



Carleton Centre for
Community Innovation
Centre d'innovation
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Evaluating the social impact of the OCLF/Alterna Community Micro Loan Program

2010-2011 Survey: findings, comparison and analysis

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EXECUTIVE SUMMARY:

Demographics of survey

- # of respondents in 2011 sample: 12 (9 training loan borrowers (3 were also interviewed in 2009) & 3 small business loan borrowers)
- # of respondents in overall 2009-2011 sample: 39 (25 training loan borrowers, 14 small business loan borrowers)

Core Findings from 2009-2011 surveys

Training Loans Program	Small Business Loans Program
<ul style="list-style-type: none"> • Average loan size: \$5,479. • Credit worthiness among recipients is increasing: 54% increase in the number of bank accounts opened in the time after clients have become involved in the program. • 97% of those involved with the training loans program become employed or moved on towards further education. • 78% of training loan clients gain employment in the same field in which they have done their training. • 69% of training loan clients increased their salaries after involvement in the program. <p>The training loans increase borrowers' income by an average of \$16,353.</p> <ul style="list-style-type: none"> • The average amount of new tax revenue created by the training loans program: \$5,262 per person, with an average \$1,505 going to the provincial government and \$3,757 going to the federal government. (* minus allowable tax credits*) 	<ul style="list-style-type: none"> • Average loan size: \$11,703. • Credit worthiness among recipients is increasing: 60% of small business loan clients are opening new bank accounts in the time after clients have become involved in the program. • OCLF Small Business loans contributed to new business creation by 89% of participants. • OCLF financing fosters the development of new job creation: an average of 3.36 jobs per small business is created through the small business loans training program. • Business loan recipients increase their income by an average of \$14,500 after having received the loan.

INTRODUCTION

Background

The Ottawa Community Loan Fund (OCLF) has been a pioneer within the Canadian impact investing domain. The OCLF has worked collaboratively to further the community economic development (CED) capacity of the Ottawa region and has contributed to CED leadership activities at the national and provincial level. The organization's scope of activity includes new micro-financing products, business technical expertise, financial literacy training, affordable housing loans, and social enterprise development.¹ The OCLF facilitates access to loans that would otherwise not be available from traditional financial institutions. It provides short-term loans of up to \$15,000 to small business owners, social enterprises, aspiring entrepreneurs, internationally trained professionals and community groups. The OCLF provides two forms of loans, training loans and small business loans. Both programs are facilitated through a partnership between Alterna Savings and the OCLF. Within this partnership, the OCLF acts primarily as an intermediary in the Ottawa community, identifying individuals and groups and providing expertise to those who require access to credit. Alterna Savings provides the loans to those members of the community, while the OCLF guarantees 80% of the loan in case of borrower insolvency.

The training loans can be segmented into two groups: the Internationally-Trained Professionals Loans Program (ITTIFI), a specialized loan product designed for students involved in accreditation programs for internationally trained teachers, nurses and bio-tech workers; and a second form of training loan available to all members of the community looking to undertake job-training and accreditation programs.

The OCLF also offers two distinct small business loans. The first small business loan is in partnership with Alterna Savings whereby the OCLF acts as an intermediary and guarantor of loans, while Alterna provides the funding for the loans as part of its Corporate Social Responsibility program. The second is a partnership with the Canada Youth Business Federation (CYBF) whereby the OCLF acts as a local intermediary for the nation-wide program. The OCLF is essentially the "store-front" and administrator of the CYBF program that delivers business coaching, resources, financing and mentoring to young entrepreneurs (aged 18-34) with good business ideas but little financing options through conventional sources of credit.

Evaluation

The goal of this social impact evaluation is to assess the Social Return on Investment (SROI) of the OCLF and provide an independent measure of the effectiveness of OCLF/Alterna Community Micro Loans Program. The findings will provide a detailed snapshot of the impact of the OCLF loan program and provide increased accountability to government, donors, and the public as it increases the breadth of its programming in the future.

The SROI is an analytic tool for measuring and accounting for a much broader concept of value. It incorporates social, environmental and economic costs and benefits into decision making, thereby providing a more complete picture of how value is created. It goes beyond a typical financial assessment of the program. Rather than a simple breakdown of the amount of money

¹ Ottawa Community Loan Fund <http://oclf.org/>

loaned out to clients and re-paid, this evaluation seeks to determine the overall impact that the loan has had on improving the lives of their clients. This evaluation will give a more detailed view on the value-for-money and effectiveness of the micro-loan program through a focus on the social and economic impacts on the clients served by this program.

The evaluation explores the impacts of the OCLF/Alternata Loans Program on client credit ratings, their ability to access capital, to create and maintain employment, to improve their economic status, and reduce reliance on government. This study will provide insight to donors and the public on the actual impact this program is having on the groups that it serves and the resulting impact that this group is having within the Ottawa community.

METHODOLOGY

History

This year's survey and report builds upon two previous reports prepared by Arjun Langford (2010) and Michele Tarsilla (2009) of Carleton Centre for Community Innovation (3Ci). The questionnaire used for this report was developed from a 2009 evaluation matrix that sought to assess the impact of the program at a micro and macro level. At the micro level, the program assesses the impact of the program on the individual borrowers. At the macro level, the questionnaire addresses the impact of the program on the government at large. In this regard, assessment of the savings created for government through client participation in the program can be quantified.

Interview Method

Individuals were interviewed by telephone and in some cases they were provided with a survey by email. The questions were quantitatively focused, with some qualitative information and predominantly based on closed-ended questions. Two different surveys were used to reflect the different types of loan products offered by the OCLF. CYBF and Small Business loan clients were given one survey that addressed their situation more directly, while ITTIFI and Training loan clients received a separate survey that performed the same function (for a copy of each of the two questionnaires, please see Appendix I and II for the 2009 survey, Appendix III and IV for the 2010 survey and Appendix V& VI for 2011).

Survey Sample

The current design of the 2011 OCLF survey has been adapted from the 2009 and 2010 evaluation matrix. As a result, data gained from the 2009 and 2010 research findings can be compared and aggregated with the 2011 research findings.²

² However, in some cases, changes to the survey (whether for clarity, for richer data or to overcome obsolescence in questions) have been made.

The 2011 survey includes OCLF clients between 2007 and 2011. In addition to new borrowers we were able to re-contact clients who had previously responded to the 2009 evaluation in order gather information on their current situation and assess changes over the past two years. This provides us with a valuable longitudinal study of how the loans have affected the OCLF clients over time. For the purpose of this year's survey, we decided to focus on clients who had most recently received loans. The majority of clients interviewed were loan recipients from January 2010 to June 2011.

The 2011 Survey for Small Business loan recipients was adapted to include requirements to address the Impact Reporting and Investment Standards (IRIS). IRIS provides an independent set of metrics for organizations to use when reporting their impact and aims to increase the value of non-financial data by enabling performance comparisons and benchmarking. The specific question queried whether OCLF small business loan recipients operated a business in a low income area. Note: A low income area is defined as "a geographic area (neighborhood, village, other region) where the median family income is less than 80% of the median family income of the surrounding vicinity.") Of the 3 clients interviewed, none were located in a low income area.

To expand the existing body of research, we have included respondents from the previous two surveys which results in a total of 39 OCLF clients that have participated in the research (25 training loan clients and 14 small business loan clients), 3 OCLF clients have participated in follow up surveys to see if their situation has changed over time.

All of the respondents received their loans between 2007 and 2011. Within this time period, the OCLF has served 118 clients, (79 Training Loan and ITTIFI clients and 39 Small Business Loan and CYBF loan clients). Given the proportion of respondents interviewed (roughly 36%), the number of respondents represents a sufficient sample size to use aggregated data from the three survey years to safely generalize findings as representative of typical results for clients of the program overall. It should be noted that all OCLF clients were contacted and given an equal chance of participating in the survey. Participation was voluntary.

Representation of findings

The findings section will independently assess the financial and employment data of the two OCLF programs based on the two distinct surveys for the differing financial products, Part 1 of the findings section will focus on the financial and employment data of the *training loans program*, while Part 2 of the findings section will focus on the financial and employment data of the *small business loans program*. Finally, Part 3 will focus on the socio-economic and macro-level findings of the survey.

SURVEY FINDINGS PART 1: TRAINING LOANS PROGRAM

This section focuses on the findings relating to the training loans program. In this section, there will be information and analysis relating to the size of loan, borrower relationships with financial institutions, employment and income.

The findings from this year's study are described along with a comparison to the findings from the 2009 & 2010 studies as well as the aggregate findings of the 2009-2011 surveys. Analysis and explanations for the results will be included where applicable. The aggregated results represent an accurate approximation of the overall program results between 2007 and 2011.

Loan Sizes:

Table 1 - Average Loan Size, Training Loans, 2011:

Borrower	Loan Size
1	5,000
2	5,250
3	5,250
4	5,100
5	3,060
6	2,000
Average Loan Size	4,277

Table 2 - Average Loan Size, Training Loans, 2010:

Borrower	Loan Size
1	4,636
2	6,811
3	5,000
4	6,896
5	1,800
6	6,896
7	3,195
8	5,786
9	6,546
Average Loan Size	5,285

*The average loan size in the 2010 sample was \$5,285.

Table 3 - Average loan size, Training Loans 2009

Borrower	Loan Size
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1	3,750
2	5,546
3	5,396
4	9,850
5(Interviewed in 2011)	6,811
6	5,245
7	6,061
8 (Interviewed in 2011)	9,500
9(Interviewed in 2011)	4,636
10	6,946
Average Loan Size	6,374

Table 3 - Aggregated Average Loan Size, Training Loans (2009-2011)

# of Borrowers in Sample	Average Loan Size
25	5,479\$

The average loan size in the 2011 sample was lower than the 2009 and 2010 surveys. Alterna changed its training loan policy to a maximum of \$5000, mid-year, 2009 which is the most plausible explanation for this outcome. It is likely that future recipients will continue to remain around the \$5,000 mark.

Training Loans Borrowers’ Relationship with Financial Institutions:

Assessing loan recipient relationships with financial institutions helps determine the extent to which the OCLF created new opportunities for credit. It also assesses the extent to which client participation in OCLF programming improved their credit status.

We questioned loan recipients on whether or not they attempted to apply for loans from other institutions prior to the OCLF. We also inquired on the number of new bank accounts created after receiving a loan. Table 4 below denotes the number of clients who applied for a loan before turning to the OCLF for assistance.

Table 4 –% of clients who applied for loans at commercial banks prior to OCLF (Training Loans)

	Training Loans 2011	Training Loans 2010	Training Loans 2009	Aggregated
% contacted other institutions for loans	33%	11%	50%	32%

This data demonstrates that OCLF’s training loan program reduced barriers and was able to provide access to credit. 33% of training loan respondents in 2011 had applied and been rejected by another financial institution. This is a significant increase from 2010 where only 11% of clients were rejected prior to seeking a loan from the OCLF. The results from 2011 are closer to those of 2009 where 50% of training loans created a new pathway to credit access.

Many the individuals who did not seek a loan from another institution mentioned that they were aware of the training loans program and thus avoided contact with conventional banks.

Even though the number of clients who sought a loan from another institution increased in the past year, the aggregated data demonstrates that a majority of training loan clients did not seek loans through other financial avenues. Therefore, within the Ottawa community, the OCLF is likely viewed as a primary loan source among the training loan demographic. More individuals are becoming increasingly aware of the program and seek out OCLF as their first choice for training loan application.

Table 5 – Measure of Credit improvement: Number of new bank accounts created after OCLF loan (Training Loans)

	Training Loans 2011	Training Loans 2010	Training Loans 2009	Aggregated
# of Bank Accounts	1.33	1.44	1.7	1.52

Table 5 demonstrates the average number of new bank accounts that have been opened in addition to previous accounts by clients of the training loans program.

This data suggests that once again the training loan program was able to increase the client’s ability to establish a credit relationship with larger financial institutions. By opening new bank accounts, OCLF clients have increased their accessibility to credit and a chance to improve their overall credit ratings. In addition, an increased number of bank accounts link borrowers, in particular new Canadians with the financial system and the possibility of developing a strong credit history and thus, credit rating. With a successful credit rating, the clients would then be able to secure larger loans such as a mortgage and thus put the client in a position to build equity.

Employment Status

The employment status of training loan recipients will now be examined.

Table 6 - Employment Status, Training Loans

Employment Status	Training Loans 2011	Training Loans 2010	Training Loans 2009	2009 Clients Re-visited	Aggregated Average
Full Time Employed	50%	55%	80%	100%	68%
Part-Time Employed	17%	33%	0%	0%	11%
Student/Internship	33%	11%	20%	0%	18%
Unemployed	0%	11%	0%	0%	3%

This year’s survey demonstrates a decrease in Full Time Employment over last year but an increase in student/internship. This data can be attributed to the time line used for this year’s survey. Since we contacted clients who received their loan over the past year, some clients have yet to complete their training process.

It is important to note that none of the clients who were contacted were unemployed. This could be explained by the willingness of clients who are employed to speak to their status, whereas unemployed clients may not have chosen to participate in the survey.

Of the OCLF clients surveyed in 2009, 3 were re-contacted this year and demonstrated 100% employment. Two of the individuals were in the same position as they were in the 2009. The other client moved from being unemployed to a position of full time employment. Despite having a small pool of data to draw from, this information provides a first step in longitudinal observations for OCLF loan recipients. As the survey continues to evolve, this pool will grow to provide reliable longitudinal results.

The combination of the surveys indicates that 97% of those involved with the loan program become employed or move on towards further education. The vast majority (68%) receive full time employment, while 11% gain part-time employment and an additional 22% continue their education. Despite the uncertain economic climate since 2007, it appears that the training loan program has been successful in its mission to eventually provide clients with full time employment.

A slight limitation of this data is that it assumes that the participants of previous surveys are still in the same employment situation; however, as previously mentioned the individuals that were contacted from previous surveys indicated that they remained employed full time or moved into a position of full time employment. Although not all previous clients were contacted, this small segment provides us with some insight into the employment status of clients from previous surveys.

Table 7 - Employment in Same Field, Training Loans

Employment In same field as training	Training Loans 2011	Training Loans 2010	Training Loans 2009	Aggregated Average
Yes	71%	77%	90%	78%
No	29%	23%	10%	12%

The 2011 survey points to less employment in the field of training than the previous two surveys. This finding can be explained based on several factors. The time line of our survey may have had an impact on the end results. Clients who were contacted received their loans over the past year; therefore many have yet to complete their training program. While clients may be working, they are doing so while undertaking the training program. Furthermore, clients do not always finish their training program. This was the case for certain clients who either chose not to complete their training, or failed the accreditation exams. This problem can be resolved by contacting the same group next year to determine their field of employment. Another possible reason is the downturn in the economy over the past 12-18 months. The aggregate data from the three surveys indicates that 78% of training loan clients gain employment in the same field in which they have done their training.

Table 8 – Field of work for training loan borrowers, (2010 & 2011)

The following tables demonstrate the different job sectors, employment status and whether professional accreditation was gained in the given job sector for 2010 and 2011 training loan recipients.

2010

Borrower	Employment Status	Job Sector	Professional Accreditation gained in field
1	Full Time	Transportation	Yes
2	Full Time	Transportation	Yes
3	Full Time	Pharmacy tech.	Yes
4	Full Time	Transportation	No
5	Part Time/Student	Healthcare	Yes
6	Part Time	Transportation	Yes
7	Full Time	Food/Beverage	No
8	Part Time	Transportation	Yes
9	Unemployed	N/A	No

2011

Borrower	Employment Status	Job Sector	Professional Accreditation gained in field
1	Full Time	Finance	Yes
2	Full Time	Transportation	Yes
3	Part Time	Security	No
4	Student /Full time	Agriculture	No (will receive on completion in Transportation Sector)
5	Student	Dentistry	Yes
6	Student	Transportation	Yes

The aggregate data from 2010-11 demonstrates that the Transportation field is the most popular destination for training load recipients.. This could be a result of the ongoing relationship between the OCLF and “Cross Roads Truck Training Academy”

Income

The information in this section will reflect the impact that the OCLF Training Loan Program has had on the income and salaries of loan recipients. The survey questioned loan recipients on their salary status after the loan was received, therefore, it is possible to track direct salary changes that come as a result of the training financed by the loan.

Table 9 - Change in salaries (Training Loans)

Salary Change	Training Loans 2011	Training Loans 2010	Training Loans 2009	2009 Clients Re-visited	Aggregated Data
Salary Increase	50%	66%	100% * Only 7 of 10 respondents answered this question, all responded positively.	100% * All 3 respondents had their salary increase from the 2009 interview	69% *This number is based on the total number of clients who reported an increase in salary.
Salary Remained the same	50%	33%	0% * Unknown because 3 respondents did not answer this question.	0%	19%
Salary decreased	0%	0%	0%	0%	0%
Did Not Disclose	0%	0%	30%	0%	12%

Based on the clients who are currently employed, this table demonstrates that across all of the surveys, the majority (69%) of training loan recipients were able to increase their salaries after their involvement in the OCLF loan program.

This year's data demonstrated a slight change in salary increases. This can once again be attributed to the timing of the survey. Clients who have yet to complete the training program are not yet eligible for employment in their new field of expertise and therefore have not yet benefited from an increase in salary. In one instance where the salary remained unchanged, the client was employed full time, but still in the middle of the training process; therefore we can assume that once the client completes the training program, the respondent's salary will increase.

The 3 clients re-contacted from the 2009 survey demonstrated a 100% increase in salary from the 2009 survey.

It is important to note that to date the Training Loan Program has not resulted in a decrease in an individual's salary.

Table 10 - Average Income Increase (Training Loans)

	Training Loans 2011	Training Loans 2010	Training Loans 2009	2009 Clients Re-visited	Aggregated Data
Average Salary Before Loan	20,000	26,250	25,208	19,000	24,285
Current Average Salary	25,625	38,125	49,583	60,833	40,638
Average Change in Salary	5,625	11,875	24,375	41,833	16,353

The 2011 data reveals that the average salary increased for training loan recipients. This year's survey is slightly lower than previous years. This can again be attributed to the timing of the survey. Individuals should be interviewed at least one year from completion of their training program for more accurate results.

The longitudinal data from the 3 2009 clients demonstrates a large increase in salary. This may be attributed to clients moving from a position of not having any income to a post training employment with a salary. However, as demonstrated above, the majority of individuals had their salary increase as a result of the loan program.

Over the past 3 surveys, individuals have seen their salary increase by an average of \$16,353

SURVEY FINDINGS PART 2: SMALL BUSINESS LOANS

This section focuses on the findings relating to the *Small Business Loan* recipients. In this section, there will be information and analysis relating to the size of the loan, relationships with financial institutions and employment outcomes and income.

The total number of Small Business loans granted over the past year was 13 however, only 3 recipients responded to the survey. Although this provides us with a small sample, the aggregate data from 2009 to 2011 provides a good picture of OCLF business loan program's overall contribution to the community.

Loan Sizes:

Table 11 - Average Loan Size, Small Business Loans (2011)

# of Borrowers in Sample	Average Loan Size
1	15,000
2	8,000
3	5,100
Average	7,025

The average loan size for small business loans in the 2011 Survey was \$7,025.

Table 12 - Average Loan Size, Small Business Loans (2010)

# of Borrowers in Sample	Average Loan Size
1 (CYBF loan)	15,000
2 (CYBF loan)	15,000
3	15,000
4	9,500
5 (CYBF loan)	10,000
6	15,000
Average	13,250

The average loan size for small business loans in the 2010 survey was \$13,250.

Table 13 - Average Loan Size, Small Business Loans (2009)

# of Borrowers in Sample	Average Loan Size
1	10,500
2	7,500
3	8,250
4	15,000
5	15,000
Average	11,250

Table 14 - Aggregated Small Business Loan size

# of Borrowers in Sample	Average Loan Size
14	11,703

The average loan size among small business loan recipients across the three surveys (2009-2011) is \$11,703.

Relationship with Financial Institutions

The survey aimed to assess the client's relationship with financial institutions in order to determine the extent to which the OCLF was able to improve a client's access to credit and an improved credit status. For small business owners, this is particularly important as a positive client/financial institution relationship brings certain advantages. Advantages include: the ability to leverage loans for business expansion; large-scale equipment purchases; and the ability to obtain a larger line of credit for product purchases. This subsection outlines and analyzes the percentage of financial institutions contacted prior to the OCLF and the number of new bank accounts created by small business loan borrowers.

Table 14 - Number of Banks Contacted for a loan prior to OCLF (Small Business Loans)

	<i>Small Business Loans 2011</i>	<i>Small Business Loans 2010</i>	<i>Small Business Loans 2009</i>	<i>Aggregated</i>
% of clients that contacted other institutions for loans prior to the OCLF	33%	30%	60%	42%

The 2011 loan recipients surveyed followed a similar pattern to the 2010 survey and were less likely to ask for a loan prior to seeking assistance from the OCLF.

The aggregated data from the small business loan sample indicates that 42% of clients contacted other institutions prior to the OCLF for a loan. When discounting the 5 of 14 were CYBF small business loan recipients that had a greater incentive to contact the OCLF first, 67% (6 of 9 remaining small business loan borrowers) contacted other financial institutions first. This is a significant number, meaning that over 65% of the businesses supported by the small business loans program (not including CYBF) would not have received the financing necessary to start their businesses had it not been for the presence of the OCLF programming.

Table 15 - Measure of Credit improvement: Number of new bank accounts created after OCLF loan (Small Business Loans)

	<i>Small Business Loans 2011</i>	<i>Small Business Loans 2010</i>	<i>Small Business Loans 2009</i>	<i>Aggregated</i>
# of Bank Accounts	1.33	1.6	1.7	1.6

This data indicates that businesses are benefitting from their involvement with the OCLF Small Business Loan Program. The program is allowing clients to open new bank accounts and provides them with an opportunity to improve their credit scores and the potential to access capital to satisfy the needs of their new and expanding businesses. Without access to capital, a small business will have a limited capacity for success. It is increasingly difficult for a business to expand or purchase necessary products or equipment without capital. The OCLF's Small business Program is

delivering an essential service to its clients by providing not only initial loans, but also an increased access to capital from other financial institutions.

Employment

In measuring the effectiveness of the small business loans program, it is necessary to look at the purpose of the loans, the ability of loan recipients to maintain ownership of their business and the average number of jobs created by the businesses.

Table 16 - Purpose of Loan (2010 Survey)³

Purpose of funding	Percentage 2011	Percentage 2010	Aggregate
Business Start-Up	100%	83%	89%
Business Expansion	0%	17%	11%

This data indicates that in 2011 100% of small business loans from the OCLF foster the creation of new businesses. In the current uncertain economic environment, the OCLF is supporting entrepreneurs. The aggregate data shows that the OCLF is supporting the development of new businesses with almost 90% of its clients.

Table 17 - Number of Jobs created, Small Business Loans

Type of Job Created	Small Business 2011	Small Business 2010	Small Business 2009	Aggregated Data
# of Full-Time	8	11	9	28
# of Part-Time	3	4	12	19
Average # people employed /Business	3.67	2.85	4.2	3.36

This table outlines the average number of jobs created by the Small Business loan recipients. Small businesses financed by the OCLF between 2007 and 2011 have created an average of 3.36 jobs per business (both full and part-time). The OCLF Small Business Loan program is directly contributing to increased job opportunities and a healthier economy.

Income

For the small business loans, direct salary changes are more difficult to track because business owners do not always pay themselves salaries, and often re-invest gains back in to their businesses. As a result, income among small business loan borrowers was calculated based on business revenue.

Income from business was difficult to ascertain for the 2011 Survey. Two of the respondents had yet to complete a fiscal year when the survey was conducted and therefore could not accurately estimate their income for the year. The other respondent's annual income increased more than

³ Aggregate data does not include 2009 because this data was not collected in the 2009 survey.

\$15,000. To achieve a better result, the clients should be contacted at a minimum of one fiscal year after having received the loan.

Table 18 - Average Business Revenue (Small Business Loans)

	Small Business Loans 2011 (1 of 3 Response)	Small Business Loans 2010 (4 out of 6 response rate)	Training Loans 2009 (5 of 5 response rate)	Aggregated Data
Average Salary Before Loan	85,000	\$42,500	\$44,000	\$43,332
Current Average Salary	100,000	\$73,125	\$49,583	\$60,045
Average Change in Salary	15,000	26,250\$	5,000\$	14,500\$

Despite not having a large number of respondents for the 2011 survey, the data gained is still relevant. Including the only responding client from the 2011 survey with the two previous surveys, helps provide a better picture of the loan program's effect on income. The aggregate data of the past 3 surveys demonstrates that based on 10 small business loan recipients, income was increased by an average of \$14,500 after having received the loan. Since 2007, the loan program is having a direct and steady effect on increasing business income in the Ottawa community.

SURVEY FINDINGS PART 3: SOCIO-ECONOMIC AND MACRO-LEVEL (TRAINING AND SMALL BUSINESS LOANS PROGRAM)

This section will attempt to highlight the impacts that OCLF Loan Program has had on the personal lives of its recipients; and outline the impact of the loan program on government.

The personal impact can be assessed by analyzing the results of the data relating to housing status and socioeconomic status from the survey while the effect on the government can be assessed by analyzing the amount of money generated by increased tax revenue, and the amount of money saved through reduced expenditure.

Housing

In the 2009 survey, 20% of respondents who rented before the program ended up buying their home as a result of the increased income. Unfortunately, because of the previous survey design, little additional information can be gained from the 2009 respondents. For the 2010 and 2011 survey respondents, we were able to tailor the questions to obtain more information. The following table outlines whether or not the loan program had an impact on the housing situation of the recipients.

Table 19 - Housing outcomes, 2010& 2011 survey respondents

	Rented before loan	Owned before loan	Living in Same Home	Living in Better Home	Moved from home rental to home ownership
2010					
Training Loans	78%	22%	67%	33%	0%
Small Business Loans	67%	33%	67%	17%	0%
2011					
Training Loans	100%	0%	67%	33%	0%
Small Business Loans	100%*	0%	100%	0%	0%
Aggregate					
Training Loans	87%	13%	67%	33%	0%
Small Business Loans	78% *	22%	78%	11%	0%

*(note – 1 client still resides with their parents which is considered equivalent to renting in this survey)

The OCLF Loan program is having a positive effect on the living situation of its clients. Over the past two surveys, one third of training loan recipients have consistently improved their living conditions and are now living in better homes (defined in the survey as homes with more space or more rooms). Although small business loan clients are not producing the same results, the aggregate data demonstrates that, 11% of clients are living in better homes. The vast majority of clients continue to rent rather than own their homes.

Socioeconomic Impact

We surveyed respondents on the socioeconomic impact of the training loan program. Clients were queried on how the loan affected their economic status. The 2009 survey found that 80% of all borrowers (both training loan and small business loan respondents combined) experienced improved socio-economic status for themselves or their family. Specific areas of improvement in their lives listed, included improvements to their recreational activities, food and nutrition, ability to support their spouse, purchasing assets, improvement in health and a sense of general well being.

The 2011 survey revealed a lower positive impact for its training and small business loan recipients. The majority (56%) of training loan and 33% of Small business loan recipients reported an improved economic status. There are several reasons for this outcome. As mentioned previously, some recipients contacted had yet to fully complete their training program while the majority of business loan recipients had yet to complete a fiscal year. By interviewing the same clients next year, the results may change.

The aggregate data demonstrates that the majority of training loan clients have had their economic status increased as a result of the OCLF loan program.

Table 20 – Socio-economic Impact: 2010 & 2011

	Economic Status Improved from loan	Areas of improvement noted:
Training Loans		
2010	Yes - 77% No - 23%	<ul style="list-style-type: none"> • Health & Medical Care • Improved Credit Rating • Ability to Support Family
2011	Yes - 50% No - 50%	<ul style="list-style-type: none"> • Schooling of Children • Health & Medical Care • Food & Nutrition • Increased Recreation • Able to Travel • Increased Self Esteem
Aggregate	Yes - 67% No - 33%	<ul style="list-style-type: none"> •
Small Business Loans		
2010	Yes - 17% No - 50% Unsure - 33%	<ul style="list-style-type: none"> • Ability to purchase business assets.
2011	Yes - 33% No - 66%	<ul style="list-style-type: none"> • Increased Recreation • Financial Security
Aggregate	Yes - 22% No - 56% Unsure - 22%	

OCLF programming impact on Government: Social Return on Investment at the Macro-level

Determining the SROI at the macro level is possible in two ways:

- 1) By determining the number of borrowers in the sample who have moved partially or completely away from welfare assistance programs.
- 2) By determining increases in clients' annual income, the program contributes to the payment of higher taxes.

Table 21 - Client movement away from social assistance

Borrower	Type of Government Assistance	Support Previously Received per month	Annual Savings for Government
1 (2009 Respondent)	Social Assistance	1000/month	\$6,000
2	Employment Insurance	1,000-1,500/month	\$12,000-18,000
3	Employment Insurance	500-1,000/month	\$6,000-12,000
4	Employment Insurance	500/month	\$6,000
Total Government Savings from three former social assistance recipients			\$30,000-42,000

A total of four loan clients surveyed this year were on some form of social assistance prior to receiving their loan. After getting their loan, the clients stopped receiving from social assistance which translates to significant savings for the government. The OCLF loan program can be attributed to directly saving the government approximately \$30,000 – \$42,000 per year for those surveyed.

Table 23 - Training Loan Borrowers – Tax Revenue Increases

The following tables demonstrate the 2011 income generated for both the provincial and federal government as a result of increased tax revenue from by OCLF clients. The increased revenue was measured by calculating the increases in salary generated by OCLF clients. OCLF clients generated a total of \$36,836 for the federal and provincial governments. This equates to an average total amount of new tax revenue of \$5,262 per person, with an average \$1,505 going to the provincial government and \$3,757 going to the federal government annually. (Note: it does not calculate the benefit of any tax credits for each individual)

Borrower	Initial Salary	Previous Tax level (Ontario)	Previous Tax Level (Federal)	Current Salary	Current Tax Level (Ontario)	Current Tax Level (Federal)	Increase in Prov. Tax Revenue	Increase in Fed. Tax Revenue	Increase in Tax revenue Total
1	25,000	1,263	3,750	30-34,999 (calculated as 32500)	1,641	4,875	378	1,125	1,503
2	15000	758	2,250	15,000	758	2,250	0	0	0
3	20-25,000 (calculated as 22,500)	1,136	3,375	40,000	2,139	6,000	1,003	2,625	3,628
4	15,000	758	2,250	15,000	758	2,250	0	0	0
Total							10,537	3,750	5,131
Avg/Client							1,381	938	1,283

2009 Revisited									
Borrower	2009 Initial Salary	Previous Tax level (Ontario)	Previous Tax Level (Federal)	Current Salary	Current Tax Level (Ontario)	Current Tax Level (Federal)	Increase in Prov. Tax Revenue	Increase in Fed. Tax Revenue	Increase in Tax revenue Total
1	20-25,000 (calculated as 22,500)	1,136	3,375	60-65,000 (calculated as 62500)	4,198	10,883	3,062	7,508	10,570
2	35-40,000 (calculated as 37,500)	1,910	5,625	40-44,999 (calculated as 42500)	2,368	6,483	458	858	1,316
3	0	0	0	75-80,000 (calculated as 77500)	5,636	14,183	5,636	14,183	19,819
Total							9,156	22,549	31,705
Avg/Client							3,052	7,516	10,568

Table 24 - Income Tax increases, Small Business Loans, 2010- 11

	2011	2010	Aggregate
Increased	33%	66%	56%
Stayed the same	0%	16%	11%
Have Yet to Pay Income Tax	66%	0%	22%
Did not Disclose	0%	16%	11%

Tax Rates for Business Owners: Calculating a reasonable estimate of the tax contributions of the small business borrowers sample is not possible because of the many different tax incentives and

taxing mechanisms available for businesses. An accurate estimation of this group's tax contributions would require access to each individual's business books, this would be too difficult to obtain given the nature of this project. 33% of small business loan borrowers reported that their income taxes increased, though an accurate assessment of the extent to which tax revenue increased is not possible to extrapolate.

SURVEY CHALLENGES AND RECOMMENDATIONS:

<u>Challenge</u>	<u>Recommendation</u>
<p><i>Contacting an adequate number of respondents based on existing contact information.</i></p> <p>This continues to be the main challenge for the research team. Individuals were not likely to respond to initial call letters or subsequent emails and phone calls.</p>	<p>Mandatory Survey Clause:</p> <p>Provide a clause in the loan contract making the survey a mandatory requirement. Make sure the client is aware of the clause's existence. This will ensure a reliable stream of participants for more accurate results.</p>
<p><i>Participant availability.</i></p> <p>Based on the client's employment, it proved very difficult to find suitable interview times. Many of the clients worked long hours and weren't available on weekdays. Several clients agreed to be contacted on weekends only to forget their obligations.</p> <p>Even when clients requested an email version of the survey, they often neglected to complete and submit a finished product.</p>	<p>Facilitate the Survey process – Introduce new platform.</p> <p>It would be beneficial to provide a survey platform that allows easy access to clients. If clients could access the survey on the OCLF website along with a mandatory clause in the loan contract, it would provide accurate results.</p> <p>One suggestion would be to make it mandatory for clients to complete the survey on the first anniversary of their loan contract.</p>
<p><i>Lack of before and after comparison.</i></p> <p>True impact statements would be more fruitful if an intake and exit interview could be compared against one another.</p>	<p>New client information intake:</p> <p>At intake, perform a similar survey to act as a baseline for future study of the benefits to applicants.</p>
<p><i>Completion of one fiscal year</i></p> <p>Survey participants still in training or haven't completed a fiscal year in business.</p>	<p><i>Survey Every 2 Years</i></p> <p>Conduct the survey every 2 years to obtain more accurate and useful information.</p> <p>Allow new businesses to complete at least 1 Fiscal year</p>

CONCLUSIONS

Improved relationships with financial institutions

The OCLF loan program has been very successful in fostering the relationship between its clients and other financial institutions. This direct contribution to an improved relationship with financial institutions has unlocked new opportunities for OCLF clients. By providing clients with the opportunity to access capital, the OCLF has given their clients an opportunity to build a credit rating where it would have otherwise been impossible. The OCLF training loan program was responsible for reducing financial barriers and was able to provide access to credit for 33% of training loan respondents in 2011. Once marginalized by the mainstream financial system, OCLF clients have the opportunity to move forward without being prejudiced by their previous credit history.

The OCLF loan program has produced tangible benefits that go beyond a new relationship with financial institutions. The loan directly correlated to an increased number of bank accounts opened by training loan and small business loan clients. This provides an opportunity for OCLF clients to establish a good credit rating and ultimately, access to more capital

Increased Employment Opportunities

The OCLF loan program has directly improved its clients' employment status. The OCLF provided clients with access specialized training leading to employment at higher wages while also providing the platform for businesses to create new employment opportunities.

The aggregate of the three previous surveys indicates that 97% of those involved with the training loans program became employed or move on towards further education after the training loans program. The 2011 data reveals that the average salary increased for training loan recipients. Over the past 3 surveys, individuals have seen their salary increase by an average of \$16,353.

The aggregate data over the past three surveys also indicates that small businesses that were financed by OCLF programming created an average of 3.36 jobs per business, while businesses increased their average revenue by \$14,500.

Improvements in socio-economic status

The OCLF training loans program continues to have a positive influence on the socio-economic status of recipients. The 2011 survey demonstrated that a majority (50%) of training loan recipients reported an improved economic status. Previous surveys demonstrated the same results as 80% of the respondents from the 2009 sample and 77% of the 2010 respondents reported an improved socio-economic status since receiving the loan. The most noted areas of improvement continue to include improvements in health and medical care, improved credit rating, improved ability to support family abroad and overall family support.

The small business loans program continues to have a positive influence on its recipients, albeit on a smaller scale than the training loan program. The 2011 survey revealed that 33% of respondents

have been positively impacted by the loan while 66% have yet to experience the positive impact. The majority of businesses interviewed had not been operating for a complete fiscal year therefore the situation may be different in future interviews. It is positive to note that there was an average salary increase of over \$14,500 per business.

Government benefits significantly from the OCLF Loan Program: increased tax revenues, decreased expenditures

The OCLF loan program directly benefits the government through increased revenue and decreased expenditures. By providing loans which ultimately increase the income of their clients, the OCLF is generating both income and savings for the provincial and federal governments.

The 2011 survey indicates that the OCLF loan program can be directly attributed to an average increase of new tax revenue of \$5,262 per person, with an average \$1,505 going to the provincial government and \$3,757 going to the federal government annually. The loan program is also directly responsible for increased employment in the small business sector as 11 new employees were hired by businesses receiving small business loans. By supporting small business development and indirectly creating jobs, the OCLF generated increased tax revenue that cannot be calculated for this report.

The government is also benefitting from reduced expenditures. Of those surveyed in 2011, 4 participants moved away from government assistance and into employment. As a result, the OCLF loan program can be attributed to saving the government approximately \$30,000 – \$42,000 per year in assistance expenditures.

As the OCLF continues to grow its client base, the provincial and federal government will ultimately reap the financial benefits. The OCLF loan program continues to have a positive effect on the Ottawa community while contributing to the economic well being of the province and country.

To conclude, the following quote from one training loan recipient demonstrates how the OCLF loan program is having a positive effect on its clients and the community:

“The loan has had a positive impact for my family. I feel better about myself, I feel good, I feel safe and able to provide for my family. The loan changed the entire climate of the household and there is less worrying as a result. It has allowed my wife to go back to University to complete her degree”

- Training Loan Recipient, 2011