Challenge to Social Work Practice*. These concepts, or elements of a structural social work approach, represent a way of thinking or acting in regards to social work practice, and help to relate StartUp to the larger social context. They include defense of the client, client-worker power, personal change and political change. Each of these concepts are briefly described and then used to assist in the analysis of the StartUp program.

#### Defense of the client

Defense of the client refers to responding to participant's need for resources. Structural intervention puts a client's need for resources as the first priority. This stems from the view that most problems are the result of the maldistribution of wealth and power, and this maldistribution can be changed. The basic premise of microenterprise lending meshes well with this priority, in that its main purpose is to provide access to credit. StartUp "comes to the defense" of program participants by extending credit to individuals who would be turned down by conventional lending institutions. This credit is then used as a means to generate further income.

Indeed, as described in the previous section, the participant's identified lack of access to financial resources as one of the biggest barriers that they face as entrepreneurs. Like other microenterprise lending initiatives, StartUp's approach to dealing with this concern differs from conventional banking approaches. The StartUp program accepts clients for the very reasons banks would turn them down, including for example, lack of income, lack of collateral, and lack of business experience. Like other microenterprise programs, StartUp prefers to let people "self-select".

According to the loan fund manager, StartUp accepts all applicants as long as they are not in active bankruptcy, have a business idea and the business is not multilevel marketing. Over and above these criteria, selection of individuals is based primarily on the person and the initiative they show, rather than their bank account balances. In doing so, StartUp rejects the notion of a client as an "unsuitable risks" and instead focuses on their individual strengths, skills, ideas, and knowledge. Interestingly, Edgcomb, et al (1996) note that the word credit is derived from the word credo, which means "to believe". This is consistent with StartUp's focus on the potential of participants, rather than their problems and needs.

Having said that, in recent months the demand for loans has outstripped the availability of funds. Based on StartUp's estimations, for every dollar that is loaned out, \$1.40 in potential loans is turned down. Because of this the StartUp program has had to screen out some applicants. For example, someone who owns a home, or whose income is "higher" may not be accepted into the program on the basis that they have other options (such as leveraging their assets) to finance a business start-up. This lending focus ensures that loans go to only the very low income. However, it may also have the effect of screening out individuals who are "on the edge". A participant who had been accepted into the program prior to the tightening of the criteria noted:

*There's other ways to get money, for instance, if you have equity in your home - if you own a home - you can always go and ...put a second mortgage on it. I've done that before and I refuse to get involved with that again. It just puts so much pressure on you, and the fact is that the end result is if it fails, you've lost your home. That's not what I would call, an 'acceptable' risk (2).*

The limit on the number of clients accepted into the program is a reflection of the funding demands faced by community organizations. MCC, like other non-profits, is faced with the on-

going challenge of securing dollars to finance its programs and activities. In early stages of program, StartUp was limited to lending out no more than \$30,000 at one time, an amount equal to the number of dollars held in its loan security fund. In short, loans were 100 % guaranteed by the loan security fund. By early 1999, fundraising increased the loan security fund to over \$120,000. Furthermore, StartUp's success at guaranteeing loans enabled the program to negotiate an agreement with the credit union it deals with to increase the ratio of dollars dispersed versus holdings in its loan security fund to up to a three-to-one ratio. These changes have enabled StartUp to increase the amount of loan guarantees it can issue. Nonetheless, StartUp still faces limits to the amount of credit it can extend at one time, and these limits are lower than the demand for loans.

In 1998 there were 923 inquiries into the program. StartUp defines inquiries as people who want more information on the program but may or may not apply to the program. During this phase, applicants are advised of the criteria for application described above. According to the loan fund manager, the most commonly offered reasons for not joining the program include the small amount of the first loan, and the length of time between application and loan dispersal (about two and a half months). The number of applicants into the program in 1998 was 93, all of whom were accepted. However, many of these people dropped out of the program due to personal problems, the availability of alternative services, personality conflicts, etc. Thus a total of 28 participants received loans in 1998.

As described in chapter IV, individuals who have no previous experience in running their own business must take a thirteen week program on business development prior to joining a peer group. Those with prior business experience may proceed directing into a group. Meetings are held several times a year that enable interested participants to meet each other and form groups.

Once in a group the process varies depending on the group members and their particular needs.

One of the peer group participants interviewed described the process as follows:

*I started in January of 1998. It turned out we were supposed to have a group of five, but one woman had family commitments, and had to drop out.*

*Basically what we did is we started working through the peer lending group booklet that MCC gave us. We worked through the things we would do during these meetings. Basically it would give us a bit of help on each section of our business plan. And then as a group we would go over each person's achievements between the meetings. And if they needed help of course we would try to support them with ideas, or maybe a different way of seeing it or doing it. And after we finished our nine meetings, actually half way through, we handed in half our business plan, and then someone from the staff would review that, to make sure we were on track. And then at the end, the peer lending group, we would then go over each person's business plan that's in our group, and see where it had its pluses, or maybe brush up on some of the things we might have forgotten. Because when you are doing a business plan, you sort of have tunnel vision*

*You put down the things you think should be in there. And you know your business plan so well, and you're sure everyone else in the world understands something that could mean nothing to anyone else because it could be too technical, or you are speaking the language of whatever it is you're doing. So it is really good to have the peer group there helping steer you. You know to make sure the average person, or say a banker could comprehend what it is you are trying to tell them. And then when we were finished looking at each other's business plan, and we also had a checklist that MCC gave us, and that helped out a lot, to make sure we had everything we would possibly need in that business plan. Then we would sign a form, each of us, for the other person in the peer lending group stating that we felt that their business plan was ready, to be accepted and looked at by (the staff review).*

*And when we got that done, we did it in stages, there were some of us that were done a few weeks earlier than others, then it went to MCC, and went through their plans. The other thing I noticed was that when we are at MCC for our meetings, then the staff was there to be called on, or would pop in to see if we had any problems. Like one time we didn't know about the GST refunds, so (staff) came in and helped us with that. Different little things like that that we just weren't sure of when we were doing our business plan. I think that's about it, except that we can drop in or see different people on the staff when we need to. I think that the reason the course was so helpful was that you got to find out each person's expertise, and you know who you can go to (3).*

In the case of this borrower, this entire process took eleven weeks. The group meet weekly to complete the nine exercises in the handbook, but two classes were cancelled due to scheduling conflicts.

Once the loans have been approved by the peer group participants, staff review and external loan review committee, participants meet to sign a borrower's warrant and loan agreement. Loans are dispersed incrementally in amounts starting with \$2000 for new businesses, and \$3000 for existing businesses. Edgcomb et al (1996) note that small loans dispersed incrementally is a consistent feature amongst lending organizations, and reflects "a commitment to providing clients with opportunities to develop incrementally with risks increasing as skill, confidence and experience are developed" (p. 12). When asked about the process of getting a loan, one participant remarked:

*Its like your first job interview. Once you've done a couple, you know how to, gaining confidence is what you are doing, paying back one or two thousand dollars isn't as hard as paying back ten thousand, and*

*its easier to come up with a hundred dollars a month, than say, four or five...So I think this gives you the baby steps, the stepping stones, so when you do need a bigger amount of money you can go the traditional route (7).*

Surprisingly, the literature does not address the relatively small dollar amount of the loans. Is, for example, two thousand dollars a realistic amount to start up a business? This question seems particularly pertinent in light of recent arguments that microcredit programs do not do enough to prepare participants for entrepreneurship. It also brings to light another challenge faced by microlending initiatives such as StartUp: How to help the greatest number of people given the limited dollars available. The loan fund manager acknowledged that the size of loans can be a deterrent: *"I think a lot of our businesses are undercapitalized. We give out small amounts of money because we try to do it for a lot of people"*(8). However, typically borrowers suggested that the loan size was enough: *"just the right amount for me to get going"* (2) according to one participant. Furthermore, StartUp tries to compensate the lower loan amounts by providing program participants with training support, and inexpensive access to business services such as faxing, computers, mailboxes, etc. to lower the costs of business for the program participants. Thus, on the whole, the size of the loans appeared to be adequate for the needs of the participants:

*Going the conventional route there's just no way. You go to the banks, everyone wants to lend you more than ten, twenty thousand and I don't need that much capital, and I don't want that kind of debt load. Micro loans are perfect for the kind of business that I am doing right now (7).*

At the very least the loans seemed to provide enough capital for participants to purchase the basic supplies to get the business off the ground:

*It helps a lot, you know. I have the tools now that I can go and take an order. I'm still very limited - that's why I went for my second loan...you can only buy so many things with \$2000, but its better than not having anything to work with. And the second or third loan will probably get a person into a very independent business (6).*

Balkin (1993) states that a central criterion for a poverty alleviation or economic development institution is whether it has increased client's incomes above what would have occurred otherwise. This certainly would seem to be a fundamental measure of success for StartUp and other microcredit initiatives like it. A U.S. study of seven microcredit programs found that 62 percent of poor participants increased their incomes over a three year period (Clark and Kays, 1995). Unfortunately, a similar evaluation of the StartUp has not been completed at this point. However, program records indicate that since 1995, 61 businesses have been started up, and of those, 46 are still in business. While more information is needed, the figures do suggest that the program has had some success at assisting participants start and maintain a business.

Once the participant's loan has been paid off, they are eligible to apply for another, with each loan increasing by \$1000 to a maximum of \$5000. By this time, if they have been successful in paying back their loans they should be able to go to a conventional financial institution and obtain a loan. However according to the loan fund manager, this is not always the case:

*It is our whole aim to get people to develop a banking relationship that would help them later on. But we have a lot of people who come back to us because the bank still won't touch them. It's the reality of the banking system right now (8).*

The fund manager's comment draws attention to the limits of microcredit within the current banking environment. If successful repayment of loans fails to result in an improved credit rating and greater access to credit from conventional lending institutions, participants may in the end find they are no further ahead than when they started the program. This suggests that if microcredit programs like StartUp are in fact going to come to the "defense" of clients, they must enlarge their activities beyond extending credit to include advocating for more resources for program participants.

### Sharing power

Carniol uses client-worker power to describe the exchange between the helping professional and the client. Numerous researchers and scholars have pointed out that services to assist the economically disadvantaged are largely provided through bureaucratic state organizations that are designed to uphold the status quo (McKnight, 1987; Midgley, 1996; Carniol, 1992; Raheim, 1996). In these cases, specific interventions are applied by trained professionals (often social workers) who manage client information, planning and intervention decisions, and administer remedial services. Carniol and Moreau (1979) liken this to a paternalistic, medical model approach whereby the professional is the expert and client is placed in a passive or dependant position and expected to follow prescribed solutions. Thus rather than being advocates for social reform, it has been argued that social workers have in fact become part of the problem (Wharf, 1990).

Muhammad Yunus, founder of the Grameen Bank, offers further criticism of conventional "helping" approaches to social and economic development. He argues that when problems are theorized and illustrated by sophisticated explanatory models, they are taken out of the

comprehension of the people. By taking something from the comprehension of an individual, that person is not useful in any way in solving the problem. The end result is a feeling of powerlessness to confront issues, and the sense of pessimism and hopelessness to create change (1987). By way of contrast, the approach of the StartUp program is change this process by engaging clients in actions that support economic self-determination.

The notion of sharing power is of particular importance given the borrower's experiences of seeking assistance from conventional lending institutions and business start up programs, as described in Section I. The assistance they received from these programs reinforced their subordinate position by focusing on their shortcoming – i.e. lack of money and lack of experience – as reasons to refuse credit and to discount their attempts to establish a small business enterprise. Participants described how they felt they were devalued as citizens by lending organizations and business programs that labelled them as bad risks, and failed to take them or their ideas seriously.

By way of contrast, rather than perpetuating a view of a client as a list of deficits and needs, the StartUp program focuses on the strengths and capacities of the individual, and promotes mutual dialogue rather than top down interaction. Similar to the model of peer lending pioneered by the Grameen Bank, clients are "brought inside" the organizational structure by making them active participants in business development, information sharing and loan decision making. Specific knowledge that can enhance business success, such as business plan development and legal processes, are "demystified" in training sessions designed to enhance client skill levels. Staff do not choose business ideas for participants but rather support participants in formulating their own ideas. Clients become the "experts" by providing advice and support to other group members. Control over decisions on group membership, eligibility for loans, and conditions attached to loan dispersal are given to the group.

The benefits of peer group style informal helping are well documented. Peer groups build on the strengths and common experiences of members, and there is an emphasis on democracy, and cooperation in decision making. According to Cossom (1995) "members feel cared about and wanted, and realize that there are others very much like themselves who share a problem, concern, or disability" (p.434). According to proponents of microenterprise lending, the process of developing and assisting others in the development of business plans builds confidence which in turn can have a transformative effect on the way individuals view themselves and how they engage in the world (Balkin, 1993; Edgcomb et al. 1996). The empowering effects of group interaction are also referred to by Moreau (1979) who writes that if clients are to protect their rights and interests, then individual work has to give way to work with groups: "This means bringing together as soon as possible clients in a similar situation to enable them to share the links they perceive between the common contradictions they commonly experience" (p. 87).

This is the theory behind the use of peer groups in microenterprise lending. In this study, the benefits of the peer groups were less clearly articulated by the male participants than the women. For example, when I asked one man for his thoughts on the peer group process, he stated: "*It works, nothing is perfect, but it does work. I don't know if it has the kind of benefit that people think it does*" (1). This particular participant's comments may have been influenced by the fact that he had already been in business for some years previous, and was going through the StartUp program primarily to get a loan: "*I've been in business for twelve, fifteen years and I'm not compatible with someone who is starting a business for the first time. You know, they don't understand the thinking*" (1). Another male borrower commented that while the peer group process prior to loan dispersal went fine, he would have preferred "*more of a coherent grouping of people*" (2). This particular participant noted that it can be very stressful working in groups:

"you have different personalities coming into play"(2). Furthermore, he felt the monthly meetings after the loans were dispersed to be "*more of a hindrance than an asset*" (2) because of the time required to attend the meetings.

The participant's comments reflect the challenges involved in bringing together a diverse group of people and in a relatively short period of time expecting them to learn to work together effectively and build trust. Peer group lending offers a format for democratic decision making, and requires members to participate, resolve contentious issues and accommodate diversity. It also requires group members to commit a considerable amount of time both during and after loan dispersal. These requirements may act as deterrents to some individuals, particularly those who are not accustomed to working with others in a group setting.

The experience of other microenterprise lending organizations suggest that among the different types of lending circles, women's groups seem to work best, followed by mixed groups, and then men-only groups (Alderson and Conn, 1995). Although this study did not attempt to determine whether a similar conclusion could be made, the three women interviewed who were in woman-only groups all reported very positive experiences: "*We have become friends so it's kind of nice to talk over coffee, and there's not the big pressure of a stranger being in our midst, and we can talk openly*" (3). Another found that the groups were helpful in that they were able to address issues that are specific to women: "*I found it very helpful, the support, to me. Especially with women, women's issues. There were a lot of issues in starting a business for women that are different for men*" (5). This same participant noted that as a result of this process the group had become "*very close*" (5). The third woman noted: "*We have become friends, as well as group members. We are able to talk to each other about anything, which is really helpful...We are all at the same stage so we understand what each other is going through*" (4).

In contrast, the only women interviewed who belonged to a mixed group noted that the peer group process was "*a bit challenging*", and noted "*I was facilitating (the group process) more than doing the work*"(7). Certainly individual differences in personality and motivations will influence how a participant experiences the process. Furthermore, individuals who join the program primarily to access credit, or who already have business development experience may find the process of attending meetings and of group work less beneficial than those also looking for entrepreneurial and social support.

In response to the challenges of working in groups, StartUp has adapted its training to include group dynamics, communication skills and conflict resolution as part of the initial peer group orientation process. These sessions are designed to provide an introduction to skills that can assist in effective group interaction. However, the loan fund manager acknowledges that simply providing these tools does not mean people will be able to, or will choose to use them. Yet, despite the challenges associated with group work, even those who experienced difficulty with the process identified positive aspects to it as well. One of the men interviewed noted:

*The main benefit for me was the fact that I kind of realized that working with people was not as easy as it seems. It's actually very interesting to be with people from different backgrounds, different goals in other words, and different business ideas. At the same time I think that the biggest benefit for me was the fact that I kind of learned to be a little bit more flexible dealing with other people's situations. So it made me a little bit more tolerant for the things around me...I learned to be a little bit more patient and understanding, more human I guess (2).*

Indeed, on the whole, both male and female participants interviewed expressed support for the peer group process. As one male participant noted: "*The only way to achieve anything, in my mind, is to be associated with other people in the same position as you are and to help each other...without a group, you are really kind of on your own again*" (6). Consistent with the purported benefits of informal helping, another borrower remarked: "*These are people who have been in the same situation, not some, um, what is it called, professionals that talk above you, but people who have gone through the same difficulties that you are going through*" (4). The participants talked about how group members had become friends, and "*personal supporters*" (6).

The value of support networks to the fledgling entrepreneurs is also suggested by the fact that several of the borrowers interviewed noted that their group had members who were able to get loans elsewhere but still came to the group for support:

*There was one woman in our group who didn't want a loan. She came for the actual support. She's a single mother, and she just wanted the support of x number of people to bounce things off of, and get some ideas and that sort of thing. So I think that's where the peer lending group is superior to just going to a bank, and taking out a loan, because you know, you can do that* (3).

While peer group participants largely determine their own needs and maintain control over group membership and activities, this does not mean that staff have little involvement with the peer groups. Consistent with the philosophy of peer lending, program staff are there to monitor and facilitate group process, as well as to provide training and assistance when needed. The loan fund manager has the greatest degree of interaction with program participants, followed by the

marketing assistant, and volunteers who deliver many of the training components of the program. Based on the loan fund manager's job description, this person's duties include educating prospective clients on the peer lending process, screening clients for program participation, forming and monitoring peer lending groups, assisting groups in problem solving and working with peer groups in regards to payments (q). The loan fund manager is also available to monitor and facilitate the group process when groups are experiencing problems and would like to have a staff person on hand to sit in on a meeting. Furthermore, the loan fund manager structures training sessions in response to needs that arise from the groups and/or from individual participants. Impromptu sessions on GST tax refunds or tax laws are an example of the type of training sessions that have been provided.

On top of these duties, the loan fund manager has specific targets to meet in terms of the formation of peer groups, and number of loans in default. Despite pressure to meet these targets, the loan fund manager states that an important part of his job is recognizing that self-employment is not right for everyone:

*Despite that I have outcomes...not everyone is meant for self-employment. And I understand that a lot of people are feeling really desperate. We have people, for example, who walk right from social services to our office...so part of my job is trying to talk people out of it (8).*

The individuals interviewed described the staff as being supportive and helpful: *"you can come in anytime and talk to any of the staff members there, they are willing to help you...just being there to listen to you"* (4) noted one participant. *"We are more on a one on one level where you are not just a number"* (7). This same participant related a story of her experience dealing with the loan

fund manager when she had been working very long days trying to get orders completed and a piece of equipment she depended on broke down:

*I was devastated. It was a three thousand dollar piece of equipment and I had no where else to go. And so I called (the loans facilitator) and said "I need to talk to you!"... He suggested that I call my customers and tell them what happened. So instead of giving up I kept on plugging along... Just having that, "this is minor, this is a minor problem, we can deal with it". Just having someone there really helps (7).*

The sense that clients felt staff was there for them was also reflected in the fact that they did not feel their relationship was cut off once they had received their loan: *"I still have the ongoing support of these people, and that's important. They weren't just there for a short period of time and then they were gone"* (5). This is a notable contrast from another borrower's earlier statement that follow-up support was denied to them because they were no longer on the organization's books.

Moreau (1979) writes that one of the goals of a structural approach is to help people critically reflect on their personal/political situation. By organizing people into groups and providing space for the groups to meet, StartUp provides the opportunity for consciousness raising and recognition of common experiences. The program's focus on developing networks of people is also consistent with the literature's identification of social connections as an important aspect of economic and social improvement. However, the research findings are unclear as to whether peer group participation will extend beyond attendance at obligatory meetings to include further group support, action or advocacy work amongst participants. The role of StartUp in supporting actions to this end is discussed later in this paper.

## Sharing control

Carniol (1992) writes that while most social problems are caused by the interlocked, oppressive structures, this does not mean we can blame everything on the system and ignore individual responsibility. Like other microcredit lending organizations, borrowers have obligations to the StartUp program, such as participating in peer group meetings, and paying back their loans. Participants must sign a "borrower's warrant"- a one page form that outlines the conditions of the loan agreement. These include, in short, an agreement to use the loan for the purpose of their business only; acknowledgement of the participant's responsibilities to their fellow peer group members; and acknowledgement of the participant's moral and legal obligation to pay back their loan (1). The benefits of this approach were described by one of the participants:

*I like it because you have to account to other people. You were responsible to do your portion of the group activity. It really made you more responsible. We had to do parts of a business plan, we had to write it, we had to talk about it, but it allowed you to be responsible to get these things done, because human nature - if you don't have a deadline, or even be accountable to other people, you procrastinate (4).*

According to program policy, StartUp has the right to demand full repayment of a loan for failure to meet the conditions of the loan agreement. If a loan falls into arrears, the group members are notified must decide on the best course of action for that particular member. In some cases, the emergency fund is accessed to meet the payments. If the participant continues to fail to repay their loan the loan will be placed in collection, and the borrower's credit rating is negatively affected.

As described earlier, a "pure" peer group lending process based on the model of the Grameen Bank would entail that group members were ultimately responsible for paying back each other's loans should a group member default. The premise is that through participation in the decision making process, group members are given the highest level of responsibility and accountability. However, as previously described, the StartUp program ran into problems with this arrangement. According to the loan fund coordinator, clients experiencing difficulty in loan repayment stopped coming to meetings, and the pressure on the groups to recoup the payments in arrears caused significant stress to the remaining group members. This resulted in changes being made to the program so that participants provide the peer support and mentorship but are not ultimately responsible for each other's loans.

The above noted change resulted in a shift of decision making control from the peer group members to staff review. In other words, staff essentially have the final approval on whether or not a loan is approved. The question therefore arises of whether this structure undermines the empowering characteristics of the StartUp program. In other words, by taking power away from the program participants and giving it back to the staff, is the program at risk of simply becoming an extension of conventional social welfare programs (albeit, this one funded by private dollars)?

Grameen also has a multi-tiered system of decision-making - in fact, the loan approval process at Grameen consists of six steps, from group endorsement to area manager authorization. However, Holcombe (1995) notes that the main decision making takes place at the field level - i.e. by the peer group members:

...those in the lowest level in the field hierarchy are in most cases may play the most significant roles in the decision making process...the area manager, who exercises choice - in that his or her action triggers loan dispersal - is in routine cases performing a pro forma function (p. 128-129).

According to Holcombe, group member involvement in decision making is an integral part of the empowering potential of the program: "Participation represents action, or being part of an action such as the decision making process. Empowerment represents sharing control, the entitlement and the ability to participate, to influence decisions, *as in the allocation of resources*" (1995, p.17, italics mine). Holcombe's definition of empowerment clearly puts emphasis on peer group member's involvement in all aspects of decision making. But is it indeed realistic for StartUp to bring together a group of people who, prior to meeting, have had no contact with each other, and expect them to build trust so that within a 9 week period they will take responsibility for each other's loans (at least within a North American context)?

This approach has in fact worked well for Grameen, where a high level of social cohesion exists (Islam, et al, 1993). Furthermore, Grameen member's obligatory adoption of the "Sixteen Decisions" for improved social practices demonstrates its focus on not only providing credit, but creating what Rahman (1986) refers to as "a new social psychology, a culture and capability of self-reliant economic and social effort" (p.5). The Sixteen Decisions were developed in 1984 by 100 women centre chiefs attending a national conference. The Decisions include issues of family planning, self-sufficiency through growing food, physical exercise, and environmental protection. Prospective group members are tested on their knowledge of the Sixteen Decisions prior to their acceptance as Grameen members (Holcombe, 1995).

By way of comparison, StartUp program participants are not asked to make any such commitment to "social practice". The borrower's warrant signed by all participants before receiving a loan, is perhaps the only thing that comes close to a social contract. In signing it, borrowers agree to work cooperatively with the members of their group, and to strive for group success. Yet, the loan fund manager notes that in light of other personal responsibilities in the home and elsewhere, mandatory group attendance after loan dispersal is not enforced by StartUp. It is up to the groups themselves to decide how they wish to address problems of attendance.

Thus, differences in the social culture and expectations between Bangladesh and North America bring to light the challenges of adapting the Grameen model of peer lending to a North American context. Based on his experience of working with a self-employment project in Chicago, Balkin (1993) makes a related observation:

Villagers in Bangladesh know a great deal about the personal and economic life of their neighbours; they are much less suspicious of outsiders than in the US; ...In Bangladesh, the reduced cost of obtaining information about potential borrowers makes it easier for the target population to be located and circles to form. In contrast, in the US, a great deal of time is spent in search and verification; "checking each other out"(p.251).

The StartUp program participants themselves commented that they believed the staff review was a necessary and beneficial process. Several participants noted that it can be difficult to reject the applications of people with whom you have been working with closely for many weeks: "*You get*

*to know each other through the exercises. That's good and bad, because it becomes more difficult to reject a project when you know someone fairly well"(1). Another noted the benefit of getting an "outside" opinion on one's business idea and plan:*

*They also have a committee that reviews the business plan without you even being there, and they discuss it. And for me that was very important, because it was a group of people from the "normal public". It wasn't like a business group, and that was important to me (4).*

Clearly, there may be positive benefits associated with a multi-tiered loan approval process. Yet at the same time, it does raise questions about whether the original empowering characteristics of the microcredit model are still apparent in the StartUp model. In reviewing other definitions of empowerment, an underlying theme seems to be achieving a sense of control over one's life. Gibson (1991) describes empowerment as "a process of recognizing, promoting and enhancing people's abilities to meet their own needs, solve their own problems, and mobilize the necessary resources in order to feel in control over their own lives" (p. 359). Rappaport (1994) states that empowerment is the process by which people gain mastery over their own lives. Thus, if empowerment has to do with control, it may be that to require group members to be in the position of responsibility for the loans of other group members is in fact disempowering in that it places undue pressure on participants who already, by nature of their involvement in the program, are under economic stress. In sum, while maintaining an empowering focus is essential to the successful implementation of the StartUp program, introducing other ways to support participant involvement in decision making may be more appropriate within a North American context.

## Political change

A political analysis and dialogue are an integral part of a structural approach. A structural perspective asserts that clients and workers must join together to work politically with progressive social movements and community networks (Carniol, 1992; Moreau, 1979). To return to an earlier argument, the problems of economic stagnation and unemployment are not caused by an absence of potential within communities. Rather, they are a symptom of the need for new mechanisms to harness this potential (Perry, 1987; Economic Council of Canada, 1990). The challenge for StartUp is in figuring out how to mobilize this potential beyond the limits of the peer group process.

By assisting program participants in forming groups, confronting problems associated with establishing a business, and providing support to one another, the StartUp program has taken steps toward involving its clients in action to address issues that affect them. But is it enough? Holcombe states that group formation can be seen as a means and/or an end, depending whether they are seen only as a mechanism to receive inputs, or if their mobilization creates the cohesion, trust and solidarity necessary for sustained group action (1995). This argument illuminates one of the major challenges faced by the StartUp program - that is, can StartUp address the root of the problems faced by clients in order to create real structural change?

The Startup program works toward this goal in two key ways. First, MCC attempts to involve participants in guiding the direction of the organization and its programs by involving two of MCC's community of participants as board members. Second, MCC is involved in advocacy work in the larger community in which the program is situated. For example, MCC is involved in the Community Economic Development Council, a Calgary based coalition of groups that meet

regularly for networking and information sharing around community development issues. MCC is also a member of the Canadian Coalition for Community Reinvestment. This group has been involved in advocating on behalf of participants by speaking out against bank mergers.

Nonetheless, these activities are probably too limited to have a significant impact. And as Perry and Lewis (1994) point out, relying on microenterprise alone as a strategy for the alleviation of joblessness partakes in the mistaken perspective that unemployment and poverty is a condition of people who are poor, independent of their communities. They argue that actions must encompass much more if they are to have an affect on the distressed community (1994).

In sum, beyond peer group formation and the two activities described above, there is little indication that the StartUp program itself addresses the social and political context in which the participants live. StartUp's strategic plan, developed in July 1998, indicates a focus on the immediate day-to-day activities of the program, including marketing, improving the services provided by StartUp, and increasing the importance of the program in terms of outcomes and resource allocation delivery. While these are integral to the functioning of the program, these actions do not reflect a commitment to working along side program participants in developing strategies and solutions that support low income entrepreneurs in small business development, or affecting change in lending practices toward low income entrepreneurs. The need for such action is echoed in the words of one program participant. At the end of one interview, I asked a participant if there was anything else that he wanted to say, and he responded:

*Well I'd like to see a group like StartUp...change the banking system. That could use some reviewing, it really could. Because what happens is the people who need the help the most, they get*

*penalized the most. And I can't see that - that's getting a second kick - that's not fair (6).*

## Chapter VI. Observations and conclusions

The research findings show that the StartUp program supports its participants in three key ways. First, it extends credit that is not available or affordable from mainstream lending institutions. It offers this credit in sufficient quantities to start a business, and at the same time, in amounts that are manageable to pay back. The findings indicate that the financial capital offered by the program provides the opportunity for the participants to start a small business when other economic options were eliminated or were not appropriate. While access to credit does not solve all of the problems of the unemployed and the economically marginalized, for those whose needs it does meet, it provides a foothold from which to take action toward generating an income.

Second, the participant's stories suggest that the program provides the basic skills, assistance and supports necessary to develop and establish a business. It does this by "demystifying" the basics of small business ownership - i.e. it assists participants in researching and formulating their business plan, supplies technical assistance, and provides opportunities to build the confidence needed to succeed once the business is up and running. The program also reduces isolation by providing access to both peer and staff supports, and by helping clients build business networks within the community. The benefits of a peer group approach were more often cited by the women interviewed than the men. This may be due to the fact that women face additional barriers to self-employment as compared to men, including for example, a lack of supportive networks and a lack of credibility. The experiences of the women interviewed suggest that the peer group process is particularly helpful in providing women with the support and advice needed to assist them in *overcoming these barriers*.

Third, the program focuses on the potential of its participants by keeping the barriers to program entry minimal, and by respecting the knowledge and skills that participants already possess. Peters (1987) states that empowerment really boils down to taking people seriously. Indeed, a consistent theme in the activities of the program and in the stories of the participants interviewed is that the program treats the participants with respect and takes them, and their business idea, seriously.

The findings bring to light the importance of the peer group process. While peer group participation takes a lot of time, requires certain skills, and can be a stressful experience for some, the benefits of building supportive networks seem to outweigh any negative aspects of involvement. By providing training to improve group interaction (as StartUp has done), it may be possible to overcome the difficulties that are experienced by some program participants. Direct loans to participants who already have significant business experience, or who are applying for a second or subsequent loan may be also appropriate in certain circumstances. However, it is the use of peer groups that set microcredit programs such as StartUp apart from conventional lending institutions. The networking and connections that occur within peer groups are instrumental to creating the extensive social supports and partnerships needed for microcredit initiatives to be the most effective.

In sum, the StartUp program democratizes economic opportunities by extending credit and other resources to those who have been denied access to small business ownership by prevailing social and economic conditions. Consistent with a structural social work perspective, the program supports its participants by going beyond a focus on individual problem solving to include efforts to enhance participation and control over decision making and by addressing the concerns shared by the participants - i.e. lack of access to resources, isolation, and lack of support. In doing so,

the program supports the empowerment of its participants by building on their strengths and abilities, and assisting them in regaining a degree of control over their economic lives.

The research findings also bring to light the challenges faced by the StartUp initiative if it is to be successful in supporting the social and economic empowerment of program participants over the long term. These challenges are as follows:

- An overview of the funding targets set by the supporters of the program indicate that funding objectives focus primarily on the number of people assisted, hours of service provision, loans dispersed, etc. In short, funding focuses on numbers rather than reflecting a vision of advancing the social and economic empowerment of participants. The pressure to meet specific numeral targets may influence the program to focus on the number of people that go through its doors, rather than the quality of their experience and the impact of the program on the participant's lives. The literature on microcredit initiatives suggests that criteria for success of microcredit initiatives should go beyond narrow scope of job creation to include increased skills and confidence, an increased and stable income, a higher quality of life, and the ability to asserts one's rights and affirms one's sense of self (McMurty, 1993; Holcombe, 1995).
  
- The question of whether the size of the loans is appropriate for starting up a business should be explored further. While the findings of this research suggest that the loans provided enough capital for participant's to "get going", more research is needed to determine whether businesses started on this amount of capital generate sufficient income to improve the participant's financial situation over what would have occurred otherwise.

- While the experience of both the participants and of the staff suggest that peer *assisted* lending is more suited to the needs and realities of lending within the context in which the StartUp program operates, the StartUp program should compensate for this modification by introducing other avenues to support participant involvement. Following examples described by McMurty (1993), a loan review committee comprised of community representatives, staff and one member from each of the loan circles could be designated to make decisions over final loan dispersal. This would assure that participants have access to decision making beyond their own peer group circle (1993). StartUp should also increase opportunities for participants to be involved in the program's ongoing development and implementation. The goal would be to ensure that the program has representation that is reflective of the community of interest – i.e. present and potential participants - and this representation is the basis upon which program objectives and strategies are developed.
  
- Finally, analysis of the data through use of a structural perspective raises the concern that the StartUp program may not direct enough attention toward the processes that contribute to economic and social problems. Unemployment is not simply a result of individual decisions and actions. Rather, it is a symptom of a system that favours the market over social needs and goals. Individual adjustments in the absence of broader change may simply contribute to the perpetuation of dominant social patterns which led to the individual's economic and social problems in the first place (Carniol, 1992). The program participants face enormous challenges and pressures in trying to carve out a niche for themselves in an economic environment that forces many established businesses to close their doors. Failure to adequately acknowledge and address the challenges brought on by the economic environment may undermine the ability of the program to create long lasting change. It also raises the concern that business failures will be interpreted as an indication of a shortcoming on the part

of the entrepreneur, rather than a symptom of the economic and social context in which business development is taking place. These factors, along with StartUp's limited resources, and the poor record of conventional financial institutions for serving low-income clients, raise concern about the extent of impact the program will have on its target population over the long term.

This raises the following question: If the StartUp program is in fact going to come to the "defense" of its clients, should it enlarge its activities beyond a focus on the individual to include efforts to address the broader social conditions that influence participant's lives? While a structural perspective argues that efforts to affect political change are needed for authentic change to occur, it is also important to acknowledge the resources necessary to take on such a role. However, if the program chooses to take on this challenge, there are many ways to develop connections to make a greater impact in the community, and these could be explored further.

For example, possible actions to this affect could include forming coalitions and alliances with other groups in order to influence the lending practices to low income groups, and encouraging policies that support small business ownership and economic growth that is accountable to community goals and priorities.

In conclusion, the StartUp program itself is not a panacea for all of the economic problems faced by all the low-income and the unemployed people in the Calgary area. Rather, it serves a small sector of the population who meet the program criteria, and for whom small business is an appropriate option for income generation. For its part, MCC is still in the early stages of crafting a program to meet the needs of participants, while at the same time balancing funding demands and working to achieve program sustainability. A key challenge for StartUp will be in forging partnerships with program participants and with other sectors within the city to develop a strong

infrastructure of support for small business development, to educate the community and potential lenders on social and economic issues affecting the low income and unemployed, and to influence policy development toward fairer access to resources and social supports which reflect the participant's realities and assist them in achieving economic self-reliance.

## REFERENCES

- Alderson, L., Conn, M.(1995) Making communities work: women and community economic development, in Douglas, D.(ed) Community Economic Development in Canada, Volume I, Toronto: McGraw Hill Ryerson.
- Balkin, S. (1993) A Grameen Bank replication: The Full Circle Fund of the Women's Self-Employment Project of Chicago, in The Grameen Bank: Poverty relief in Bangladesh, Wahid, A. (ed), Boulder, Co.: Westview Press.
- Baron, L., Watson, N., Loan funds for small business: A case study of Colville Investment Corporation, in (1993) Regional development from the bottom up: Selected papers of the local development series, Vernon, B.C.: , Centre for Community Enterprise.
- B.C. Ministry of Social Services (1997) British Columbia's Social Safety Net, Province of British Columbia, (On-line) <http://www.gov.bc.ca/bcben/net.html>
- Brodhead, D., Lamontagne, F., Peirce, J. Regional development in Canada: The local development experience, in (1993) Regional development from the bottom up: Selected papers of the local development series, Vernon, B.C.: Centre for Community Enterprise.
- Brush, C. (1997) Women-owned businesses: Obstacles and opportunities, Journal of Developmental Entrepreneurship, Vol. 2, No.1, Spring / Summer 1997, p. 1-24.
- Callahan, M., Armitage, A., Prince, M., Wharf, B. (1990) Workfare in British Columbia: Social development alternatives, Canadian Review of Social Policy, #26, pp. 15-26.
- Canadian Council of Social Development (1999), (Online) [http://: www.ccsd.ca](http://www.ccsd.ca).
- Carniol, B. (1995) Case critical, challenging social services in Canada, Toronto, Ontario:Between the Lines.
- Carniol, B. (1992) Structural social work: Maurice Moreau's challenge to social work practice, Journal of Progressive Human Services, Vol. 3(1), pp. 1-20.
- Clark, P., Kays, A. (1995) Microenterprise assistance: What are we learning about results? Self-employment learning project, Washington, D.C.: Aspen Institute.

Cossom, J. (1995) Informal helping and mutual aid, Canadian Social Welfare, Turner, J., Turner, F. (eds), p. 424-447.

Desai, R. (1996) Globalization: What is at stake? in Globalization, social justice and social movements: A reader. Carroll, W. Desai, R. Magnusson, W. (contributors), University of Victoria, Victoria, B.C.

Douglas, D (1995) Community Economic Development in Canada, Volume I, Toronto: McGraw Hill Ryerson.

Edgcomb, E., Klein, J., Clark, P. (1996) The practice of microenterprise in the U.S.: Strategies, costs and effectiveness, The Aspen Institute.

Egan, M. (1997) Getting down to business and off welfare: Rural women entrepreneurs, Affilia, Vol. 12, No. 2, Summer, 215-228: Sage.

Elster, J.(1988) Is there (or should there be) a right to work? in Democracy and the welfare state, Gutman A. (ed), Princeton, New Jersey: Princeton University Press.

Evoy, L. (1997) The Montreal Community Loan Association and Social Partnerships, Caledon Institute of Social Policy, February, p.1-8, Renouf Publishing.

Fairbairn, B., Bold, J., Fulton, M., Hammond Ketilson, L., Ish D. (1990) Cooperatives and community development: Economics in social perspective, Centre for the Study of Cooperatives, University of Saskatoon, Saskatchewan.

Gaffikin, F. Morrissey, M. (1992) The new unemployment: joblessness and poverty in the market economy, London: Zed Books.

Gellatly, L. (1990) Women's self employment project: An overview. Chicago, Illinois, cited in Rodriguez, C. R. (1995) Women, microenterprise, and the politics of self-help, New York: Garland Publishing.

Gibson (1991) A concept analysis of empowerment, Journal of Advanced Nursing, 16, p.354-361.

Gueron, J. M., Pauly, E. (1991) From welfare to work, New York: Russell Sage Foundation.

Gunn, C., Gunn, H. (1991) Reclaiming capital, Cornell University Press.

Holcombe, S. (1995) Managing to empower: The Grameen Bank's experience of poverty alleviation. London: Zed Books.

Institute for Community Economics (1984) Community Economics, Number 6, Fall 1984, Greenfield, USA.

Islam, M., Wahid, A., Khan, Z. (1993) The Grameen Bank: peer monitoring in a dual credit market, in The Grameen Bank: Poverty Relief in Bangladesh, Wahid, A (ed) Boulder, Co.: Westview Press.

Jackson, E., Peirce, J. (1993) Mobilizing Capital for Regional Development, in Regional development from the bottom up: Selected papers of the local development series, Vernon, B.C.: Centre for Community Enterprise.

Korten, D. (1995) When corporations rule the world, West Hartford, Connecticut: Kumarian Press.

Kymlicka, W. Norman, W. (1994) Return of the citizen: A survey of recent work on citizenship theory, Ethics, p. 352-381, The University of Chicago.

Kvale, S. (1996) InterViews: An introduction to qualitative research interviewing, Thousand Oaks, California: Sage Publications.

Lindquist E., Sica, T. (1995) Canadian governments and the search for alternative program delivery and financing: A preliminary survey, KPMG Centre for Government Foundation.

Maxwell, J. (1996) Qualitative research design: an interactive approach, Applied social research methods series, Vol. 41, Thousand Oaks, California: Sage Publications.

MCLA (1998) Internal report.

McCarthy, S. (1999) Just 36% of jobless get UI, The Globe and Mail, January 27, 1999, p. A1.

McKnight, J. (1987) Regenerating community, Social policy, Winter 1997, p.54-58.

McMurty, T. (1993) The loan circle programme as a model of alternative community economics, in Shragg, E.(ed.) Community Economic Development: in search of empowerment and alternatives, Black Rose Books.

Mendell, M., Evoy, L. (1993) Democratizing capital: alternative investment strategies, in Shragg, E.(ed.) Community Economic Development: In search of empowerment and alternatives, Black Rose Books.

Microcredit Summit Declaration and Plan of Action (1997) Journal of Developmental Entrepreneurship, Vol. 1, No. 2, Spring, p. 131-176.

Midgley, J. (1996) Involving social work in economic development, International Social Work, Vol. 39, p. 3-25, Sage.

Moreau, M. (1979) A structural approach to social work practice, Canadian Journal of Social Work Education, Vol.5, Number 1, p.78-94.

National Council of Welfare (1994) Who are the people on welfare, Social Security Backgrounder, No.2, Ottawa.

National Council of Welfare (1998) Banking and poor people: talk is cheap, A report by the National Council of Welfare, Ottawa.

Nozick, (1994) An integrated development model for building sustainable communities in Canada, in Galaway and Hudson (eds), Community economic development: perspectives on research and policy, Toronto, Ontario: Thompson Educational Publishing.

Organization for economic co-operation and development (OECD) (1990), Implementing change: entrepreneurship and local initiative, Local Initiatives for Employment Creation series, Paris, France.

Pateman, C.(1988) The patriarchal welfare state, in Democracy and the welfare state, Gutman A. (ed), Princeton, New Jersey: Princeton University Press.

Partington, J. (1996) The role of microfinance in improving access to financial services for aboriginal entrepreneurs in British Columbia, Management project, School of Public Administration, University of Victoria.

Perry, S. (1987) Communities on the way: rebuilding local economies in the U.S. and Canada, State University of New York Press.

Perry, S. Lewis, M., Fontan, J. (1993) Revitalizing Canada's neighbourhoods: A research report on urban community economic development, Vernon, B.C.: Westcoast Development Group.

Perry, S., Lewis, M. (1994) Reinventing the local economy: What 10 Canadian initiatives can teach us about building creative, inclusive and sustainable communities, Centre for Community Enterprise, Vernon, B.C.

Peters, T. (1987) Thriving on chaos: handbook for management revolution, New York: Harper and Row.

Province of Alberta (1999) Interview with Department of Family and Social Services, Communications Department, April, 1999.

Province of British Columbia (1997) Provincial Health Officer's Report on the Health of British Columbians, 1996 Annual Report, B.C. Ministry of Health and Ministry Responsible for Seniors, Queen's Printer.

Province of Ontario (1994) Community loan fund program handbook, Ministry of Municipal Affairs, Queen's Printer.

Province of Saskatchewan (n.d.) Saskatchewan Community Bonds.

Raheim, S., Bolden, J. (1995) Economic empowerment of low-income women through self-employment programs, Affilia, Vol.10, No. 2, Summer, 138-154.

Raheim, S. (1996) Micro-enterprise as an approach for promoting economic development in social work: Lessons from the Self-Employment Investment Demonstration, International Social Work, Vol. 39, p. 69-82, Sage.

Rahman, A (1986) Consciousness raising efforts of Grameen Bank, Working Paper No. 3, Grameen Bank Evaluation Project, Bangladesh Institute of Development Studies, Dhaka: Dhaka, Bangladesh.

Randolph, W.L. (1997) Capitalizing microenterprise funds: The Virginia Enterprise Initiative, Journal of Developmental Entrepreneurship, Vol. 2, No. 1, Spring/Summer.

Rappaport J. (1984) Studies in empowerment: introduction to the issue, Prevention in Human Services, 3, 1-7.

Remenyi, J. (1991) Where credit is due: income generating programs for the poor in developing countries, Boulder : Westview Press.

Riding, A., Swift, C. (1990) Women business owners and terms of credit: Some empirical findings of the Canadian experience, Journal of Business Venturing 5, 327-340.

Rodriguez, C. R. (1995) Women, microenterprise, and the politics of self-help, New York: Garland Publishing.

Stevens, J., Tholin, K. (1991) Lenders of first resort: Community development loan funds, Chicago, Illinois: Woodstock Institute.

Sustainable Calgary: State of our City Report, 1998, (Online), <http://www.telusplanet.net/public/sustcalg>

Teeple, G. (1995) Globalization and the decline of social reform, Toronto, Ontario: Garamond Press.

Wharf B. (1990) Lessons from the social movements, in Social work and social change in Canada, Wharf (ed) Toronto, Ontario: McClelland and Stewart, Inc.

Wharf-Higgins, J. (1997) Closer to home: Using social marketing to study participation in health reform, PhD Thesis, Faculty of Graduate Studies, University of British Columbia, Vancouver, B.C.

Yin, R. (1994) Case study research: Design and methods, applied social research methods series, Vol. 5, Thousand Oaks, California: Sage Publications.

Yunas, M. (1987) The poor as the engine of development, The Washington Quarterly, Centre for Strategic and International Studies, 10 (4), p. 139-145.

## Appendix I. Document list

- a) 'Be your own boss' promotional pamphlet directed toward potential participants, provides a general overview of program, services provided, etc. - 2 pages.
- b) StartUp, promotional brochure directed toward potential funders, - 2 pages.
- c) Monthly newsletter. General information, stories, directed toward participants and potential participants - 2 pages.
- d) ABC program delivery process. Overview of curriculum structure of training program for first time entrepreneurs - 2 pages.
- e) Overview of MCC, Calgary. Includes history, mandate statement, organization chart and revenue history - 4 pages.
- f) Loan program summary, May, June 1998 - record of lending, new groups formed, total number of loans given, number of late payments, etc.
- g) StartUp strategic planning, core program recommendations, July 1998 - 9 pages.
- h) Loan fund manager's review and recommendations for StartUp program - 4 pages.
- i) Loan application checklist. Checklist filled out by peer groups to evaluate group member's application for a loan - 1 page.
- j) StartUp program application form. Initial application form filled out prior to admittance into the program - 7 pages.
- k) Calgary credit union and StartUp program loan agreement form. Loan agreement form filled out by participants. Outlines obligation to repay and particulars of repayment - 1 page.
- l) Borrower's warrant. Borrower's agreement to use loan for business development and agreement to repay loan, signed by borrower - 1 page.
- m) Membership packages pamphlet. Overview of the business support services provided at the StartUp office - 1 page.
- n) Newspaper editorials - 4 articles on the StartUp program that appeared in the Calgary Herald.

- o) The Nuts and Bolts Guide to Starting a Peer Assisted Lending. StartUp orientation manual for program participants - approximately 75 pages.
- p) Business plan evaluation and writing. Guidelines used by staff in reviewing peer group members business plan - 4 pages.
- q) Job description, Microcredit loan fund manager.
- r) Loan status report - 4pages.
- s) Microbusiness activity report, 1998 - 1 page.

PARTIAL COPYRIGHT LICENSE

I hereby grant the right to lend my thesis to users of the University of Victoria Library, and to make single copies only for such users or in response to a request from the Library of any university, or similar institution, on its behalf or for one of its users. I further agree that permission for extensive copying of this thesis for scholarly purposes may be granted by me or a member of the University designated by me. It is understood that copying or publication of this thesis for financial gain shall not be allowed without my written permission.

Title of Thesis:

Investing in the community: Economic empowerment through microenterprise lending

Author



---

Angela Leski  
April 20, 1999

## VITA

Surname: Leski Given names: Angela Eva Maria

Place of Birth: Winnipeg, Manitoba

### Educational Institutions Attended:

University of Victoria	1995 to 1999 1992 to 1994
British Columbia Institute of Technology	1985 to 1987
Camosun College	1983 to 1984

### Degrees awarded:

B.S.W.	University of Victoria	1995
Diploma in Marketing Technology	B.C.I.T.	1987