MICROFINANCE INSTITUTION COMPARISON

TEAM 4 FOR EIIG

04/25

Table of Contents

Executive Summary

The onset of globalization and new developments through all industries have pushed for advances in every dimension of people, society, and business, and small businesses, generally based in niche communities, are no exception to such trend. With 88% of firms in the United States classified as small businesses that have 20 employees or less, the importance of small business investment is undeniable. More so, in Georgia: the number of start-ups (that require further financial support) have increased over time, resulting in the creation of over 7,000 start-ups in 2016. As Georgians strive to innovate, establish new dynamics in their communities, EIIG's role is imperative to further the growth of Georgia's small businesses.

To assist in EIIG's goal of closing the microloan gap, Team 4 examined four different microfinance institutions. Within each of the instances, we provided an overview of each institution, and evaluated its applicability, reliability, and profitability.

Across all the microfinance institutions, Team 4 found that the applicability of each microfinance institution was generally high, indicating that EIIG could effectively utilize these institutions to accomplish its mission in Greater Atlanta. Additionally, Team 4 found that the profitability of each microfinance institution is generally low with the exception of Access to Capital for Entrepreneurs (ACE). The low profitability serves has a hinderance for future business growth in the individual businesses that had received the loans; a business that is not able to capitalize on its investment that is used to address an integral part of its processes and increase profits from such a loan provides reasonable concern. That said, profitability, while imperative in analyzing the effectiveness of an institution is not sufficient. Profitability assumes that the business is able to pay back the loan; reliability derived from default rates is also important. Team 4 found that the default rates of the institutions analyzed are generally low, guaranteeing to a certain extent that the loans will be paid back.

As Georgia continues to progress and innovate, it is critical that small businesses are able to progress alongside it. Through EIIG's loans and investments, Georgia's small businesses can lead to impressive developments and change in all of Georgia's industries.

Sasha Hakimain, Renee Kim, Rachel Lee, Dallas Lim, Audrey Yang

Analysts

Grading Framework

In evaluating microloan institutions, Team 4 utilized the following grading framework.

Factor	Weight	Score (out of 5)	Weight x Score
Applicability	.3		
Reliability	.3		
Profitability	.4		
Sum			

Each one of the factors we used as a metric had specific purposes when analyzing the different microloan institutions. Applicability gauges how well the intended audience of the loans each institution offered could be applied to the Greater Atlanta community that EIIG strives to build. Likewise, reliability seeks to determine how pragmatic it would be to use a specific institution based on their default rate and/or consistency of their profitability, indicating a dimension of success at the institution. Finally, the profitability component provides insights into the results of the loans given out at each microfinance institution, as profits demonstrate financial stability and growth.

We valued profitability at 40%, higher than the other factors as we noted that EIIG consistently seeks to "close the microloan gap," in which we believed the profitability was a greater reflection of EIIG's mission as small businesses that demonstrated stronger profitability were able to make more continuous impacts on their respective communities.

Ratings and rankings are inherently subjective, yet to ensure as accurate ratings as possible, they were cross-checked with each other to ensure consistency, and all ratings were derived from evidence from credible sources.

Access to Capital for Entrepreneurs (ACE)

Company Overview

Access to Capital for Entrepreneurs (ACE) is a Georgia-based microfinance institution that provides community economic development to underserved people and communities. This institution's goal is to advance equity by removing the barriers to accessing capital by providing equitable access to opportunity through its loans. With 19 years of experience of supporting small Georgia businesses, ACE has managed to create a separate branch dedicated to the advancement of women in business.

Areas/Demographics Served

The demographics of ACE's customers are reflected in the following statistics: 79% have businesses in Metro Atlanta, 89% are from underserved populations, 43% of loan funds provided to women business owners, 48% of loan funds provided to African American small business owners, and 16% of loan funds provided to Hispanic small business owners. They currently serve 68 different counties in Georgia, with widespread investments throughout the state. ACE is active in all counties of Georgia, including Fulton County, which contains Atlanta.

Profitability

In all our analysis of microfinance institutions, we used the formula: programming service revenue / total receivables = profitability. Programming services revenue was interpreted as the interest revenue, as when a loan is given out, a company will receive interest revenue from the loan. Essentially, we would be able to see the profitability from the loan specifically, which is how Team 4 was able to use programming services revenue as an interest revenue. As such, Team 4 has calculated the profitability of ACE to be 11.41% (2013), 6.82% (2014), 8.27% (2015), 8.32% (2016), 9.21% (2017).

Grading Framework

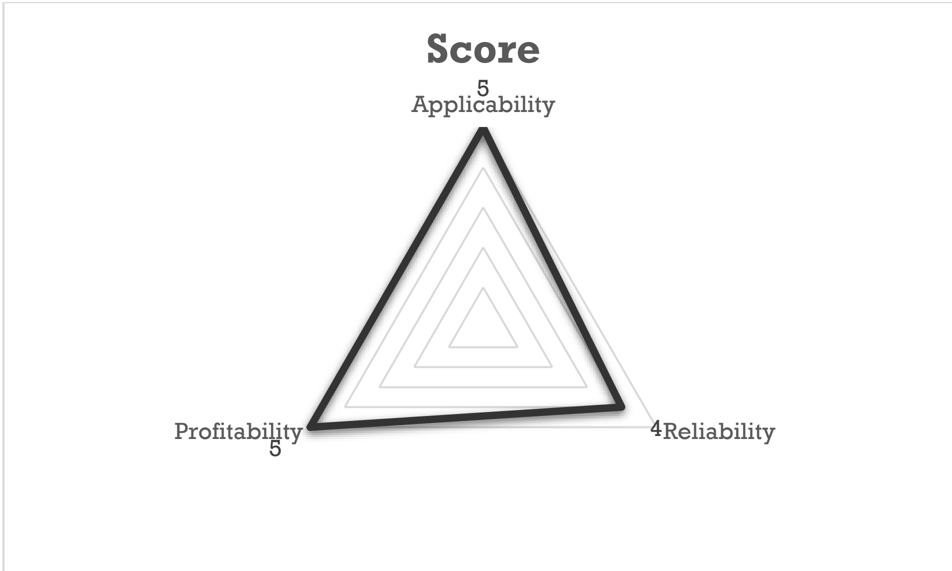
Factor	Weight	Score (out of 5)	Weight x Score
Applicability	.3	5	1.5
Reliability	.3	4	1.2
Profitability	.4	5	2.0
Sum			4.7

Explanations:

Applicability: Access to Capital for Entrepreneurs, unlike any of the other microfinance institutions in this report allows for investment in small businesses in the Atlanta and/or Greater Atlanta area. The loans given out by ACE could be directly used by EIIG.

Reliability: Over time, ACE has demonstrated relatively consistent profitability rates, in times nearing double digit profitability rates.

Profitability: The profitability of ACE is significantly higher than other microfinance loans, moreover the numbers do not fluctuate dramatically and shows resilience when there is a setback one year (i.e. 2014).



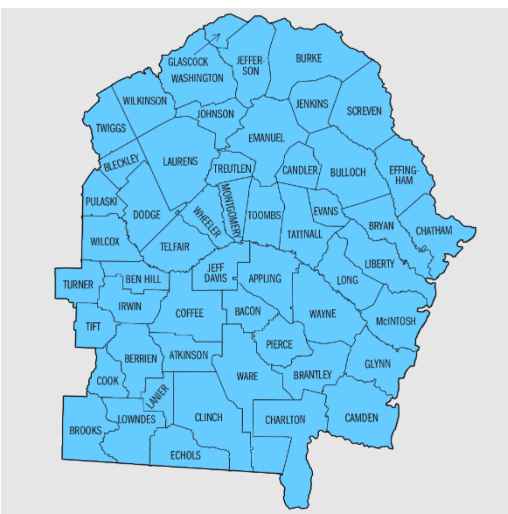
Small Business Assistance Corporation (SBAC)

Company Overview

Small Business Assistance Corporation, otherwise known as SBAC, is a microfinance institution that finances for new and current small businesses. The institution provides equity and debt funds through the Savannah Regional Small Business Capital Fund. Essentially, the goal of SBAC is to support businesses in all phases of development through management and technical assistance. Notably, SBAC gives assistance not only to small businesses, but also "medium-sized" businesses.

Areas/Demographics Served

SBAC provides its services, support, and loans to a large number of counties, largely based in southeast Georgia. The counties that Small Business Assistance Corporation supports does not include Fulton Country, the county that contains Atlanta, and the majority of the surrounding counties. This may prove a hinderance to EIIG, as EIIG mostly targets small businesses in the Atlanta area or Greater Atlanta area. The image provides a visual representation of the counties that SBAC is active and present in.



Profitability

Using the formula that Team 4 had derived, the profitability in SBAC ranged dramatically and decreased at alarming intervals over time. The rates calculated were found to be 60.73% (2013), 52.05% (2014), 46.08% (2015), 15.17% (2016), and 9.29% (2017). The greatest drop was between 2015 and 2016. Team 4 was not able to find the source of such a dramatic decrease but noted that it was an important factor to consider when evaluating SBAC.

Grading Framework

Factor	Weight	Score (out of 5)	Weight x Score
Applicability	.3	3	0.9
Reliability	.3	2.5	0.75
Profitability	.4	4	2.0

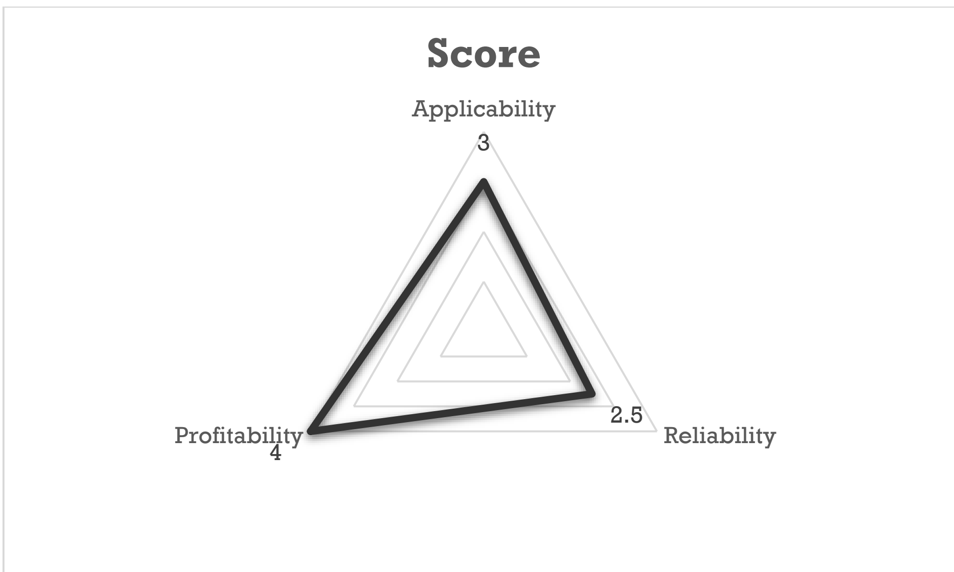
Sum			3.65

Explanations:

Applicability: While SBAC provides support in a large portion of Georgia, it clearly does not contain Fulton Country, which is the county Atlanta resides in. Likewise, many of the counties that surround Atlanta are not included in the counties SBAC is active in.

Reliability: The profitability rate dramatically decreases over time and while Team 4 does not know the reasoning for such a decrease, we find it a matter of concern.

Profitability: SBAC has substantially higher profitability rates than any other microfinance institution Team 4 had analyzed. However, the profitability rate decreases over time; Team 4 was unable to identify why the profitability rate decreased over time, but the change in score was reflected more in the reliability section.



Kiva Loans

Company Overview

Kiva is an international non-profit that seeks to expand financial access to support underserved communities and allow these communities to thrive. The investments Kiva make range dramatically; not all of them are geared towards small businesses, but loans to pay for other economic activities such as the investment into higher education for specific individuals or clothes for a family. It should be noted that donations towards the loans are ***not*** chosen by Kiva, but the donors. Donors will contribute a select amount of money towards a loan and loans are only sent when the amount requested for a loan is completely met by donations.

Areas/Demographics Served

The area and demographics that Kiva serves is diverse; as an international non-profit microfinance institution, Kiva is active in 80 different countries. Often, the investments made by Kiva are in third world countries in which in the populations are significantly disadvantaged in comparison to the area around them (EX: the slums of Brazil). Many of the investments Kiva is responsible are also in regions with political and/or financial instability. Kiva is active in the United States as well; a general trend seen in the Kiva investments in the United States is the support of Latinx populations. Additionally, the top funded countries in the previous year, 2018, were the Philippines, Kenya, and Peru.

Profitability

Using the same equation that Team 4 had derived before, Kiva had two calculated profitability rates that Team 4 was able to access: 5.28% (2013) and 1.76% (2014). Considering the types of loans that Kiva gives out, the profitability rate is by no means completely indicative of its reliability. Default rate should be considered as a heavier factor.

Grading Framework

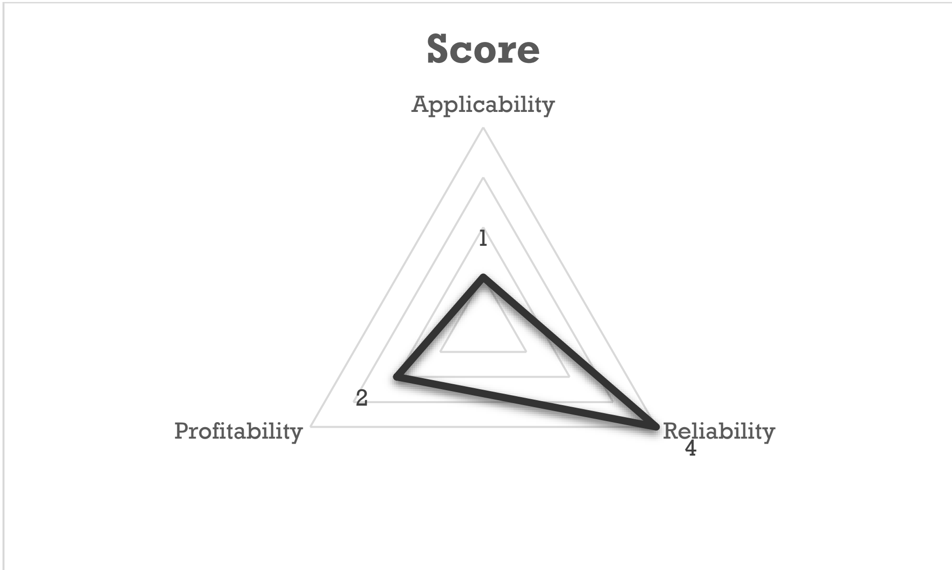
Factor	Weight	Score (out of 5)	Weight x Score
Applicability	.3	1	0.3
Reliability	.3	4	1.2
Profitability	.4	2	0.8
Sum			2.3

Explanations:

Applicability: While Kiva loans do support small businesses across the world, the demographics and the areas that Kiva targets do not include the Greater Atlanta area. While there may be some cases where Kiva has the potential to be active in Atlanta, the probability is slim.

Reliability: The default rate of Kiva is remarkably low. At a rate of 3.1%, with a small range for error, the reliability of Kiva is high.

Profitability: The most recent profitability of the Kiva is extremely low, at 1.76%. When considering the types of loans that aren't necessarily given out to companies, this is to be expected. Team 4 anticipates that the profitability of Kiva would be higher given that the loans to non-businesses would have been taken out of the data.



Albany Community Together! (ACT!)

Company Overview

The Albany Community Together! public-private economic action partnership is a Small Business Association micro-loan intermediary lender, indicating that ACT! is a nonprofit community-based organization with experience in lending as well as management and technical assistance. The goal of ACT! is to provide financial assistance to small businesses who lack access to traditional sources of capital such as banks. This institution helps its banking partners meet their customer's financial needs by providing "gap funding."

Areas/Demographics Served

Albany Community Together! provides financial support to Georgia's counties in the southwest corner of the state. Similar to the Small Business Assistance Corporation (SBAC), ACT! provides financial support to a select portion of counties in Georgia, but not counties that contain Atlanta or Greater Atlanta. The image blow displays which counties that ACT! is active in (denoted by red dots). Additionally, ACT! targets counties with populations with notably lower per capita incomes, with $20,000 or less. Of the 17 counties that Albany Community Together! accounts for, 9 of the counties are predominantly African American, with over 50% these counties identifying as African American. These counties are also the least populated counites in the state of Georgia.

Service Area

Albany Community Together, Inc. **(ACT!)**

Counties Served:

Baker	Bibb	Calhoun
Chattahoochee	Clay	Colquitt
Crawford	Crisp	Decatur
Dooly	Dougherty	Early
Grady	Harris	Houston
Lee	Macon	Marion
Meriwether	Miller	Mitchell
Muscogee	Peach	Pike
Quitman	Randolph	Schley
Seminole	Stewart	Sumter
Talbot	Taylor	Terrell
Thomas	Troup	Upson
Webster	Worth	

Profitability

Using the aforementioned profitability equation, ACT!'s profitability rates were only found for two years due to the lack of the available data. The rates are as such: 9.62% (2012) and 5.65% (2013). Due to the shortage of data, Team 4 cannot make definite conclusions regarding the pattern of profitability.

Grading Framework

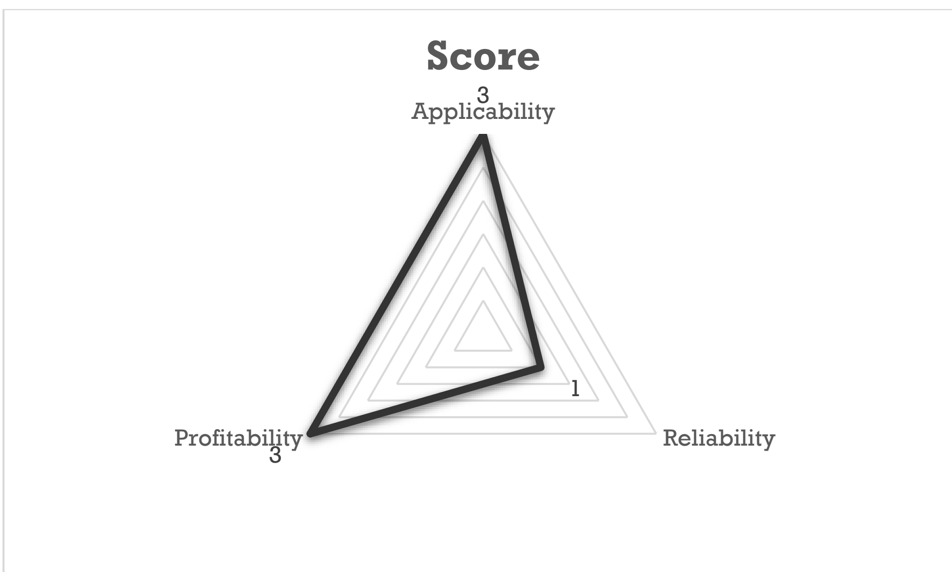
Factor	Weight	Score (out of 5)	Weight x Score
Applicability	.3	3	0.9
Reliability	.3	1	0.3
Profitability	.4	3	1.2
Sum			2.4

Explanations:

Applicability: ACT! covers counties in Georgia but does not cover the Atlanta area or the Greater Atlanta area.

Reliability: Due to the lack of information about profitability and the lack of a disclosed default rate, Team 4 was unable to properly evaluate reliability. As such, it was given a score of 1 due to the uncertainty regarding reliability.

Profitability: While the profitability rates are at a rate that similar to those of other microfinance institutions', there is a lack of consistency in the data. Team 4 was unable to draw definite conclusions regarding the profitability.



Conclusion

Microfinance institutions, particularly those in the Atlanta area, continue to affect and create major impacts in communities. This remains true among the investments that EIIG is able make. Institutions that Team 4 thought EIIG may considering working alongside, ACT!, SBAC, Kiva, and ACE, showed varied strengths and weaknesses on the three different metrics that Team 4 had tailored to reflect the goals and values of EIIG. Overall, ACE had the strongest case; it had well-rounded and well-scored metrics. Meanwhile, other considerations could be made for SBAC and ACT!; while these microfinance institutions did not score on applicability, if EIIG sought to expand into different locations outside of the Greater Atlanta area, these would be microfinance institutions that had scored relatively well, given that their scores were greatly affected by their applicability scores. Meanwhile, Kiva loans aren't recommended to be used; while the versatility of their system of donations allows for EIIG to easily make an investment in a small business, Kiva is largely active in locations that are *not* in the Greater Atlanta area *or* Georgia. Moreover, there was insufficient enough data to determine whether Kiva's profitability rate was pulled down or pulled upwards by small business investments. Thus, Team 4 heavily recommends that EIIG strongly consider working with ACE due to its high scores.

When making such investments however, it is critical to acknowledge and adapt to the changing dynamic of small businesses. Working in tandem with technological advancement and a changing labor force when considering which small business will last in the long run due to an investment from an EIIG is imperative. In addition to intentionally fleshing out long-term plans with the microloan given by the EIIG team can provide a strong foundation in avoiding the pitfalls of a failed investment. Combining the metrics of reliability, profitability, and applicability in addition to these long-term plans would be wise and may pave a road to success for EIIG.

Microfinance Institution	Score (in order of ranking)
Access to Capital for Entrepreneurs (ACE)	4.7
Small Business Assistance Corporation (SBAC)	3.65
Albany Community Together! (ACT!)	2.4
Kiva	2.3

Sasha Hakimain, Renee Kim, Rachel Lee, Dallas Lim, Audrey Yang

Team 4

Citations

"ACCESS TO CAPITAL FOR ENTREPRENEURS." Guidestar. Accessed March 18, 2019. https://www-guidestar-org.proxy.library.emory.edu/profile/58-2383669.

"ACT ALBANY COMMUNITY TOGETHER INC." Guidestar. Accessed March 18, 2019. https://www-guidestar-org.proxy.library.emory.edu/profile/58-2497789.

"SMALL BUSINESS ASSISTANCE CORP." Guidestar. Accessed March 19, 2019. https://www-guidestar-org.proxy.library.emory.edu/profile/58-1526202.

*Kiva's sources were based off a data sheet that can be given to EIIG at request. (It was impractical to attach to the research document.)