Putting Microfinance to the Test

18-Month Impacts of the Grameen America Program

September 2020

M. Victoria Quiroz Becerra
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Richard Hendra

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OVERVIEW

This report summarizes 18-month findings from the evaluation of the Grameen America program, a microfinance institution that provides loans to low-income women in the United States who are seeking to start or expand a small business. The program is based on the Grameen Bank model developed in Bangladesh during the late 1970s. Its objective is to reduce poverty through the provision of loans, financial training, and peer support.

The Grameen America evaluation is using a randomized controlled trial design to explore the mechanisms of program operations and whether the model leads to improved outcomes for borrowers. The evaluation includes an implementation analysis, which examines how the program operates and the experiences of borrowers and program staff; and an impact analysis, which assesses the program's effects on participants' outcomes, including the study's two primary outcomes: individual net income and types of material hardship experienced. Other outcomes include wage- and self-employment, earnings and other income, assets, and financial well-being. The implementation analysis includes outcomes from program-tracking data as well as findings from interviews with borrowers, focus groups, observations of the program, and interviews with Grameen America staff. The impact findings in this report are based on sample members' responses to an 18-month survey and credit report data from a major credit reporting agency. The Grameen America evaluation is funded by the Robin Hood Foundation.

Key Findings

- The Grameen America program resulted in increased business ownership and monthly business earnings (monthly business revenue minus expenses). At the same time, the program reduced wage-based employment and monthly earnings from wage-based employment. Due to these offsetting effects, the program did not result in an increase in overall net income (gross earnings minus business expenses) in the prior month, the first of two primary outcomes. However, the program did result in a decrease in the types of material hardship experienced, the second primary outcome.

- The pattern of impacts on the study's two primary outcomes is puzzling. The report proposes that part of the explanation for how the program decreased material hardship while not having an effect on income lies in the ways a small loan can provide liquidity to meet financial obligations. That is, borrowers may set aside some funds from the loan for a rainy day or to invest in more inventory that can later be used to maintain a steady flow of cash; they may also use funds from increased business revenue for everyday expenses. Is it possible that other aspects of the program are also contributing to ease material hardship? The study found increases in savings, access to credit, and social support, which could all contribute to reduced material hardship.

These findings are not the final word on the Grameen America evaluation. An upcoming report will assess the impacts of the program after 36 months. In addition to reporting on the same measures as those in this report, the next phase of the study will look at the impact of the program on assets such as the purchase of appliances to help support businesses. The longer-term follow-up period will provide a clearer picture of the effects of the Grameen America program.

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Most of all, we would like to thank the Grameen America evaluation participants, whose involvement in the study is helping us to better understand how to support and assist individuals trying to advance economically though self-employment.

The Authors

EXECUTIVE SUMMARY

Cecilia hoped to open her own grocery store one day. *Soledad* sold food she made in her apartment kitchen to get through a rough financial period. *Agustina* had been working at a restaurant for several years and wanted to be more independent. *Laura* was juggling a variety of jobs to support herself and her family. When these four women joined Grameen America, they all had their own individual hopes and ambitions. They also had one thing in common: They saw Grameen America, a microlending program for women entrepreneurs who experience poverty, as a way to accomplish some of their goals.

How does Grameen America help Cecilia, Soledad, Agustina, Laura, and women in similar economic circumstances develop businesses that can sustain them and their families? Does investing in a small business increase borrowers' overall income? Do they experience less material hardship as a result of their participation in the program? MDRC's evaluation of Grameen America seeks to answer these questions.

Safe and affordable financial products are not always available to everyone, especially people in the lowest income brackets. Microlending programs such as Grameen America seek to fill that gap, offering individuals low-interest loans to invest in small businesses that have the potential to both generate income and eventually improve overall well-being.[1] The field of microfinance expanded rapidly in the developing world after it emerged in the 1970s, bolstered by early excitement about its promise to reduce poverty. By the end of 2013, more than 3,000 microfinance institutions were estimated to be lending to over 211 million individuals worldwide.[2] These programs aim to provide opportunities for economic mobility by enabling users to borrow, invest, and save.

Despite the widespread implementation of such programs, only limited rigorous evidence is available on the model's effects on loan recipients' business growth, income, the reduction of economic hardship, and other outcomes, particularly in advanced economies.[3] The rigorous evidence that is available (mostly from studies in

[1] The terms microfinance, microcredit, and microlending are often used interchangeably. In the past few decades, the definition of microfinance has expanded and now covers additional financial services — such as savings, insurance, and financial training, among other services — that are offered to low-income individuals.

[2] Larry Reed, *Mapping Pathways out of Poverty: The State of the Microcredit Summit Campaign Report 2015* (Washington, DC: Microcredit Summit Campaign, 2015).

[3] Numerous quasi-experimental studies have been conducted on group microfinance programs. However, most of these studies lack a reliable counterfactual — that is, a means of determining what would have happened in the absence of the microfinance programs being studied — making it difficult to estimate the impacts of the programs. See Dean Karlan and Nathanael Goldberg, "Microfinance Evaluation Strategies: Notes on Methodology and Findings," Pages 17-58 in Beatriz Armendáriz & Marc Labie (eds.), *The Handbook of Microfinance* (Hackensack, NJ: World Scientific, 2011) for a review of methodological issues when evaluating microfinance programs.

nonindustrialized countries) shows that microfinance can lead to modest positive impacts on some outcomes for some groups.[4] For example, studies have shown that microlending programs work better for individuals who have existing businesses.[5] It is unclear whether the results from prior studies can be generalized to a program such as Grameen America that is operating in an industrialized country like the United States.

The Grameen America Model

Grameen America provides small loans to women living in poverty so they can invest in starting or expanding a small business. The program model theorizes that investment in a small enterprise allows women to generate income to pay back their microloan as well as to grow their business, and eventually increase their income and improve the material well-being of their households. The model is based on the Grameen Bank program first launched in Bangladesh in the late 1970s with the aim of improving the material well-being of the rural poor; the original Grameen Bank model has since spread throughout the nonindustrialized world.[6] In 2008, Grameen America was established in New York City employing the same lending model as the original program. Consistent with Grameen America's mission to empower women, the organization gives loans only to women entrepreneurs.

Grameen America uses a group-lending model that requires potential borrowers to form a loan group of five women who live near and know each other before they are eligible to apply for loans. After forming a group, women participate in five days of mandatory training called Continuous Group Training (CGT), during which they learn about the terms and conditions of the Grameen America loan, the rules of the program, and their responsibilities as borrowers. Once this training is completed, the five-member loan groups are officially enrolled in the program. Each member of an approved group then receives her first loan, which is typically between $500 and $1,500, and with an interest rate of between 15 and 18 percent. The average term of a Grameen America loan is 25 weeks.[7]

Five or six loan groups come together to form loan centers of 25 to 30 women, who meet on a weekly basis, usually at the home or business of one of the borrowers, to make their loan payments. Each woman in a loan group receives her own loan and is responsible for paying it back. Grameen America reports loan payments to several of the major credit reporting agencies to help borrowers establish credit histories. For one woman to be able to receive another loan, all group members must be current on *their* payments. In this way, group vetting and group social pressure, as opposed to traditional loan underwriting, are used to ensure repayment. Subsequent loans are typically for larger amounts and are designed to help members expand their businesses.

[4] Jonathan Bauchet, Cristobal Marshall, Laura Starita, Jeanette Thomas, and Anna Yalouris, *Latest Findings from Randomized Evaluations of Microfinance* (Washington, DC: Consultative Group to Assist the Poor/The World Bank, 2011) provides a summary of the interventions and findings from several randomized experiments of microfinance programs.

[5] Bruno Crépon, Florencia Devoto, Esther Duflo, and William Pariente, *Impact of Microcredit in Rural Areas of Morocco: Evidence from a Randomized Evaluation* (Cambridge, MA: MIT Working Paper, 2011); Manuela Angelucci, Dean Karlan, and Jonathan Zinman, "Win Some Lose Some? Evidence from a Randomized Microcredit Program Placement Experiment by Compartamos Banco," *Working Paper 19119* (Cambridge, MA: National Bureau of Economic Research, 2013).

[6] Brett E. Coleman, "The Impact of Group Lending in Northeast Thailand." *Journal of Development Economics* 60, 1 (1999): 105-144.

[7] Loan amounts have changed over time. In 2014, when the study was launched the first loan amount ranged from $500 to $1,500. In May 2018, Grameen America expanded the range of the starter loan to $2,000.

Evaluation Design

The MDRC research team evaluated the Grameen America program at the organization's branch in Union City, New Jersey. The branch was opened (for this study) in early 2014 and serves borrowers in Union City, Jersey City, Hoboken, and the surrounding municipalities in northern New Jersey.

The evaluation used a randomized controlled trial design to test whether the program translated into improved financial well-being and reduced material hardship for borrowers relative to what would have happened in the absence of the program. Given Grameen America's group-lending model, the evaluation was designed using a method known as "cluster random assignment." The researchers used the method to estimate the program's impacts by randomly assigning entire five-member loan groups to either a research group that was eligible to receive a Grameen America loan (the Grameen America group) or to a research group that was not eligible to receive a loan or to participate in the Grameen America program (the control group).[8] While randomizing intact lending groups made it difficult to recruit for the study, it helped to maximize the study's treatment contrast — that is, the difference between the percentage of Grameen America group members and the percentage of control group members who received loans. As a result, the study provides a fairer and stronger test of the group-lending model than some tests designed previously.[9]

Between March 2014 and March 2017, 1,492 women in 300 loan groups enrolled in the Grameen America evaluation. Roughly 70 percent of the women were randomly assigned to the Grameen America group and had the option to apply to the program and receive a loan, while the other 30 percent were randomly assigned to the control group and could not receive a Grameen America loan. (Control group members were free to seek out loans as individuals from other organizations and lenders.) By comparing the outcomes of the two research groups over time, the study can confidently attribute any differences in outcomes to the Grameen America program.

The Grameen America evaluation has two main components, both of which are included in this report: an *implementation analysis* and an *impact analysis*. The implementation analysis examines how the Grameen America program operated, the experiences of program staff and borrowers, and how the program might achieve its goals. The report presents a set of longitudinal case studies based on three rounds of interviews with 15 women in the Grameen America group completed over a four-year period.[10] It also presents documentation from program observations, demographic information captured at the time women entered the study, data from Grameen America's internal records on loan receipt and repayment, and interviews with Grameen America staff and from two focus groups with Grameen America group members.

[8] Randomization took place after a loan group had formed but before the group attended the five-day CGT that is required before program enrollment. For the full analysis plan, see Richard Hendra, Stephen Nuñez, and Kelsey Schaberg, "The Small Loan Study," *AEA RCT Registry* (2018), available at https://doi.org/10.1257/rct.2756-6.0.

[9] Jonathan Bauchet, Cristobal Marshall, Laura Starita, Jeanette Thomas, and Anna Yalouris, *Latest Findings from Randomized Evaluations of Microfinance* (Washington, DC: Consultative Group to Assist the Poor/The World Bank, 2011).

[10] The 15 women included in the case studies were selected from 28 participants who were initially interviewed. The initial 28 participants were randomly selected at three points in time to capture earlier and later entrants into the program. In the subsequent interviews, the research team explored borrowers' employment histories to learn more about how they combined work and their businesses; the social capital and networks in the program and the participants' communities; and topics related to financial inclusion. Each interview also included an inventory of household income sources and expenditures.

The impact analysis assessed the effect that the Grameen America program had on participant outcomes, including its impact on self- and wage-based employment, earnings and income, assets, and financial well-being. These outcomes were measured using follow-up surveys completed at 6, 18, and 36 months after women entered the study, and with credit report data collected from a major credit reporting agency. This report examined outcomes based on the 18-month survey data and credit report data as of 16 to 21 months after individuals joined the study.

This is the second report from MDRC's Grameen America evaluation, and it looks at a longer follow-up period than the previous one did. That report showed that as of the end of a roughly 6-month follow-up period, the Grameen America program increased self-employment and reduced several indicators of financial hardship. Additionally, Grameen America increased the likelihood of having a VantageScore (a credit score developed by the three major credit bureaus) between 7 and 12 months after study entry. These results were encouraging but are considered exploratory, in that the follow-up period was short and the analyses only looked at a limited set of outcomes.[11]

This report extends the follow-up period to roughly 18 months and looks at a much wider range of outcomes, including the two main outcomes (referred to in this report as the "primary outcomes") that the program aims to affect: monthly individual net income and types of material hardship experienced. Within the 18-month follow-up period, women who entered the program would have had the opportunity to access up to three microloans from Grameen America, invest in a business, and establish a credit score. The findings from this report are still considered interim, since some of the outcomes that the Grameen America program attempts to achieve may take longer to manifest. A future report will present impacts at around 36 months after study entry.

Key Findings

Analyses in this report yielded the following key findings. A high-level summary of the evaluation's impact findings can be found in **Figure** ES.1.

- Participation in the Grameen America program was high and many women continued to engage in the program over time. Based on program-tracking data collected by Grameen America, around 88 percent of Grameen America group members received at least one loan from the program within the 18-month follow-up period. Among the women who took out at least one loan, a little over half took out at least three loans within the 18-month follow-up period.

- Around 90 percent of the women in the Grameen America group and 24 percent of the women in the control group reported taking out a loan from any lender (including from Grameen America) within 18 months of study entry. The high rate of loan receipt among women in the Grameen America group, along with the large difference in rates of loan receipt between the two research groups — also called the "treatment contrast" — indicate the study was set up to have a good test of the program.

[11] Kelsey Schaberg, Victoria Quiroz-Becerra, Toni Castro-Cosio, Stephen Nuñez, and Richard Hendra, *Microfinance in the United States: Early Impacts of the Grameen America Program* (New York: MDRC, 2019).

Figure ES.1

Grameen America 18-Month Impact Snapshot

EMPLOYMENT, INCOME, MATERIAL HARDSHIP | **CREDIT, SAVINGS, DEBT** | **SOCIAL SUPPORT, WELL-BEING**

Statistically significant

MEDIATING OUTCOMES: Outcomes directly targeted by the Grameen America program and help explain the mechanisms that lead to the primary outcomes

- + 19.3 Business ownership
- + $140 Monthly business earnings
- + 19.7 Had a VantageScore (a type of credit score)
- + 8.6 Had someone they could ask for a favor or to borrow something small
- + 6.7 Had someone they could ask to borrow $250 for a few weeks due to an emergency

PRIMARY OUTCOMES: The main outcomes or goals of the program

SECONDARY OUTCOMES: Those not directly targeted by the program, those that are expected to be affected by the primary outcomes, and those that are less likely to be affected given the timing of measurement

- − 7.0 Employment in a wage-earning job
- − $167 Monthly wage earnings
- − $44 Total participant net income in prior month
- + $188 Total household net income in prior month
- − 0.5 Types of material hardship in the last 12 months (N)
- − 5.2 Has health insurance
- − $325 Debt: average amount owed on loans and bills
- + $740 Savings: average nonretirement savings for respondent and her live-in partner or spouse
- + 14.5 Overall well-being: very satisfied with life
- + 6.2 Involved in at least half of household's financial decisions
- + 7.5 Work-life balance: ability to spend time with family

Grameen America borrowers often moved in and out of self- and wage-based employment and combined income from multiple sources to make ends meet.

The study found no statistically significant effect on individual net income. The increase in business earnings appears to be offset by the decrease in wage earnings. Despite no effect on individual net income, the program reduced material hardship.

Grameen America also increased savings, helped establish credit histories, strengthened social support systems, and increased overall well-being and empowerment.

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey and credit report data from a major credit agency.

NOTES: Plus and minus symbols indicate increase or decrease for the Grameen America group in comparison to the control group.

All measures except dollar amount measures and "types of material hardship in the last 12 months" are percentage point increases or decreases.

- The Grameen America program increased business ownership around 18 months after study entry. Around 94 percent of women in the Grameen America group reported operating a business, compared with 75 percent of women in the control group. The program also increased both monthly business revenue (by $523) and monthly business expenses (by $384). And because the program increased business revenue by a greater amount than it increased business expenses, the program increased average monthly earnings from a business. Average monthly earnings from a business for those in the Grameen America group were $459, compared with $319 for those in the control group. All of these impacts are statistically significant.[12]

- Of the women in the Grameen America group, 45 percent reported having a wage-earning job around 18 months after they entered the study, compared with 52 percent of women in the control group. This suggests that the Grameen America program led some women to either not start working at a wage-earning job or to stop working at one. The program also decreased monthly earnings from a wage-earning job by a statistically significant amount. Grameen America group members earned, on average, $708, compared with average earnings of $876 for control group members.

- The increase in monthly earnings from a business produced by the Grameen America program (around $140) appears to be almost exactly offset by the decrease in monthly earnings from wage-based employment ($167).

- As a result, the study found no statistically significant effect on individual net income as of 18 months after entering the study, one of the study's two primary outcomes. Individual net income includes earnings from all sources — a business, earnings from a wage-based job, and income from other sources — minus business expenses. Taking into account all of these income sources, women in the Grameen America group reported having an average net income of $1,270 in the prior month, compared with an average net income of $1,313 for women in the control group.

- The study measured experiences of several types of material hardship, including not having the ability to pay the full amount of rent or a mortgage, not being able to pay for utilities, and not being able to pay for health services and medication, among others. The Grameen America program reduced the likelihood that women experienced any type of material hardship in the previous year. About 44 percent of women in the Grameen America group reported experiencing *any type* of material hardship, compared with 59 percent of women in the control group, a statistically significant reduction of 15 percentage points.

- Similarly, women in the Grameen America group reported experiencing *fewer types* of material hardship in the previous year than control group members, the study's second primary outcome. Women in the Grameen America group experienced one type of material hardship on average, compared with 1.5 types of material hardship experienced

[12] A statistically significant finding is one that can be attributed with a high degree of confidence to the program, and is unlikely to have occurred by chance alone.

by women in the control group. Reductions in material hardship might be related to women in the Grameen America group having additional cash flow from either the loan or from business revenue that enabled them to meet their household expenses.

- The estimated impacts on health insurance and retirement benefits were not statistically significant. There was no statistically significant impact on receipt of public benefits.

- Grameen America increased the likelihood of having a VantageScore. Over 79 percent of Grameen America group members had a VantageScore, a statistically significant increase of 19 percentage points over the control group average. Similarly, the program increased the likelihood of having a *prime* VantageScore — a score in the highest range, between 650 and 850 — by 10 percentage points.

- Grameen America increased the amount of nonretirement savings for women in the Grameen America group and their live-in spouses or partners. Women in the Grameen America group reported having $1,920 in average savings compared with $1,180 for women in the control group, a 63 percent increase. Some of these savings might have been funds set aside from the Grameen America loan. The estimated impact on overall debt was not statistically significant.

- The Grameen America program contributed to deepening relationships among members of the loan groups — fostering trust and broadening social support systems. Women in the Grameen America group also reported higher levels of overall well-being and financial empowerment than did control group members. These impacts may also have contributed to the reductions in material hardship. Findings related to work-life balance were mixed.

Conclusion

The evaluation found some encouraging evidence for the Grameen America program within the 18-month follow-up period. The program produced an effect on one of the study's two primary outcomes. It also led to positive effects on several other outcomes. The overall pattern of findings leads to several questions: How should the Grameen America be assessed overall, given that it did not increase net income but did reduce material hardship and led to several other positive impacts? How did Grameen America reduce material hardship without increasing net income? Will the impact findings change when more follow-up data are available?

While the findings show that the Grameen America program did not yet achieve its goal of increasing individual net income and reducing poverty, the reduction in material hardship is important. The ability to meet everyday financial obligations may have value in and of itself and might be independent of any potential earnings or income-related benefits. The report proposes that part of the explanation for how the program may have decreased material hardship while not having an effect on net income lies in the ways a small loan and increased business revenue can help with cash flow to meet financial obligations. That is, borrowers may set aside some funds from their Grameen America loan for a rainy day or to invest in more inventory that can later be used to maintain a steady flow of cash; they may also use funds from increased business revenue for everyday expenses. It is possible that other aspects of the program are also contributing to easing material hardship. For example, increased savings, access to credit, and increased social support could all contribute to reduced material hardship. Establishing a credit score can help individuals access mainstream credit and its associated lower effective interest rates. And increased social connectedness can lead to improved well-being if women can draw on these relationships for both support and resources. Effects on these types of outcomes can still improve the financial and emotional well-being of borrowers, even if their income levels remain constant.

The evaluation also found that Grameen America increased self-employment and reduced wage-based employment. There are several important trade-offs connected to working a wage-based job versus running a business. Wage-based employment potentially comes with job-related benefits such as paid vacation and health insurance. These benefits may not be available to women running their own businesses. Yet operating a business may allow for greater flexibility and potentially a better work-life balance. These trade-offs should be considered when assessing the effects of the Grameen America program.

The evaluation of the Grameen America program is ongoing, and a future report will show the impacts of the program after 36 months. Those findings may help provide clarity on the mechanisms behind the impacts of the program. In addition to reporting on the same measures as those in this report, the next report will look at several outcomes related to assets. This will provide some insight into borrowers' level of investment in their businesses and whether this investment translates into increased business earnings.

It is possible that some of the results presented in this report will change when examined over a longer follow-up period. Impacts that were not detected at 18 months could manifest themselves at 36 months. As women continue in the Grameen America program and obtain larger loans, they may be able to invest more in their businesses and increase their business earnings, thereby increasing their net income over time. It is also possible, though, that some of the impacts seen at 18 months will fade. The longer-term follow-up period will provide a clearer picture of the effects of the Grameen America program.

1 Introduction

Cecilia was in the process of petitioning for her children to join her in the United States when she first heard about Grameen America.[1] The microlending program provides loans to low-income women who want to start or grow a business. Cecilia thought Grameen America might be able help her make more money so she could prepare for the arrival of her children.

> *"That's what motivated me to join Grameen ... because my salary is not sufficient. I came here [from Central America] to help improve the lives of my children. So I have to start with myself.... Starting a business is not easy ... but my boyfriend had begun a business, and that's why I launched mine. With a little bit of money from Grameen, we could make some profit."*

For several years, Cecilia had been helping her boyfriend sell merchandise at a local flea market in New Jersey. Now she wanted to branch out on her own, selling things like clothing, handbags and shoes. The problem was, she didn't have enough funds to get things off the ground. Then she heard about Grameen America and its loans for female entrepreneurs. After completing five days of training and meeting other requirements, Cecilia was accepted into the program and received her first loan — for $1,000.[2] About 10 months later, she said she was earning between $200 and $600 every other week, depending on the season and time of the month.

[1] This report uses pseudonyms to protect participant privacy.

[2] When the study started in 2014, Grameen America offered first-time program participants loans in the range of $500 to $1,500 depending on an informal assessment by frontline staff on the viability and potential revenue of their businesses. In May 2018, Grameen America expanded the range of the starter loan to $500 to $2,000.

This wasn't Cecilia's first business venture. Back in her home country she had sold encyclopedias, Avon products, clothing, and other items. She saw her flea market stand as a stepping-stone and dreamed of opening a grocery store in the near future. She said she had always liked the idea of being independent and not having to report to a boss.

But her dream of independence didn't fit with the reality of her life. Since arriving in the United States in 2000, Cecilia had worked all sorts of jobs, from washing dishes to caring for the elderly. When she enrolled in Grameen America she was working full time as a school aide, which paid $10 an hour. She shared a small apartment and split household expenses with her boyfriend. She also sent money back to her home country to help support her children. Cecilia's plan was to move to a larger house and open the grocery store once she and her children were reunited. That way, everyone could help with the family business. In the meantime, she figured she would continue to work full time during the week and sell merchandise at the flea market on the weekends.

Could the Grameen America microlending program help Cecilia achieve her dream of starting a business that could sustain her and her family? How might investing in her flea market stand help her increase her income and experience less material hardship? These are some of the questions that MDRC set out to answer in its evaluation of the Grameen America program — a randomized controlled trial to assess the impact the program is having on the economic well-being of women who experience situations similar to Cecilia's.

The Grameen America Model

Grameen America provides small loans to women living in poverty so they can start up and operate their own microenterprises. By investing in small businesses, the model theorizes, the program may help women grow their businesses, pay back the loans, develop a credit history, and eventually earn more income. Grameen America is based on a program that was started in Bangladesh in the late 1970s by Muhammad Yunus that was aimed at improving the material well-being of the rural poor. The original Grameen Bank model has since spread throughout the nonindustrialized world.[3] In 2008, Grameen America was established in New York and employs the same lending model as the original program in Bangladesh. This report presents interim findings of a study to evaluate the Grameen America program.

The Grameen America program uses a group-lending model. Five potential borrowers who live near each other must form a group before they are eligible to apply for loans. After forming a group, women participate in five days of mandatory training called Continuous Group Training, during which they learn about the terms and conditions of the Grameen America loan, the rules of the program, and their responsibilities as borrowers. Once this training is completed, the five-member loan groups are officially enrolled in the program. Each member of an approved group receives her own loan and is responsible for paying it back. These groups then join with five or six other groups to create loan centers, and all the participants meet in person on a weekly basis to make their loan payments. Unlike in traditional loan underwriting, in which lenders assess such things as a potential borrower's credit history and assets, in the Grameen America program the primary means of ensuring repayment are group vetting and social

[3] Coleman (1999).

pressure. If a member successfully pays back her loan, she is eligible to apply for another one, but only if all the other members in her group as well as those in the larger loan center are current on *their* payments. Consistent with Grameen America's mission to empower women, the organization gives loans only to women entrepreneurs. (See **Figure** 1.1 for an overview of the Grameen America model.)

The Evaluation of Grameen America

This evaluation focuses on the Grameen America branch in Union City, New Jersey. The branch was initially opened for this study in early 2014 and serves borrowers in Union City, Jersey City, Hoboken, and the surrounding municipalities in northern New Jersey.

The evaluation explores the Grameen America model and whether the program improved financial well-being and reduced material hardship for borrowers relative to what would have happened in the absence of the program. Because Grameen America uses a group-lending model, the evaluation was designed using a method known as "cluster random assignment." This method estimated program impacts by randomly assigning entire five-member loan groups to either a research group that was eligible to receive a Grameen America loan, referred to in this report as the Grameen America group, or to one that was not eligible to receive a loan or participate in the program, referred to as the control group.[4] While randomizing intact lending groups made it difficult to recruit for the study, ultimately it helped to maximize the study's service contrast (that is, a large difference between the percentage of Grameen America group members and control group members who received loans), and therefore provided a fairer, stronger test of the group-lending model than some previously designed tests of microlending programs.[5]

Between March 2014 and March 2017, 1,492 women in 300 loan groups enrolled in the Grameen America evaluation.[6] Roughly 70 percent of the women were randomly assigned to the Grameen America group and the other 30 percent were assigned to the control group.[7] By comparing the outcomes of these two groups over time, the study could confidently attribute any differences in outcomes to the Grameen America program. The study timeline is displayed in **Figure** 1.2.

The Grameen America evaluation has two main components: an *implementation analysis* and an *impact analysis*. The implementation analysis examines how the Grameen America program operated as well as the experiences of program staff and borrowers, to understand how the program might achieve its goals. This report presents a set of longitudinal case studies based on three rounds of interviews with women

[4] Randomization took place after a five-member loan group had formed but before the group attended Continuous Group Training. For the full analysis plan, see Hendra, Nuñez, and Schaberg (2018).

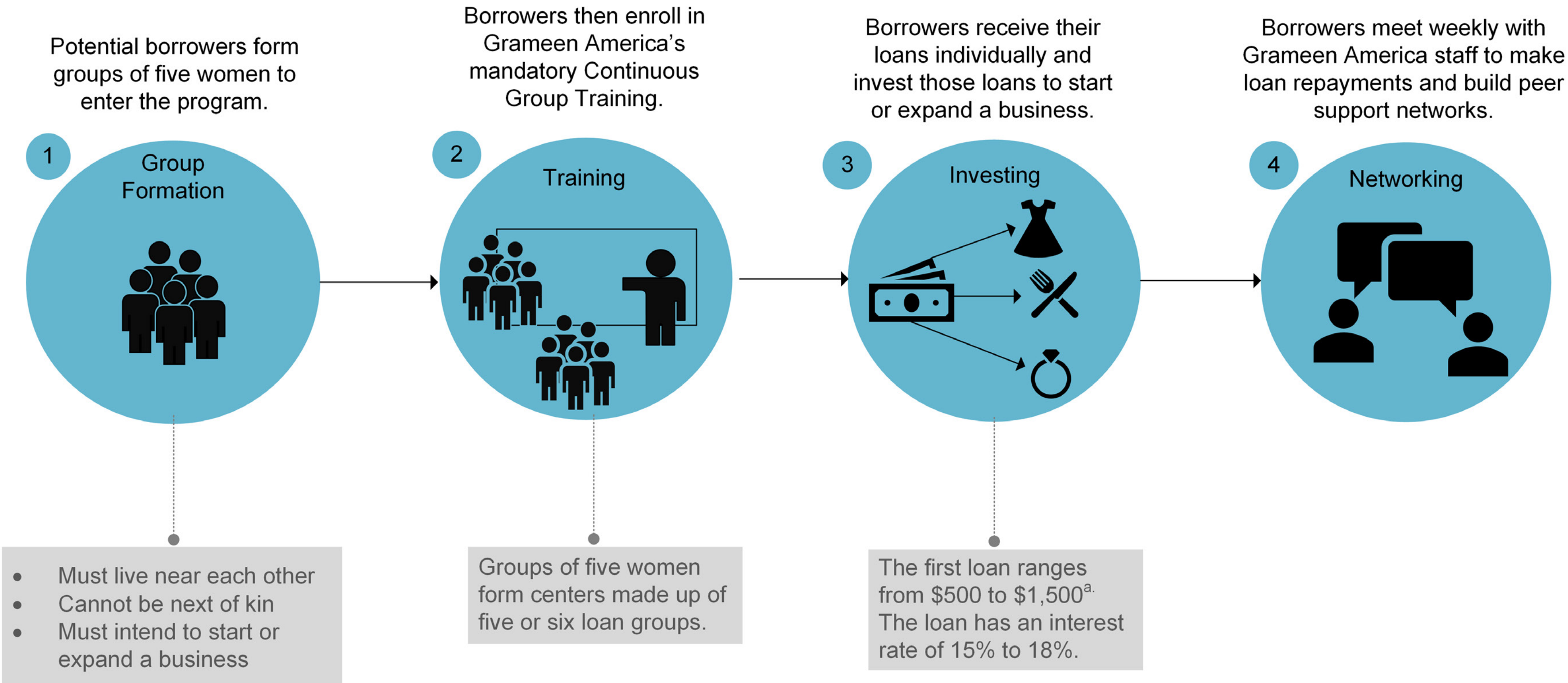
[5] Bauchet et al. (2011).

[6] At the end of a loan cycle, any Grameen America participant can decide to not take out another loan. When this happens, the remaining group members must find a replacement for that individual before anyone in the group can receive another loan. Starting in June 2016, these replacements were also randomly assigned using an 80/20 random assignment ratio. In total, 246 replacements were randomly assigned, 188 to the Grameen America group and 58 to the control group. The replacements were not included in the findings presented in this report.

[7] A "cascading" random assignment ratio was used because of the nature of Grameen America's recruitment process. Nearly all recruitment occurs through recommendations and referrals from existing loan groups. As a result, it's necessary to quickly build up enough loan groups (that is, Grameen America groups) to get to a tipping point where recruitment takes off. Random assignment slows this process. Therefore, after an initial period of very slow recruitment using a 50/50 random assignment ratio, the ratio was changed to 80/20 and then later to 65/35. The statistical analysis adjusts for these changes in ratios.

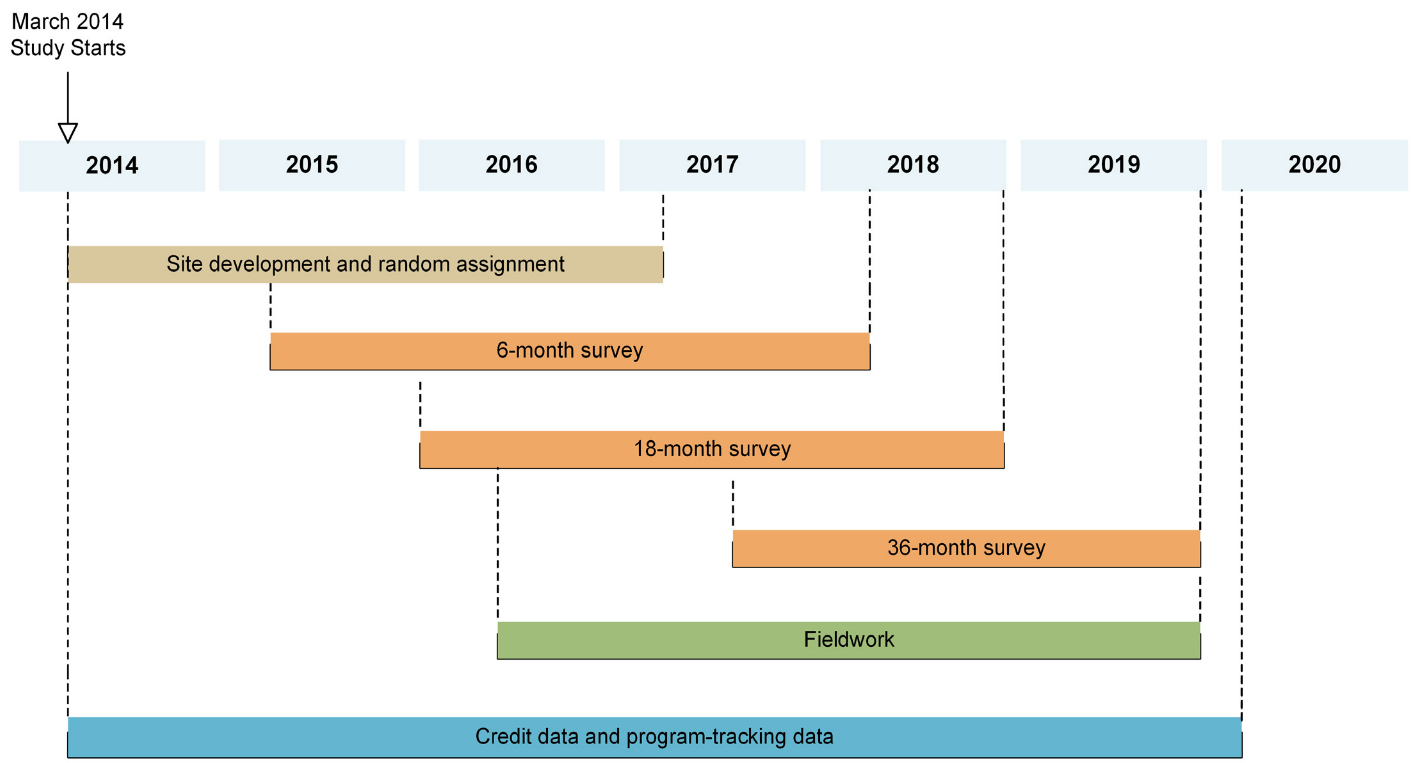
Figure 1.1

Grameen America Model



NOTES: [a]Grameen America expanded the range of the starter loan to $2,000 in 2018.

Figure 1.2
Grameen America Evaluation Study Timeline



Site development and random assignment	1.492 people were randomly assigned.
Surveys	Three surveys were administered at three different timepoints. The bars refer to when each survey was fielded.
Fieldwork	Data collection consisted of staff interviews, program observations, focus groups, and participant interviews.
Credit data and program-tracking data	Data consisted of program-tracking data provided by Grameen America and credit data collected on a biannual basis.

in the Grameen America group completed over a four-year period. It also presents documentation from program observations, demographic information captured at the time the women entered the study, Grameen America data on loan receipt and repayment, interviews with Grameen America staff, and two focus groups with Grameen America borrowers.[8]

[8] The 15 women included in the case studies were selected from the 28 participants who were initially interviewed. Those 28 were randomly selected at three points in time to capture earlier and later entrants into the program. The 15 women with whom additional interviews were conducted were chosen based on key patterns observed during an initial scan of the findings from the initial interviews. Based on analyses from these interviews, the research team focused the second set of interviews on the women's employment histories to learn more about how they combined self- and wage-based employment and their businesses. The third

The impact analysis assesses the effect that the Grameen America program had on participant outcomes, including the impact on self- and wage-based employment, gross earnings and net income, assets, and financial well-being. These outcomes were measured using follow-up surveys completed 6, 18, and 36 months after women entered the study, as well as with credit report data collected from a major credit bureau. This report examines outcomes based on the 18-month survey data and credit report data as of 16 to 21 months after individuals joined the study.

This is the second report from the MDRC Grameen America evaluation, and it looks at a longer follow-up period than the previous one did. That report showed that as of the end of a roughly 6-month follow-up period, Grameen America increased self-employment and reduced several indicators of financial hardship. Additionally, between 7 and 12 months after study entry, the program had increased the likelihood of participants having a type of credit score called a VantageScore (a joint venture of the three major credit bureaus). These results were encouraging but exploratory, given that the follow-up period was short (roughly 6 to 12 months) and the analyses only looked at a limited set of outcomes.[9] The current report extends the follow-up period to roughly 18 months and looks at a much wider range of outcomes, including two of the main outcomes the program aims to achieve: increasing income and reducing material hardship. Within the 18-month follow-up period, women who entered the program would have had the opportunity to access up to three microloans from Grameen America, invest in a business, and establish a credit score.[10] The findings from this report should still be considered interim, however, since some of the outcomes the Grameen America program aims to achieve may take longer to manifest. The next evaluation will report on impacts at around 36 months after study entry.

Financial Access as a Strategy to Improve Economic Well-Being

Providing access to financial services such as credit accounts and savings accounts is an important step in helping low-income households maintain a steady cash flow, start or expand a business, cope with risk, and increase or diversify sources of income.[11] Microfinance emerged in the developing world in the 1970s as a way to provide financial services to poor households that had been excluded from traditional commercial banking services. Whether such access substantially contributes to improving the economic well-being of the poor remains an open question. One challenge in answering this question is related to the difficulty of measuring the impacts of microfinance on economic well-being.[12] Evidence from rigorous studies suggests that microfinance can lead to modest positive impacts on some outcomes for some groups. For instance, some studies show that it contributes to increases in business investment and

round of interviews focused on the social capital and networks in the program and the participants' communities, as well as on topics related to financial inclusion. Each interview also included an inventory of household income sources and expenditures.

[9] Schaberg et al. (2019).

[10] Grameen America loans are repaid in 25 weeks or roughly 6 months. Borrowers have the option to take out another loan if they pay the current one in full and comply with the rules of the program. Every time a borrower applies for a new loan, she can request an increase in the amount of the new loan.

[11] Bauchet et al. (2011); Beck (2015).

[12] For a review of challenges evaluating microfinance see Banerjee, Karlan, and Zinman (2015).

profit from a business. However, the link between business investment and other measures of economic well-being is unclear.[13] Other studies have found that microloans contribute to "smoothing consumption" — that is, the ability of households to regularly meet basic needs and financial obligations (throughout the month and month-to-month) by using strategies such as borrowing and saving. Recent work suggests that microfinance may enhance liquidity, which may help poor households cope with financial ups and downs.[14] Also, microloans may help increase savings and establish different expenditure priorities for households.[15] These results, however, have not been persistent in all contexts. It is also unclear whether these results can be generalized to a microlending program operating in an industrialized country like the United States; much of the prior research in this field looked at programs in nonindustrialized countries.[16]

Key Findings

The interim results of the Grameen America study at about 18 months after random assignment show that the Grameen America program led to a complex set of impacts.

- The Grameen America program increased business ownership around 18 months after study entry. About 94 percent of women in the Grameen America group reported operating a business, compared with 75 percent of women in the control group. The program also increased both monthly business revenue (by $523) and monthly business expenses (by $384). Because the program increased business revenue by a greater amount than it increased business expenses, the program increased average monthly earnings from a business. Average monthly earnings from a business for those in the Grameen America group were $459, compared with $319 for those in the control group. All of these impacts are statistically significant.

- Increases in business ownership and earnings from a business, however, appear to have been offset by the substitution of business ownership for wage-based employment in some cases. When the study was launched, about half of the women in both the Grameen America group and the control group reported wage-based employment. Around 18 months after they entered the study, 45 percent of women in the Grameen America group reported wage-based employment compared with 52 percent of women in the control group. This suggests that the Grameen America program led some women to either not start working at a wage-earning job or to stop working at a wage-earning job.

- As such, the increase in earnings from a business produced by the Grameen America program (around $140) appears to be almost perfectly offset by the decrease in earnings from wage-based employment ($167).

- As a result, the study found no statistically significant effect on monthly net income (a woman's gross earnings from all sources of income minus business expenses) as of 18

[13] See Banerjee, Karlan, and Zinman (2015) for a description of six randomized controlled trials.

[14] Cull and Morduch (2017).

[15] Bauchet et al. (2011).

[16] Cull and Morduch (2017).

months after entering the study, one of the study's two primary outcomes. Women in the Grameen America group reported having an average monthly net income of $1,270 compared with $1,313 for women in the control group.

- The study measured experiences of material hardship, including not being able to pay the full amount of monthly rent or a mortgage, not being able to pay for utilities, or not being able to pay for health services and medication, among others. The Grameen America program reduced the likelihood of experiencing any material hardship. About 44 percent of women in the Grameen America group reported experiencing any type of material hardship in the previous year compared with 59 percent of women in the control group, a statistically significant difference of 15 percentage points. Findings on material hardship were somewhat unexpected, given that the study did not see an impact on overall net income.

- Similarly, women in the Grameen America group reported experiencing fewer types of material hardship, the study's other primary outcome — one type of material hardship on average, compared with 1.5 types of material hardship experienced by women in the control group.

- Reducing material hardship may be related to additional cash flow from the loans or from increased business revenue that enabled women in the Grameen America group to meet their business expenses. The increased cash flow may also have provided greater flexibility in meeting other household financial obligations.

- Grameen America increased the amount of nonretirement savings for women in the Grameen America group and their live-in spouses or partners, compared with the amount of money saved by women in the control group and their live-in spouses or partners. Women in the Grameen America group reported having average savings of $1,920 compared with $1,180 for women in the control group. The 63 percent increase ($740) in average savings is statistically significant. The increase in nonretirement savings might include funds set aside from the Grameen America loan or from increased business earnings.

- Grameen America increased the likelihood of having a VantageScore. Over 79 percent of Grameen America group members had a VantageScore, a statistically significant increase of 19 percentage points over the control group average. Similarly, the program increased the likelihood of having a "prime" VantageScore (a score in the highest range, between 650 and 850) by 10 percentage points.

- The Grameen America program contributed to deepening relationships, fostering trust, and broadening social support systems. Also, women in the Grameen America group reported higher levels of overall well-being and financial empowerment. Findings related to work-life balance were mixed.

2

The Grameen America Model and Its Practice

Soledad was well known in her community for the food she made and sold to friends and acquaintances on the weekends. But she wasn't working a steady job and she was going through a difficult period in her life.

> *"I had nothing. I was not working. I was not making any money. And I told myself, 'I have to do something.' ... Then a friend told me about Grameen America. I formed my group with friends who live nearby. I've known them for years."*

Since its launch in 2008, Grameen America has distributed nearly $1.5 billion in small loans to more than 132,000 borrowers and is now operating 23 branches in 15 cities across the country.[1] The microlending model originated in Bangladesh as a program aimed at reducing poverty among rural women with limited employment options. Providing women with loans so they could invest in small businesses, the model posited, would give them a way to generate income to support their families and eventually lift themselves out of poverty. Grameen has since grown into a worldwide network of independent lending organizations with a presence in 30 countries, and its model has been adopted by many microlenders throughout the developing world. But how does it work in the United States?

Grameen America's Theory of Change

As illustrated in **Figure** 2.1, the Grameen America model seeks to improve the economic well-being of women and their families through three main mechanisms: by offering borrowers access to low-interest loans to invest in a business, by helping them build a credit history, and by strengthening their social networks. The Grameen America loans are distributed for the express purpose of investing in a business. The model posits that this investment will contribute to increased earnings.

[1] Grameen America (n.d.).

Figure 2.1

Grameen America Theory of Change

GROUP LENDING MODEL
Loans and services offered by the Grameen America program are designed to improve a borrower's business, credit, and network for support.

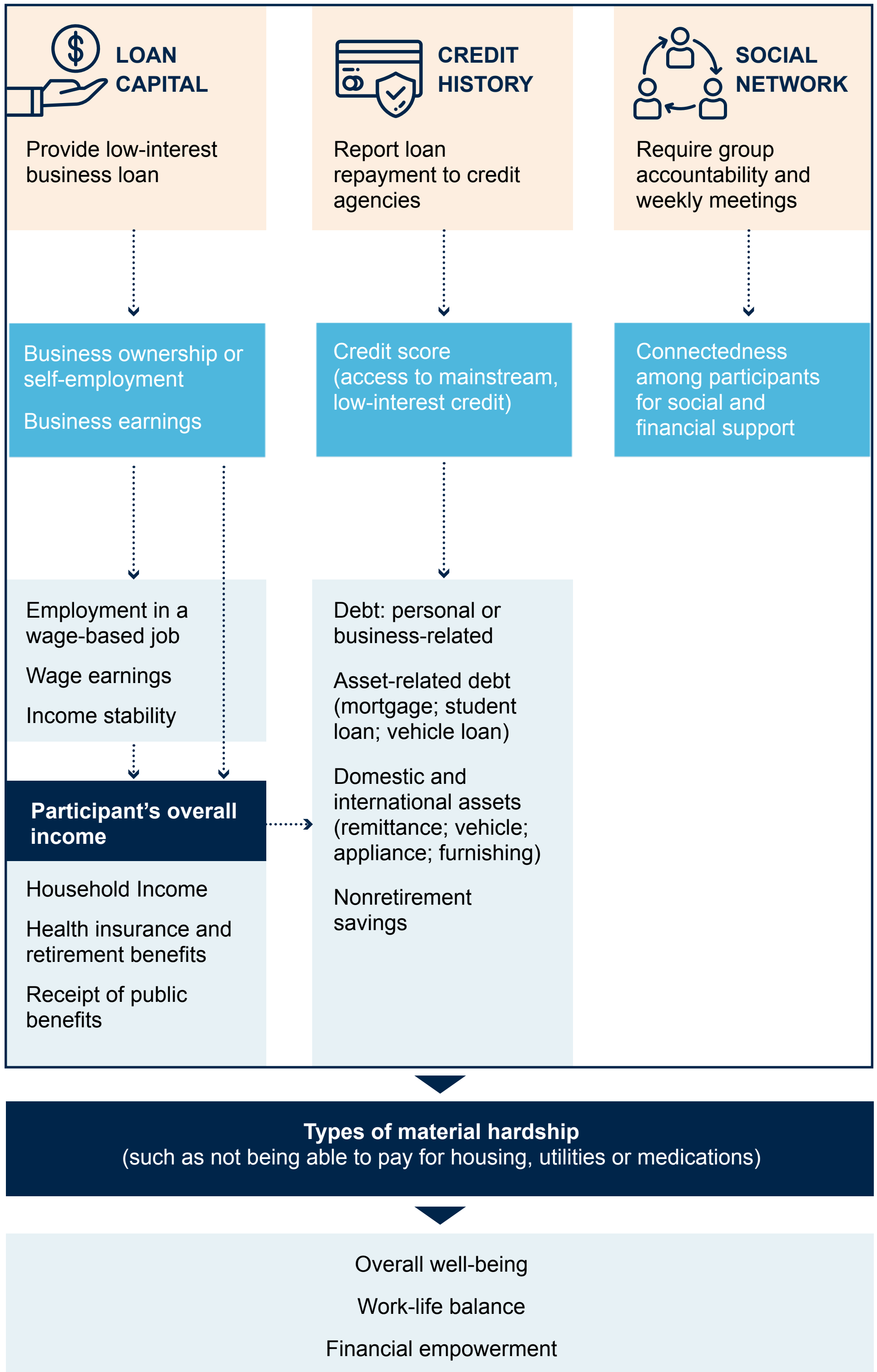
MEDIATING OUTCOMES
Outcomes directly targeted by the Grameen America program and are expected to lead to improve a borrower's income and experience with material hardship.

PRIMARY OUTCOMES
The main outcomes of the program are to improve a borrower's income and experience with material hardship.

SECONDARY OUTCOMES
Secondary outcomes are those not directly targeted by the program, those that are expected to be affected by the primary outcomes, and those that are less likely to be affected given the timing of measurement.

For example, business ownership may leave less time for borrowers to work in wage-based jobs, affecting their total income. This could, in turn, affect their savings and benefit receipt.

Outcomes related to all three areas — business loan, credit history, and social network — are expected to contribute to a borrower's financial and social well-being.



Over time, the business grows and earnings increase, which eventually can lead to decreased material hardship and to improved overall financial well-being. Investment in a business may lead to reduced participation in wage-based employment, however. In such cases, earnings from the business might be offset by decreased earnings from wage-based employment.

Loan repayments are made on a weekly basis over the course of about six months. Grameen America reports loan arrears to major credit bureaus. In this way, the program allows women to build a credit history and, in turn, a credit score. Building a credit history might provide program participants access to a broader set of financial options in the future, such as lower-interest bank loans, car loans, or lines of credit. Additionally, a good credit score may help reduce or eliminate the need for deposits on utility or cell phone accounts. When loans are paid in full, the women can continue in the program and apply for an increase on a subsequent loan. Thus, those who remain in the program might have access to larger sums of capital, potentially enabling them to invest in larger or durable items and build assets. Larger loans, however, also come with the risk of greater indebtedness. Grameen America encourages program participants to open savings accounts and save a small sum on a weekly basis.

Loans are distributed individually; however, borrowers must form a group of five women in order to enter the program. One of the program requirements is that the members of a group must know one another before joining, but they cannot be immediate family members. Knowing each other, the model assumes, can serve as a way of exerting social pressure to ensure loan repayment in lieu of traditional loan underwriting. In addition to each member going through a five-day training program, the loan groups are organized into centers of 25 to 30 members (five to six loan groups).[2] Loan repayments are made on a weekly basis at center meetings, usually at a member's home or business. In this way, the program seeks to enhance members' social and business support networks. Having a broad network of support can provide borrowers with additional friends and acquaintances they can turn to in times of need, such as for last-minute babysitting or to borrow a small amount of money. Moreover, being part of a network of women entrepreneurs can potentially facilitate the exchange of business know-how and might contribute to expanding a person's clientele. Of course, there is the possibility that such networks can saturate a market or lead to more competition. Market saturation could also displace the business activity of others outside the study. This possibility could not be measured with the research design being used here.

Grameen America Model in Practice in Union City

Grameen America's branch in Union City, New Jersey, was opened for the express purpose of launching the MDRC study in early 2014. In collaboration with Grameen America, the research team decided that opening a new branch would be more appropriate for conducting the study than using an existing one. This would allow Grameen America to continue operations in its current branches and expansion sites as usual. The Union City branch is near neighborhoods with large immigrant populations. As a result, many of the people recruited were immigrants (this is typical of most Grameen America branches). The research team and Grameen America worked together to ensure that the basic program elements were implemented as usual, although Grameen America also introduced several innovations throughout the

[2] The degree of connectedness in groups or centers can vary geographically. This report analyzes how the Grameen America program worked in the context of Union City, New Jersey.

duration of the Union City evaluation. The next sections describe the model as designed and how it was implemented in the Union City branch.

Recruitment and Group Formation

When the Union City branch was first opened, center managers (CMs), the frontline staff in charge of delivering the program, recruited participants as they usually do in other branches: by posting flyers in the surrounding neighborhoods and handing them out at community events, by visiting small businesses along commercial corridors in the area, and by tapping into their own social networks. Word of mouth, according to the CMs, was the most common way of recruiting new members to the program and had a snowball effect. Once a few loan groups were recruited, word about the program spread. Usually, CMs approached potential borrowers and provided basic information about the program. If interested, potential borrowers were instructed to form their own loan groups of women interested in starting or growing their businesses and the opportunity to participate in a loan program.

In-depth interviews with program participants suggest that most women learned about the program and joined a loan group through a friend or family member. This is not surprising, given that one of the requirements of Grameen America is that the women in each loan group must know each other. Also, women must live within walking distance of each other to make it easy to attend the required weekly meetings and arrive on time. While the program required that women in each group must know and trust each other, in-depth interviews and observations by the researchers revealed that "knowing each other" was a rather fluid concept that could range from being acquainted to knowing someone for several years.

Enrollment in the Study

Once a five-member loan group was formed, all members were invited to an intake meeting, where they were given information about the study. These intake meetings were created for the express purpose of enrolling potential borrowers into this study. Were it not for the study, these intake meetings would not have taken place and women who had formed their loan groups would have started training soon after.

During the intake meetings, loan groups were randomly assigned to one of two study groups: the Grameen America group, in which women were eligible to receive all of the services that a Grameen America borrower typically receives; or a control group, in which participants were not eligible to receive services from the program for five years. Assigning groups at random rather than as individuals was important for maintaining intact loan groups, given that the Grameen America model relies on existing social ties among group members. The research team determined that randomizing once each initial group of five was formed but before the members started Grameen America's mandatory five-day training — called Continuous Group Training (CGT) — contributed to limiting the number of women entering the study who might not qualify for a loan and reduced the burden on participants.[3] Once a group of five was assigned to be in the Grameen America group, borrowers set up a meeting with the CM to start training. Those in the control group were given a monetary incentive and reminded that they could not enter the Grameen America loan program for the next five years. A total of 1,492 women in 300

[3] For details about study design decisions, see Schaberg (2019).

loan groups enrolled in the study; 70 percent were assigned at random to the Grameen America group and 30 percent were assigned at random to the control group.

The information collected when women enrolled in the study suggests that the program reached its target population: women whose household incomes were below the poverty line. **Figure** 2.2 shows selected characteristics of all the women enrolled in the Grameen America study at the time they entered it, regardless of whether they were assigned to the Grameen America group or the control group. As expected, by virtue of the random assignment research design, there were no meaningful or systematic differences in baseline characteristics between the research groups. (See Appendix Table D.4.)

On average, the annual household income for all study participants was about $22,990 at the time they enrolled in the study. About 65 percent of women in the study reported that they had experienced economic hardship in the previous three months. Despite their low income, only 41 percent of women in the study reported their household received any type of government assistance. Only 20 percent of members received food stamps through the Supplemental Nutrition Assistance Program; only 12 percent received assistance from the Women, Infants, and Children program; and about 25 percent received Medicaid or other public health insurance (not shown in Figure 2.2).[4] Half of all study participants had a wage-based job at the time they entered the study, and about three-fourths were operating a business. **Figure** 2.3 shows the most common types of businesses that women entering the study were operating or intended to operate.

Most of the women enrolled in the study identified as Hispanic or Latina, and the average age was 41. The majority (91 percent) were born outside the United States and about 27 percent spoke English well. Of the participants born in another country, the majority (about 80 percent) had been in the United States for more than five years.[5] About 34 percent of study participants had less than a high school education, and 32 percent had completed at most a high school education or obtained a GED. About 65 percent of study participants were parents to at least one child who lived with them.

Continuous Group Training

In general, CGT takes place over the course of five days at the beginning of the program, although the length may vary depending on the assessment of center managers. During the training, potential loan groups learn about the terms and conditions of the loans, the rules of the program, and their responsibilities as borrowers. Center managers emphasize the importance of following "discipline" and adhering to the rules of the program — in particular, attending and being on time for weekly in-person meetings to make loan payments.

During the training, center managers fill out paperwork to assess each potential borrower's income, the type of business she has or plans to start, and how she intends to use the loan.[6] Center managers also use the training sessions as an opportunity to assess the level of interest and commitment of the potential

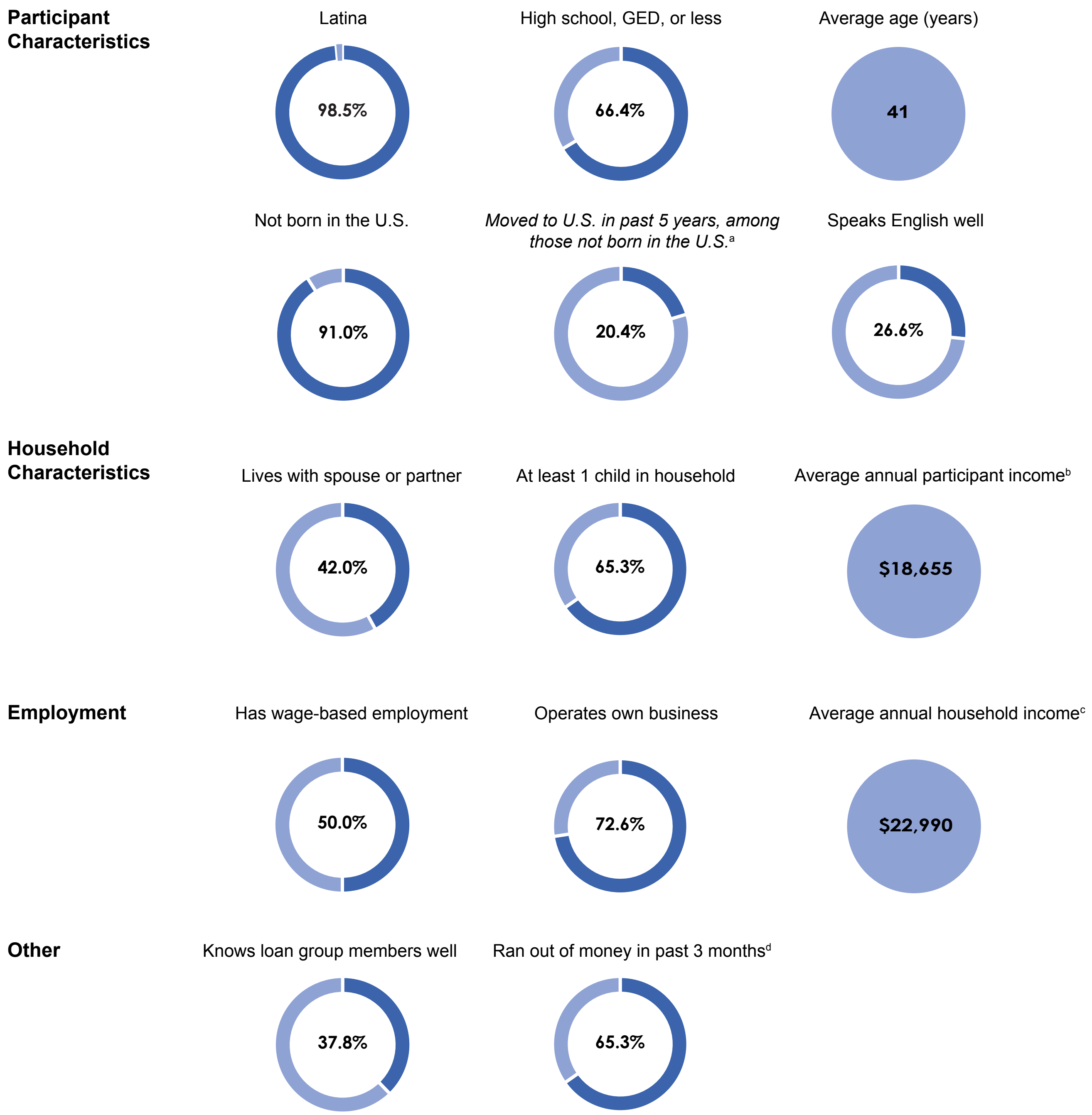
[4] These numbers are not cumulative. Study participants could have received assistance from multiple programs.

[5] To protect the privacy of study participants, the research team did not ask participants about their immigration status. Grameen America does not ask immigration status of potential or current participants.

[6] In December 2016, Grameen America transitioned from paper forms to digital forms.

Figure 2.2

Selected Characteristics of All Women Enrolled in the Study at the Time of Entry



SOURCE: MDRC calculations from the Grameen America Baseline Inormation Form

NOTES: Sample sizes may vary because of missing values.

[a]Italics indicate the metric is not among the full sample shown in the figure.

[b]This measure is a sum of total earnings from self-employment and total earnings from a job. For the first 195 individuals randomly assigned, this also includes income from other types of work.

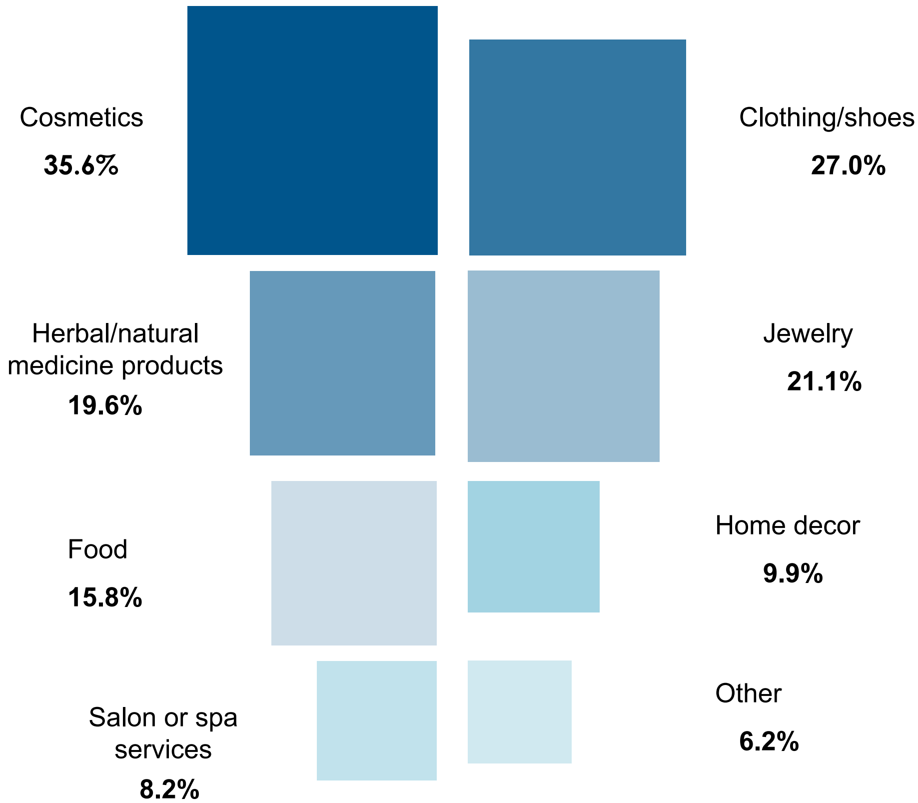
[c]This measure is a sum of total earnings from self-employment, total earnings from a job, and family member contributions to income.

[d]Data not available for first 195 participants randomly assigned.

Figure 2.3

Grameen America Sample Members' Business Types

Grameen America requires its borrowers to use their loans to start or expand a business, but borrowers choose the type of business they want to operate. The chart below shows the most common business types that women in the Grameen America group reported operating or planning to operate at the time they enrolled in the study. Participants could select more than one business type. The relative sizes of the boxes indicate which business types were used most often.



SOURCE: MDRC calculations from the Grameen America baseline information form.

NOTE: The sample size is 1,492.

borrowers and whether they are likely to adhere to the discipline that the program demands. Discipline is a concept widely used among staff members at all levels of the Grameen America organization, and roughly signifies adherence to the rules of the program. (Chapter 6 discusses the notion of discipline in more depth.) Also, at some point during the training, loan group members elect a president and a secretary whose primary responsibilities are to maintain communication among members and between the group and the CM. Once group members have taken the training, they meet with the Grameen America branch manager in what is known as "recognition," during which the branch manager tests each participant's knowledge of the program rules, the terms of her loan, and whether she knows the other members of her group. The branch manager may also visit the homes of group members during this phase to verify their addresses and to ensure that they meet income requirements. If all group members pass the test, the group is officially recognized and each member can receive a loan. The group must select two members who receive their loans first, usually the day or week after recognition. A week later, the remaining group members receive their loans.

Receiving a Loan

Once the group is accepted into the program, the CM fills out a loan proposal — a document in which each group member states the amount she wishes to borrow. The amount of the first loan in the study ranges from $500 to $1,500.[7] Grameen America loans have an interest rate of 15 to 18 percent. To ensure repayment, CMs try to assess whether the amount requested corresponds to the likely revenue a woman's business would generate, as well as her other sources of available income. Interviews with CMs as well as researchers' observations of the program suggest that CMs encourage women to borrow only the amount that they think they can repay. This practice stands in contrast with payday or other subprime loans, which usually do not establish guidelines regarding the ability of borrowers to pay and may lead people to borrow more than they can afford, potentially entering a cycle of debt.[8] The branch manager makes the final decision on loan amounts, although CMs can make recommendations based on their knowledge of a participant's situation. One CM described how she makes decisions regarding loan amounts:

> When I'm filling form 1A, which is a form where [a borrower] has to tell us, for instance, how many children she has, how much she earns, her marital status, if she receives help from her husband, ... or how much she pays in rent, that's when I get a sense of her economic situation. Obviously, we ask her how long she had her business, whether she has a storefront or sells out of her house, the type of business she has. Then I can assess if the business is something that would easily thrive. Her age is also important. There are products that we know sell well, others that we know won't sell.... All that gives me a sense of the amount of the loan to offer her. There are times when they want $1,500, which is the maximum you can get at the start. I tell them, "Look, if you're going to get $1,500, you have to pay $63 [a week]. Can you pay that?" That is, I make them realize that they have to pay whether they work or not.

As the interview above suggests, CMs take into consideration various aspects of a borrower's life to determine loan amounts. The program does not require any documentation of income or earnings from the business, which makes it easier to enter the program. Given that, however, CMs must assess the credit worthiness of potential borrowers based on the information they can gather during initial contact and training. Some of the criteria that CMs said they used to gauge loan amounts included a borrower's self-reported income, how long she had operated her business, the perceived popularity of the items she sold, the kinds of items sold or services provided, her age, and her perceived attitude during training.[9]

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[7] As noted, loan amounts have changed over time. When the study was launched in 2014, the first loan amount ranged from $500 to $1,500. In May 2018, Grameen America expanded the range to $2000.

[8] Center for Responsible Lending (2015). Still, the extent to which Grameen America borrowers take out additional loans is an empirical question which is addressed later in the report.

[9] Grameen America does not condone discrimination based on age.

Program participants must go to the branch office to receive their loan checks.[10] Grameen America usually negotiates with a local branch of a commercial bank so that its borrowers can open free or low-cost savings accounts. In the standard Grameen America model, borrowers are asked to save on a weekly basis, usually a small amount such as $2.00 a week. This practice is believed to reinforce discipline and provides women with a fund to draw from so they can make loan repayments in difficult times. In the Union City branch, however, Grameen America could not reach an agreement with a local bank to participate at the outset of the study. As a result, borrowers in the study branch were not required to open a savings account and make weekly deposits in it until 2017.[11]

Weekly Meetings

Borrowers start attending weekly meetings and making loan payments (weekly payments include both the principal and interest) right after their group is recognized. As described above, the meetings bring together five or six loan groups to form a center and are primarily a time to make loan repayments. Meetings are short — about 15 or 20 minutes — and usually take place at the home or business of one of the center members. Below is an excerpt from a researcher's field notes describing a weekly meeting:

> Center manager (CM) arrived and after greeting everyone ... she sat at the table on the corner where the loan booklets had been piled up. Before she could settle, a woman in the group recited GA's motto in a loud voice, "*Disciplina, unidad, y trabajo duro son la clave del exito*." (Discipline, unity, and hard work are the key to success.) All recited the motto standing up.... After settling down, CM started taking attendance, calling every member of the center by name. If someone was not present, another member would provide an explanation for her absence. ('She is on her way,' 'She had an appointment,' 'She said she would be here in a few minutes,' were the most common responses.) After roll call, CM started recording payments, taking one pile (representing groups) of loan booklets at a time. The booklets had the payment stub inserted in between the pages. CM would check the receipt, make a couple of marks in it, write down information in the booklet and check with her sheet.... After CM was done with three piles, she told women that they could take their booklets. The leader of the group took the pile and distributed the booklets to group members. Someone asked if they could go and center manager said that it was okay for them to go, but no one left.
>
> Once CM was done going over all the booklets, she pulled out a sheet and said that she needed participants to sign because new people were going to join as replacements.[12] ...

[10] In 2017, Grameen America introduced debit cards to transfer loans to borrowers.

[11] Given that this savings requirement was not in effect until late in the follow-up period, it likely does not explain the savings impact described in Chapter 5.

[12] Replacements in the study were selected by members of loan groups but were then randomly assigned using an 80/20 random assignment ratio. This was necessary in order to maintain the fairness of the process. It is possible that the composition of the loan

> After most had signed, the woman who had recited Grameen's motto at the beginning of the meeting stood in the middle of the room and in a loud voice recited the motto again, echoed by participants. That seemed to 'officially' end the meeting, and everyone started to leave.

Observations of center meetings suggest that overall, they have a format like the one described above. Center managers, however, have different ways of engaging with borrowers. Some prefer to maintain a professional demeanor and limit interaction with borrowers to issues pertaining to the loan and the program. Others take a more personal approach. Chapter 6 discusses center meetings in more depth and describes the kinds of relationships that are facilitated through them.

After Paying a Loan

It takes roughly six months (25 payments) to repay a Grameen America loan. Throughout this time and during the weekly meetings, CMs take note of the number of times a member is absent or late to a meeting, and how often she misses or is late with a payment. Not adhering to the rules of the program has consequences for obtaining subsequent loans and future loan amounts. At the end of the loan cycle, participants can decide whether to continue in the program and obtain a second loan. If a borrower decides to leave the program, the remaining four women in her loan group must find someone else to replace her if they want to continue in the program and receive further loans. CMs may bend this rule if, in their assessment, the remaining group members exercise discipline and promise to bring another member soon.

If a woman wants to obtain a second or subsequent loan, all members of a center must agree to it. Usually, the CM asks everyone at a center meeting to sign a sheet if they agree to let group members who are due for a renewal receive a new loan.

Those who decide to continue in the program may request an increase in the amount of their subsequent loan. Center managers determine whether to approve such an increase based on a borrower's adherence to the program's rules. Center managers also use criteria like the ones used when borrowers enter the program (such as general attitude). There is no limit to how many loans a borrower can obtain through the program, as long as she complies with the program's rules.

In late 2019, Grameen America introduced a new type of loan, the Business Expansion Loan, to help more established entrepreneurs grow their businesses. The loans are available to qualifying existing members and start at $10,000. This could be important because smaller loans might make it difficult to make the capital investments necessary to grow a business.

group changed over time (for example, groups could become "stronger" or "weaker" on several dimensions) and it was important to enable replacements in the study in order to capture the typical program experience.

Loan Receipt, Characteristics, and Repayment History

This section presents information about the extent to which the Grameen America group members engaged in the Grameen America program. The information is based on program-tracking data collected by Grameen America that covered participation in the program for the 18-month period after each woman enrolled in the study.[13]

Most Grameen America group members received a loan from the Grameen America program after they enrolled in the study. That is, about 88 percent of Grameen America group members took out at least one loan from the program (as shown in **Table** 2.1).[14] In order to receive their loans, these Grameen America group members must also have gone through the other upfront program activities, including CGT.

As noted earlier, after participants received a loan from Grameen America, they started repayments at the weekly center meetings. The average term of a Grameen America loan is 25 weeks, and borrowers were required to make payments on both the principal and the interest each week.[15]

The program-tracking data show that loan repayment rates in the Grameen America group were high. Less than 1 percent of those who took out a loan ever had a loan that was not paid off within 36 weeks (shown in Table 2.1). This high repayment rate may reflect Grameen America's lending model, which provides a strong incentive for individuals to repay their loans. While each member is responsible for paying back her own loan, these repayments also affect the ability of the entire group to qualify for subsequent loans. When one woman defaults, the expectation is that her peers will ensure repayment. A CM described how she enforced loan repayment:

> Obviously, all of them have to make the payment of the person who did not arrive [to the meeting].... I cannot leave without [payment].... During the training, I explain that if there is an emergency, her peers have to help her pay because it was an emergency. That's why they form the group.

Interviews with program participants and observations of the program suggest that participants believed that they were responsible for repaying the loans of those who defaulted, whether that person was part of their individual loan group or the larger center. This form of group insurance might explain, in part, Grameen America's high repayment rate.

Many women in the study took out multiple loans from Grameen America. Within the 18-month follow-up period covered by the program-tracking data, women could have taken out three to four loans amost. Among the women who took out at least one loan, almost three-fourths of them took out at least

[13] The program-tracking data do not describe any impact-related information, or the extent to which women who enrolled in the study but were assigned to the control group utilized other business loan services.

[14] While all Grameen America group members were eligible to receive a loan from Grameen America, some women decided not to do so. Still, this rate of loan take-up is high relative to some other studies of microfinance programs. See, for example, Banerjee, Duflo, Glennerster, and Kinnan (2015).

[15] The Grameen America loan term is sometimes longer than 25 weeks. This is the case if, for example, the center meetings in which payments are collected fall on a holiday or are not held for some other reason.

Table 2.1

Loan and Repayment History Within 18 Months of Random Assignment Among Grameen America Group Members

Outcome	Grameen America Group Members
Ever took out a loan from Grameen America (%)	87.8
Among those with at least one loan from Grameen America	
Number of loans taken out	*2.4*
1 loan	*27.0*
2 loans	*15.2*
3-4 loans	*57.8*
Currently has an open loan (as of 18 months) (%)	*47.7*
Number of days first loan was open	*169*
Principal on first loan ($)	*1,300*
Principal on last/most recent loan[a] ($)	*1,813*
Total amount paid toward all loans[b] ($)	*3,746*
Number of loans paid off in full	*1.7*
Ever had a loan that was not paid off within 36 weeks[c] (%)	*0.3*
Sample size	1,044

SOURCE: MDRC calculations from program-tracking data provided by Grameen America.

NOTES: The data include 18 months of follow-up for all Grameen America group members.
Italics indicate the metric is not among the full sample shown in the table.
[a]For individuals who have an open loan as of 18 months, this is the principal amount for that loan. For individuals who do not have an open loan as of 18 months, this is the principal amount for the most recent loan taken out.
[b]Total amount paid only includes payments toward the loan principal, not payments toward the loan interest.
[c]The average term of a Grameen America loan is 25 weeks. Individuals who paid off their loan after week 36 are included in this measure.

two loans and a little more than half took out at least three loans (shown in Table 2.1). This demonstrates that Grameen America group members were continuing to engage in the program and receive loans at a high rate over time.

As mentioned, first loans from Grameen America are typically between $500 and $1,500. Among Grameen America group members who took out at least one loan, the average principal on their first loan was $1,300. The average principal for the most recent loans taken out by Grameen America group members was $1,813, indicating that at least some women were receiving larger loans over time, as expected (shown in Table 2.1).

Many of the women (about 78 percent) already had their own businesses at the time they received their first loan, while others were intending to start a business with theirs. For the latter group, it is possible that they took out a loan from Grameen America and never started a business. However, the findings show that a majority of Grameen America group members — 82 percent — ever had a Grameen America-supported businesses (Appendix Table E.2).[16] Among those who took out a loan from Grameen America, 38 percent worked full time (at least 35 hours per week) in their Grameen America-supported business and almost all did not have any employees at their business.[17]

Overall, the outcomes from the Grameen America program-tracking data provide preliminary evidence that the evaluation was set up to have a good test of the Grameen America program. That is, participation in the main Grameen America service — receiving a loan — was high and many Grameen America group members received multiple loans. Later sections will explore the extent to which women assigned to the control group received similar services from other institutions. This is important because it provides further evidence that the study was set up to capture differences in services received, also referred to as treatment contrast.

[16] Women were considered to have a Grameen America-supported business if they reported that their business existed prior to receiving their first loan or if they had taken out more than one loan from Grameen America.

[17] Appendix E provides more information on wage-earning employment, self-employment characteristics, and overall employment among Grameen America group members as reported in the program-tracking data.

3 Accessing Loans to Create or Expand a Business

Agustina had been working as a cook in a restaurant for several years and was looking for a way to be financially independent.

> *"It is my dream.... I work at a restaurant full time. Some days I work nine hours. Some days I work eleven hours.... One day I will work the same amount of time, but I'll be working for myself.... Now I'm making a profit for someone else."*

When a friend told her about an organization that made small loans to women entrepreneurs, Agustina wanted to know more about it. Three months earlier she had started a side business selling Amway products, investing $265 of her own money to buy some inventory, samples, and catalogues. She made a few sales in the first two months and joined Grameen America's program so she could get a loan and invest further in her business. But Agustina soon realized she wasn't making enough money. She thought the products were expensive, and just getting paid was time consuming. Sometimes she had to make multiple visits to collect from her customers, some of whom she had allowed to pay in installments so she could make the sale. After a few months, she decided it was time to try something new. She was left with some inventory, but she figured she could use those products for her own consumption.

Already known in her neighborhood for her cooking, Agustina decided to try selling her food on her own. To start her business, she spent about $50 to buy supplies and started selling her homemade tamales and quesadillas to a handful of customers, mostly friends and acquaintances in the neighborhood. She slowly grew her business and after one year, she got her third Grameen America loan, which she invested in more supplies. All along, she kept her restaurant job, working four days a week and earning $9.00 an hour. She combined her wages with the money she made from her food business to make ends meet and split her monthly living expenses with her daughter and her daughter's husband and child, who lived with her in her apartment.

How did the Grameen America loan help Agustina grow her business? Could the program give her the know-how she needed to develop it further? And would the loan program work for other types of businesses? Chapter 2 described the Grameen America model in theory and in practice. This chapter focuses on how the program seeks to improve the financial well-being of its borrowers and ultimately may alleviate poverty: by providing credit to women entrepreneurs who, in turn, use that credit to build and earn income from a business.

Access to Financial Services

Low-income households have limited access to capital to launch enterprises that could help support them financially.[1] To raise start-up funds, aspiring entrepreneurs must often rely on subprime lenders and risk having to pay high interest rates, or turn to relatives or friends, potentially straining relationships. The starter loans that Grameen America offers are relatively small ($500 to $1,500) compared with business loans from commercial banks. Even so, as Agustina's story illustrates, the businesses that the women in Grameen America invest in are not capital-intensive operations, and the loans the program offers them may be enough to get started. Many of the businesses Grameen America supports are small and informal and can be characterized as "income-generating activities" rather than formal operations with stores or offices. In addition, Grameen America borrowers can obtain larger loans each loan cycle if they successfully repay their current loan and comply with the rules of the program.

Access to a Loan

As already noted, the program provides loans at interest rates of 15 to 18 percent.[2] Other loan options are available for small businesses; however, those loans may have steep entry requirements such as a high credit score or substantial collateral, putting them out of reach of some Grameen America borrowers. Unlike commercial banks, Grameen America has relatively low barriers to entry. It does not require collateral, a guarantor, or a formal business plan, and doesn't ask to review the credit history of potential borrowers.

Women in the Grameen America group and the control group were asked whether they had taken out a loan from any lender since entering the study, how much they had taken out in loans to start or expand their business, and whether they had received a loan from Grameen America. **Table** 3.1 presents impacts on loan receipt roughly 18 months after women joined the study. The table compares the likelihood that women in the Grameen America group received loans and other services with the likelihood that women in the control group received loans and other services. This comparison was important to determine whether the program effectively achieved its goals. It is also important to keep in mind that women in both groups were all interested in continuing or starting a business when they joined the study. **Box** 3.1 explains how to read the impact tables in this report.

[1] Sherraden, Sanders, and Sherraden (2004).

[2] The interest rate for Grameen America loans was 15 percent through June 2016 and 18 percent thereafter. Grameen America set a 0 percent interest rate as a temporary response to the COVID-19 pandemic.

Table 3.1

Impacts on Loan Receipt and Help Received from an Organization or Program at 18 Months

Outcome	Grameen America Group	Control Group	Difference (Impact)	90% Confidence Interval Lower	90% Confidence Interval Upper	P-Value
Loan receipt						
Took out at least one loan from any lender (%)	90.0	23.7	66.3***	61.1	71.4	0.000
Took out at least one loan from Grameen America (%)	88.2	6.1	82.2***	77.9	86.4	0.000
Took out at least one loan from any lender to start or expand a business (%)	74.2	13.5	60.8***	55.5	66.0	0.000
Average amount taken out in loans to start or expand a business ($)	2,805	323	2,483***	2,181	2,785	0.000
Help received from an organization or program						
Received help to obtain a loan (%)	31.5	6.5	25.0***	20.2	29.8	0.000
Received help to start a business (%)	21.0	1.8	19.2***	16.3	22.1	0.000
Help included training on running a business, among those who received help (%)	*56.4*	*94.6*				
Sample size	805	340				

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Outcomes shown in italics are nonexperimental. Statistical significance tests are not conducted on nonexperimental outcomes.
Sample sizes may vary because of missing values.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.
All outcomes in this table are considered mediating outcomes, which are outcomes directly targeted by the Grameen America program and help explain the mechanisms that lead to the primary outcomes.
Rounding may cause slight discrepancies in sums and differences.

Box 3.1

How to Read the Impact Tables in This Report

Most tables in this report use a similar format, illustrated below. The table shows the loan receipt outcomes for the Grameen America group and control group. For example, the table shows that 90 percent of Grameen America group members took out at least one loan, compared with 24 percent of control group members.

Because study participants were assigned randomly to either the Grameen America group or the control group, the effects of Grameen America can be estimated by the difference in outcomes between the two groups. The "Difference" column in the table shows the Grameen America group's loan receipt outcomes minus the control group's loan receipt outcomes — in other words, Grameen America's ***impact*** on loan receipt. For example, the impact on taking out at least one loan is calculated by subtracting 24 from 90, yielding 66 percentage points.

The "P-Value" column gives an indication of how unlikely it is that the impact arose by chance. The lower the p-value, the less likely it is that the impact arose by chance. Impacts are considered statistically significant if they have a p-value below 0.100; this means there is less than a 10 percent chance that the impact arose by chance (or in other words, there is less than a 10 percent chance that the true impact is zero or even negative). Differences marked with asterisks are statistically significant. The number of asterisks indicates whether the impact is statistically significant at the 1 percent, 5 percent, or 10 percent level (the lower the level, the more asterisks and the less likelihood that the impact was due to chance). For example, the p-value for the outcome of taking out at least one loan is 0.000. This indicates there is less than a 1 percent chance of observing an impact of 66 percentage points if Grameen America really had no effect on taking out at least one loan. Three asterisks indicate that this impact is statistically significant at the 1 percent level.

The next two columns show the 90 percent confidence interval, which is an estimate of the statistical imprecision of the effects of Grameen America. Specifically, there is a 90 percent chance that the true effect would fall within the 90 percent confidence interval. A narrower confidence interval suggests a more precise estimate than a wider confidence interval (which indicates greater variability and thus greater uncertainty). Confidence intervals in which zero does not fall between the lower and upper limits indicate that the impact estimate is significantly different from zero at the 10 percent level of statistical significance. This means there is less than a 10 percent chance this estimate would have been seen if Grameen America made no difference (this is also indicated by the asterisks).

Impacts on Loan Receipt

				90% Confidence Interval		
Outcome	Grameen America Group	Control Group	Difference (Impact)	Lower	Upper	P-Value
Took out at least one loan (%)	90.0	23.7	66.3***	61.1	71.4	0.000
Took out at least one loan from Grameen America (%)	85.8	4.4	81.4***	77.2	85.6	0.000

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTE: Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.

As expected, most women (88 percent) in the Grameen America group reported taking out at least one loan from Grameen America.[3] Unintentionally, 6 percent of women in the control group received a loan from Grameen America.[4] The difference in rates between the two groups is large and statistically significant.

The table also shows that some women in both research groups took out at least one loan from lenders other than Grameen America. This suggests that some women in both groups had access to credit outside of the Grameen America program. Around 90 percent of women in the Grameen America group and 24 percent of women in the control group took out a loan from any lender.

In addition, women in the Grameen America group received more capital to start or expand a business than women in the control group. On average, women in the Grameen America group took out an average of $2,805 in business loans, compared with women in the control group, who took out an average of $323.

These high rates of loan receipt among women in the Grameen America group, along with the large difference in the rates of loan receipt across research groups, indicate that the study achieved a large service contrast. This allowed the study to provide a good test of the effects of the Grameen America program relative to what would have happened without the program. Small differences in the rates of services received between research groups, also called "service contrasts," have been an issue in several previous studies of microfinance programs.[5]

Support Starting a Small Business

As noted earlier, before receiving a loan, potential Grameen America borrowers must take five days of training called Continuous Group Training (CGT), which provides information on the rules of the program and the terms and conditions of the loan. Aside from that, center managers (CMs), Grameen America staff members from the branch office, offer participants no formal support during the weekly meetings. The Grameen America model assumes that borrowers have agency and a basic capacity to run a business and as such, the program does not formally offer business advice; this is different from some other similar programs.[6]

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[3] As discussed in Chapter 2, Grameen America's program tracking data showed that 88 percent of Grameen America group members took out at least one loan from Grameen America. The two rates of loan receipt — based on the survey and based on the program tracking data — may differ because they are among different samples (the survey-based findings are only among women who responded to the survey, while the program tracking data are among all women who were assigned to the Grameen America group) or because some women who responded to the survey did not recall taking out a loan from Grameen America.

[4] At the end of a loan cycle, any Grameen America participant can decide not to take out a subsequent loan. When this happens, the remaining group members must find a replacement for that individual in their group before any of them can receive another loan. The evaluation team learned partway through the study enrollment period that some control group members were entering the Grameen America program and getting loans through this route. Starting in June 2016, any replacement members were randomly assigned to either be permitted to join an existing Grameen America group or to be placed in the control group. In addition to promoting fairness, this established a formal process for checking that individuals suggested as replacements had not already been randomly assigned to the control group.

[5] Bauchet et al. (2011).

[6] Karlan (2015).

The Grameen America assumption reflects the experience of Agustina, who was not new to running a business when she entered the program. In her home country, she used to make bread and sell it to neighbors with the help of her children. She had also had a grocery store and had sold various products at different points in her life. When she arrived in the United States, about a decade before joining Grameen America, she worked as a babysitter and a house cleaner. Then she started working at various restaurants before starting her home-cooked food business. Like Agustina, about half of the women enrolled in the study already operated a small business, and at least some of them were likely to have continued operating that business after joining the program, instead of starting a new one. It is possible that they relied on their prior business experience to continue or to launch a new venture.

The bottom half of Table 3.1 shows impacts on help received from an organization or program. Of the women assigned to the Grameen America group, 21 percent reported receiving help from an organization or program to open a business, while only 2 percent of women in the control group reported receiving this type of help. This is a statistically significant increase of 19 percentage points. The rate of help received among women in the Grameen America group is somewhat higher than might be expected, given that the program does not provide borrowers with formal business advice. It is possible that some of the women in the Grameen America group were referring to informal advice they received from center managers or other borrowers.

Some woman may also have been referring to the receipt of the loan itself as the help they received to open a business. Additionally, for women who operated a direct-selling/multilevel marketing (MLM) business, it is likely that they received some form of training from the respective companies. However, there is evidence that some women in the Grameen America group did receive training related to their business: A little over half of the women in the Grameen America group who received help said that included training in how to run a business.[7] This help could have been received from the Grameen America program, another organization in the community, or some other source. For those who received help from Grameen America, it is difficult to tell from observations of the program what this training might have consisted of. Both the CGT and the weekly meetings focused primarily on loan terms and repayment, and not on how to operate a business. Chapter 6 discusses some of the informal ways in which women in the program supported each other and exchanged information about running a business.

Investment in a Small Business

About two and a half years after Agustina joined Grameen America, she and her daughter rented a kitchenette space within a supermarket and opened a small canteen; they sold an assortment of foods, such as quesadillas and empanadas. By then, Agustina had received her fourth Grameen loan, for $3,200. She used part of it, about $2,000, and borrowed $3,000 more from a local lender to pay for the upfront costs of renting the space and to purchase some supplies to get the canteen going. The remaining $1,200 she set aside to buy food supplies. In addition to her daughter, other family members helped chip in with labor when it was needed.

[7] Among control group members the rate was higher; over 94 percent reported receiving help. However, this represents only a few control group respondents because very few — less than 2 percent — reported receiving help to begin with.

By this time, Agustina had quit her restaurant job and was dedicating herself full time to her canteen business. During her second interview with the research team, she seemed happy to show off her new location and was already planning to apply for a fifth loan:

> I have benefited a lot from the Grameen America program.... I started making food at my home and now, thank God, I am working at a storefront that I rent. I'm working with the money that Grameen America lends me.

When a Grameen America borrower obtains a loan, she is expected to spend the money on a small business within a few weeks of receiving the check. In-depth interviews with borrowers in the program suggest that most women spent their loan or part of it to purchase inventory for a new business or to expand an existing one, as intended. At times, some borrowers also set aside loan funds for future business expenses, a dynamic described in more detail in Chapter 4.

The Grameen America program model posits that as a business grows, earnings from the business will grow as well — offering a pathway to economic advancement, less material hardship, and increased overall well-being, with better cash flow and some level of financial independence. Self-employment can also offer a better work environment relative to low-wage jobs. At the same time, running a business comes with risks. Many small businesses fail or take a long time to reach sustainability. Agustina had tried her hand at many sales schemes, some of which had failed or left her with unsold inventory. Most of the women in the case studies for this evaluation had started several businesses, with varying degrees of success. Such failures are not uncommon, as studies have reported.[8] Thus, one important question in this study is whether the Grameen America program increased the likelihood that borrowers started and *sustained* a small business, and whether the loans contributed to increased business earnings.

Table 3.2 presents the impact the program had on owning a small business and on monthly earnings from the business. The table indicates that Grameen America increased small business ownership. Almost all the women in the Grameen America group — 94 percent — reported operating at least one business around 18 months after joining the study.[9] In contrast, nearly 75 percent of women in the control group reported operating at least one business. The 19 percentage point difference is statistically significant. It should be reiterated that the study enrolled and randomly assigned women entrepreneurs to the Grameen America group and the control group. This means that women in both groups were similarly entrepreneurial. This might partly explain why some women in the control group continued to pursue business ventures, even without a Grameen America loan. Nonetheless, the findings are encouraging and suggest that most women in the Grameen America group not only started their own businesses but also continued to operate them after a year and a half.[10] It also suggests that in the absence of the

[8] See the work of Sherraden, Sanders, and Sherraden (2004).

[9] This high rate of self-employment suggests the Grameen America program is well targeted. Other evaluations of interventions designed to promote small businesses have seen much lower rates of self-employment among program group members. For example, in the Self-Employment Investment Demonstration — which tested the feasibility of operating a program that encouraged self-employment among welfare recipients — only 25 percent of enrollees opened a business within seven months of enrollment. See Guy, Doolittle, and Fink (1991).

[10] The business ownership rates for both research groups at 18 months were lower than the rates observed in the 6-month survey. At that time, 96 percent of Grameen America group members and 85 percent of control group members reported operating their own business. Thus, one important question for future research is the long-term duration of small businesses and whether the Grameen America program can contribute to sustaining them over a long period of time.

Table 3.2

Impacts on Self-Employment at 18 Months

Outcome	Grameen America Group	Control Group	Difference (Impact)	90% Confidence interval Lower	Upper	P-Value
<u>Mediating outcomes</u>						
Currently operates at least one business (%)	93.8	74.5	19.3***	14.7	23.9	0.000
Average monthly earnings from own business(es)[a] ($)	459	319	140*	15	264	0.065
<u>Secondary outcomes</u>						
Currently operates a direct-selling or multilevel marketing business (%)	43.8	33.7	10.1***	5.3	14.9	0.001
Business type, among those operating own business:						
Food	17.0	16.7				
Cosmetics	32.5	33.3				
Jewelry	15.7	9.7				
Clothing/shoes/accessories	23.4	23.7				
Salon/spa services	11.7	11.9				
Herbal/natural medicine products	17.9	14.3				
Home décor	6.4	4.6				
Cleaning	11.2	14.3				
Child care	6.5	11.4				
Laundry services	0.5	0.3				
Transportation	1.3	0.5				
Other	5.9	4.8				
Average monthly earnings from own business(es) are $750 or more (%)	29.1	17.9	11.1***	6.6	15.7	0.000
Average monthly revenue from own business(es) ($)	1,523	1,000	523***	332	712	0.000
Average monthly expenses from own business(es) ($)	1,069	685	384***	254	515.	0.000
Average hours worked at own business(es) in prior week (N)	20.2	14.9	5.3***	3.5	7.1	0.000
Has any paid employees at own business(es) (%)	19.7	16.6	3.0	-1.4	7.5	0.261
Sample size	805	340				

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Outcomes shown in italics are nonexperimental. Statistical significance tests are not conducted on nonexperimental outcomes.
Sample sizes may vary because of missing values.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.
Rounding may cause slight discrepancies in sums and differences.
[a]Average monthly earnings are calculated as monthly business revenue minus monthly business expenses.

program, fewer women might be able to start their own businesses or be able to sustain them over time.

Increasing the rate of small business ownership is a key step, but not the only step, in ultimately increasing the income of borrowers. Their businesses must also be profitable; that is, the amount of money brought in by the business (the revenue) must exceed the amount of money spent to operate it (the expenses).[11] Also, for the purposes of the study, the earnings from borrowers' businesses (the income or profit after expenses) had to be higher than the amount they could have earned if they had not joined the Grameen America program. Table 3.2 shows that Grameen America increased both monthly business revenue (by $523) and monthly business expenses (by $384). And because the program increased business revenue by a greater amount than it increased business expenses, the program increased average monthly earnings from a small business. Women in the Grameen America group earned $459, on average, from their business in the prior month, while women in the control group earned an average of $319.[12] The 43 percent increase of $140 in business earnings between the Grameen American group and the control group is statistically significant. Grameen America group members were also more likely than control group members to have average monthly earnings from a business of more than $750 (29 percent of women in the Grameen America group compared with 18 percent of women in the control group).

Impacts of Grameen America on the Characteristics of Small Businesses

Agustina had run her food business informally out of her apartment before she was able to rent space in the supermarket. She usually bought supplies a day in advance and then cooked the food in her kitchen and sold it to a handful of customers in the afternoon:

> I tell them, 'Look, such and such day I'm going to make tamales.' And people say, 'Sure, I want this much, or that much.' Then, one person tells another person, and that's how the business has grown.... As my clients grow, I increase my investment, too.... One week I make quesadillas, another week I make tamales. At home I can't keep that much [food]. I always buy fresh stuff because my refrigerator is small and doesn't fit that much.

A year after she started her home-based business, Agustina had about 30 regular clients and delivered food to several restaurants; at the time she calculated that she was making about $600 in revenue a week, with weekly expenses of $200 to $300 a week. The business grew when she and her daughter rented the small kitchenette, but it was still a relatively small enterprise, with average revenue of $1,100 to $1,400 per week and expenses of about $600 per week.

[11] Expenses include the cost of paying back business loans.

[12] Survey respondents were asked how much they earned from each of their businesses in the past month (their revenue) and how much they spent on each business in the past month (their expenses). Average monthly earnings from a business were then calculated as business revenue minus business expenses.

Both of these averages factor in zero dollars in earnings for women who did not have any business income in the prior month, either because they did not have a business or because the one they had did not produce any income.

Interviews with program participants provide a glimpse into the kinds of businesses that women in the Grameen America program ran. Most were small, home-operated enterprises like Agustina's, with a small customer base — primarily family, friends, and acquaintances. Grameen America does not provide guidance on or limit the types of businesses borrowers can operate; instead, borrowers make that choice themselves. Table 3.2 shows the types of businesses operated by all of the women enrolled in the study.[13] Among women in the Grameen America group, 33 percent operated a cosmetics business; 23 percent operated a clothing, shoes, or accessory business; 18 percent operated an herbal and natural medicine product business; and 17 percent operated a food business. These were also the most common types of businesses among women in the control group, in addition to cleaning businesses.

Another way to break out the types of businesses that women in the study were operating is by business model. One model that some women used was the direct-selling/MLM model. (See **Box** 3.2 for more information about this business model.) Grameen America increased the rate of operating a direct-selling/MLM business: 44 percent of Grameen America group respondents and 34 percent of control group respondents reported operating a direct-selling/MLM business after about 18 months of entering the study. As noted earlier, Grameen America increased overall business ownership. Thus, some of the increase in operating a direct-selling/MLM business might simply reflect this overall increase in business ownership.

Table 3.2 also shows the average number of hours that women in the study spent working on their businesses. On average, women in the Grameen America group said that they worked 20 hours a week on their businesses, compared with 15 hours a week for the women in the control group. This 5-hour difference is statistically significant.

Impacts on Operating a Business and Average Monthly Earnings from a Business, by Subgroups

Sonia had also dreamed of owning a business and of being financially independent. "I have it in my blood to be a businessperson," she said during an interview. Back in her home country she had tried her hand selling a variety of products to her friends, including linens, Herbalife products, and cookware. When her son was seven months old, Sonia left her factory job and started a small street business selling sausages. But when she decided to migrate to the United States with her two children, she had to get another factory job, and her entrepreneurial efforts had to be put on hold.

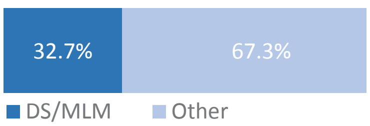
> I had to come here for my children's future.... I tried to sell insurance. I tried to study. I tried selling Herbalife. But I couldn't.... Almost always, I worked two shifts [in the factory], sixteen hours a day. When I only had one job, I couldn't cover expenses. So I was tired, exhausted.... I had to wait for my children to graduate [before I could start a business].... Later, when I met my boyfriend, I told him that I wanted to leave my job

[13] These outcomes are not directly included in Grameen America's theory of change. Therefore, in this study, these are considered secondary outcomes.

Box 3.2

Direct-Selling and Multilevel Marketing Business Models

Grameen America offers women entrepreneurs loans to start or grow a small business. Borrowers, however, decide on their own what type of business they wish to start or invest in. Businesses of special interest in this study are those that use a direct-selling or multilevel marketing (MLM) model. In the direct-selling model, individuals (often called "distributors") sell products directly to consumers in a nonretail environment such as their home. MLM models also allow individuals to sell products directly; in addition, MLMs offer individuals the opportunity to derive income from recruiting other distributors. In this report, the interest in these models comes, in part, from the fact that at the time the participants enrolled in the Grameen America study, nearly a third of them were operating or intended to invest in a direct-selling/MLM type of business.



Women in the study who were operating or intending to operate a direct-selling/MLM business at study entry

MLM companies have come under scrutiny in the media and in the courts. Some investigations have raised concerns about the marginal profitability of these businesses for the majority of distributors.[*] Others have raised ethical questions about MLMs[†] and noted the potential for the model to devolve into pyramid schemes.[‡] While the current study was not intended to evaluate MLMs as such, it is concerned with assessing whether women in the study who planned to operate these types of businesses fared differently from the women who planned to operate other types of ventures. Therefore, one of the research subgroups is defined as whether or not women were operating or planned to operate a direct-selling/MLM business when they entered the study. Findings for this subgroup are presented in this chapter.

Direct-Selling and Multilevel Marketing Models

Direct-selling emerged in the 20th century as a new model of retail sales, with people selling regionally or nationally branded products door-to-door — essentially replacing 19th-century peddlers. Direct sales companies usually hired regional managers to recruit and train the door-to-door salespeople, who in turn earned a commission on each sale. Regional managers were also often compensated based on the sales made by the salesforce in their region. Companies like Avon and the Fuller Brush Company adopted this kind of model.[§]

In the 1940s, the MLM model, similar to the direct-selling model, emerged. While both rely on selling to one's social network, in the MLM model, distributors can also recruit and train other distributors. An individual can earn by directly selling products to her own customers and by selling products to other distributors (who then sell the products to *their* customers). An individual can also earn company compensation from personal purchases of inventory as well as from her distributors' personal purchases of inventory. Companies such as Herbalife and Mary Kay follow the MLM model.

(continued)

[*]Alpert (2012).
[†]Muncy (2004).
[‡]Keep and Vander Nat (2014).
[§]Keep and Vander Nat (2014).

Box 3.2 (continued)

Unlike in traditional retail, direct-selling and MLM business owners can neither adjust the selling price of the company's products nor control or shape the product marketing; these are both set by the company. Also, distributors cannot seek out lower-cost vendors or higher-quality merchandise.

While many companies use the MLM model, academics and others have raised a variety of concerns about its effectiveness. For one thing, distributors' reliance on their personal social networks to sell the products can quickly result in a saturated market. At the same time, the ability to recruit new distributors through one's social network is reduced over time as personal networks reach their limit. Further, without clear information from a company about where other distributors are located, distributors may face heightened competition in an area, which may reduce the potential profitability of the business.

Another concern is the potential for "inventory loading," in which a company offers distributors bonuses or other compensation for meeting volume targets — that is, by purchasing a certain amount of inventory each month. This may create a built-in incentive for distributors to purchase inventory to meet the targets rather than to satisfy actual customer demand, potentially leaving them with more merchandise than they can sell.[◊] This can result in financial losses for the distributors as they are unable to make back the money that was spent purchasing the inventory. To address this, some companies have buyback policies. The company buys back unsold inventory or requires that the inventory purchased must be sold within a given amount of time, to avoid inventory loading.[♦]

Other critics have questioned whether products in MLMs are actually being sold to customers outside the network of distributors, or just inside the network itself by distributors purchasing inventory. Finally, critics point to the potential for pyramid schemes, in which a distributor receives compensation primarily from recruiting new distributors, instead of from sales. This type of scheme requires a "perpetual recruitment chain in which the design of the scheme's compensation plan dooms the vast majority of participants to financial failure."[✧] Pyramid schemes are illegal in the United States. Some companies that use an MLM model have made provisions to reduce incentives based solely on recruitment.

[◊] Federal Trade Commission (2018).

[♦] For a cautionary note on buyback policies, see Croft, Cutts, and Mould (2000).

[✧] Keep and Vander Nat (2014).

> because my children were working now and contributing a little bit of money, and he was too.... That's when I could start dedicating myself full time to a business.

About a year before Sonia joined Grameen America, she had started selling cookware through an MLM company. When she joined Grameen America and received a loan, she used part of the money to buy additional samples to show to potential clients. She set aside the rest in case she found a client who was interested in buying but didn't qualify for the cookware company's credit line. That way, she figured she could sell the products directly to her customers and assume the risk of repayment. The next three years were challenging, however. Sonia had to put her business and her dream of independence on the back burner several times. Her mother became ill and Sonia had to take odd jobs that offered the flexibility she needed to take care of her. At one point she worked on an ice cream truck and on the weekends she worked at a sports stadium.

Looking at the experiences of Sonia, Agustina, and Cecilia (in Chapter 1), a picture begins to emerge of whether and how the Grameen America program benefited women in different circumstances.

This chapter shows that the program increased earnings from a business for women assigned to the Grameen America group relative to the earnings of those in the control group. That finding showed the effect of Grameen America aggregated across all the women in the study. However, the Grameen America evaluation enrolled a heterogeneous population of women who came into the study with varying experiences and household characteristics. It is possible that the Grameen America program had different effects for women in different circumstances.

To help understand whom the Grameen America program benefited — and whom it benefited most — an additional set of analyses was performed. These analyses split all of the women in the study — those in the Grameen America group and those in the control group — into subgroups, based on characteristics of interest to the study. Then, the research team estimated the impacts of the Grameen America program on several outcomes within each of the subgroups and compared the impacts across the subgroups.[14]

The analysis split the women in the study into the following subgroups:

- **Had a new or existing business**. Previous studies suggest that participants with existing businesses are more likely to benefit from a microlending program compared with those who are just launching a business.[15]

- **Operated a direct-selling/MLM business.** Some studies have shown that the vast majority of individuals who run a direct-selling/MLM business lose money.[16] Therefore, it is possible that the Grameen America program had smaller (or even negative) impacts among women who operated or planned to operate a direct-selling/MLM business compared with the impacts among women who operated or planned to operate other types of businesses.

- **Income level.** There is some evidence that microlending has larger impacts on lower-income households.[17] Higher-income households may gain little from the addition of a small amount of business income compared with lower-income households, for whom a business may represent an opportunity to improve earnings. The subgroup analysis compared women whose weekly household income was less than $400 with women whose household income was $400 or more.

The analysis also divided the women into two subgroups based on the characteristics of the five-member loan groups they were in:

- How familiar the members of each loan group were with one another when they entered the study

[14] All of the subgroup analyses were considered exploratory because the study did not have sufficient statistical power to detect likely impact differentials across subgroups. Because of this, only large differences in impacts across subgroups could be detected. See the Grameen America publicly registered analysis plan for more details. The analysis plan also provides more theoretical justification for the subgroups (Hendra, Nuñez, and Schaberg, 2018).

[15] Angelucci, Karlan, and Zinman (2013); Crépon, Devoto, Duflo, and Pariente (2011).

[16] Keep and Vander Nat (2014).

[17] Karlan and Zinman (2007)

- The number of different types of businesses loan group members were operating or intending to operate

The subgroup findings focused on two outcomes related to self-employment: operating a business, and average monthly earnings from a business. In general, the effects of the Grameen America program on operating a business did not differ across subgroups, signaling that the program was equally effective for the diversity of women it served. (See Appendix Tables F.1 to F.5.) Grameen America increased the likelihood of operating a business among all of the subgroups examined: for example, among women who were not operating or intending to operate a direct-selling/MLM business when they entered the study (by 20 percentage points), and among women who were operating or intending to operate a direct-selling/MLM business when they entered the study (by 19 percentage points). (See Appendix Table F.1.)

Further, the differences in impacts on operating a business across most of the subgroups were not statistically significant. One exception was for the subgroups based on whether women were operating a business at the time they entered the study; the difference in impacts on business operation across these subgroups was statistically significant. (See Appendix Table F.2.) Grameen America increased business operation among women who were not operating a business when they entered the study and among those who were operating a business. However, as expected, the increase in the rate of business operation was larger among those who were not operating a business (29 percentage points) compared with the increase among those who were operating a business (16 percentage points).

Grameen America increased average monthly earnings from a business by a statistically significant amount in some of the subgroups examined. The differences in impacts across all of the subgroups were not statistically significant.

The overall pattern of subgroup impacts suggests that the Grameen America program may be effective at increasing business operation and earnings from a business among women in a wide range of circumstances.

4 Making Ends Meet

Laura migrated to the United States from Central America about a decade before joining the Grameen America program. To make a living, she sold tamales to a couple of local businesses, cared for several of her nephews five days a week, and cleaned houses on the weekends. To further supplement her income, she rented out a room in her apartment to her brother, and her teenage son took occasional gardening jobs in the neighborhood to help out at home. The time Laura spent on each of her jobs varied from month to month, so except for the rent from her brother, her income fluctuated. The number of children she cared for during the week varied, depending on their parents' schedules and child care needs, and sales from her food business went up and down based on how many orders she received each week. How did Laura deal with all of the changes to her income?

> "*A* huevo. *(There is no other choice.) ... You have to find a way to make money and keep going to sustain [your household]. For example, this week, one of my nephew's schedules changed. But I received two orders for tamales for Friday and Sunday. That's how it works.... If you keep still, not doing anything, you're screwed.... You must find a way.*"

Laura's story echoes those of other women interviewed for this study, and similar circumstances are well documented in the literature: Low-income households often draw on multiple sources of income to make ends meet.[1] Could access to a loan to invest in a small business help Laura increase her income? More broadly, could such loans help alleviate the economic hardships and instability that she and other women who experience similar circumstances regularly endured?

Scholars have noted the value of small loans for households coping with income volatility, even if overall income does not increase. Households that experience such volatility on a regular basis or face un-

[1] Edin and Lein (1997); Halpern-Meekin, Edin, Tach, and Sykes (2015).

expected expenses can take advantage of microloans to get through periods of financial instability.[2] This chapter examines the impact Grameen America had on increasing borrowers' net income and reducing material hardship — the two main goals of the program. The study used participants' gross earnings from all sources in the prior month minus all business-related expenses to calculate an individual's net income, and counted the number of types of material hardship that individuals experienced in the last year. (See **Box** 4.1.)

The chapter also looks at the interplay between investment in a small business enterprise and wage employment. In particular, it examines whether devoting more time to a business led to less involvement in wage-based employment, and the potential trade-offs of this strategy. The figures in this chapter provide quick summaries of the most relevant outcomes. See Appendix A for detailed tables of the impact findings on income, wage employment, employment status, material hardship, and public benefit receipt.

Impact of the Grameen America Program on Net Income

One of the main ways Grameen America seeks to improve the economic lives of its borrowers is by helping them create and grow a business to increase their income. But a close look at the data reveals a complex picture.

Around 18 months into the study, Grameen America and control group members were asked about their net income in the prior month. For the Grameen America evaluation, this included earnings from any businesses the women operated (after deducting business expenses) combined with their earnings from wage-based jobs and income from other activities, such as renting out a room in their house or caring for children in their home.[3] (**Box** 4.2 discusses an alternative measure of income.)

Figure 4.1 shows that Grameen America did not have a statistically significant effect on net income in the prior month, one of the study's two primary outcomes. Women in the Grameen America group reported having an average net income of $1,270 in the prior month compared with $1,313 for women in the control group. This result was somewhat surprising given that, as Chapter 3 showed, the program *did* increase business ownership and average monthly earnings from a business. One would expect that if earnings from a business increased, net income would, too. But that was not the case. What might be happening?

Laura's story and the evolution of her financial life about two years after entering the Grameen America program sheds some light on this puzzling dynamic. By this time Laura's household situation had changed. She was now living and sharing expenses with her partner and her son, who had graduated from high school. He was working part time at a local grocery store and could make larger, regular monthly contributions to the household income. Laura was still operating her business selling tamales and had added a few more clients. But when asked whether she thought her business was better off than in the previous year, she said, "Just a little bit." While she may have increased the monthly earnings from her business somewhat, her net income was about the same. The nephews she used to care for

[2] Cull and Morduch (2017); Collins, Morduch, Rutherford, and Ruthven (2009).

[3] Income from these other activities is captured as the average income from other income-generating activities, as shown in Appendix Table A.2.

Box 4.1

Impacts on Primary Outcomes at 18 Months

In recent years, the issue of multiple test bias has become more prominent in the academic literature and the field of program evaluation. Every time an impact on an outcome is estimated, there is a precisely defined probability (conventionally, 10 percent in studies such as the Grameen America evaluation) of concluding that a program had an impact when the observed difference is simply due to chance. Since researchers typically examine many outcomes, the probability that at least one estimate will be statistically significant, simply by chance, can get very high.

One approach to this problem is to conduct fewer impact estimates and to state in advance which tests will be conducted.† The research team followed this approach, specifying two measures in the analysis planning phase — average net income (gross earnings minus expenses) in the prior month, and number of types of material hardship experienced in the past year — as the most likely to be affected if the program was successful. Impact estimates on these measures were subjected to the Benjamini-Hochberg procedure, a tool used to control the rate of incorrect observations.

Statistically significant impacts on these "primary" measures represent the highest level of evidence of the success of the programs with the available amount of follow-up data. If the program does not pass the confirmatory test but produces statistically significant impacts on other measures, it does not mean that the program was unsuccessful. It simply means that the program passed a lower standard of evidence, given the available amount of follow-up data.

The table below shows that the average net income in the prior month for the Grameen America group was $1,270, while the control group's income was $1,313; the difference is not statistically significant. However, the Grameen American group experienced an average of 1 type of material hardship in the past year, compared with 1.5 material hardships for the control group, a statistically significant decrease; the impact on material hardship was still statistically significant after using the Benjamini-Hochberg procedure. The table displays the p-values before and after the adjustment.

Outcome (%)	Grameen America Group	Control Group	Difference (Impact)	P-Value	BH-Adjusted P-Value
Average net income in prior month ($)	1,270	1,313	-44	0.676	N/A
Number of types of material hardship experienced in the last 12 months	1.0	1.5	-0.5***	0.000	0.000
Sample size	805	340			

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: BH = Benjamini-Hochberg.
Sample sizes may vary because of missing values.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.

†Olken (2015).

Box 4.2

An Alternative Measure of Income

There are different ways of measuring income. This study uses net income to determine whether the program achieved its goal of improving economic well-being and eventually contributed to alleviating poverty. This measure includes earnings from a business (after deducting expenses), earnings from a job, and income from other sources. Net income is an appropriate measure for assessing poverty reduction because it is the amount of money a person brings home.

An alternative way of measuring income is by looking at gross income. This measure includes the same income sources but does not subtract business expenses. This way of measuring income emphasizes cash flow available to the household rather than take- home money. Using a gross income measure, the study found that women in the Grameen America group reported average gross income of $2,326 in the prior month, compared with $1,961 reported by the control group. The difference is statistically significant. This suggests that women in the Grameen America group had an additional $365 of cash flow per month.

had started school, so now she only looked after them occasionally. To make up the difference, she had increased the number of days a week she dedicated to cleaning houses. In other words, her financial juggling act continued. To make ends meet, she had to pull from different sources and spend more time on one activity and less on another. This pattern of dedicating different amounts of time to a given income-generating activity was observed among many of the women interviewed in-depth for this study. To investigate whether this pattern was more broadly experienced by all of the women in the study, the research team looked at the interplay between paid employment and the operation of a small business.[4]

As noted earlier, the Grameen America model is designed to increase investment in a business, which might then lead program participants to spend more time on their businesses and grow their income. But what effect did the program have on wage-based employment? The Grameen America program could have no effect if borrowers continued to work for an employer and simply used their businesses to generate extra income on the side. On the other hand, the program could potentially reduce wage-based employment if borrowers were able to rely on income from their businesses instead of working for an employer.

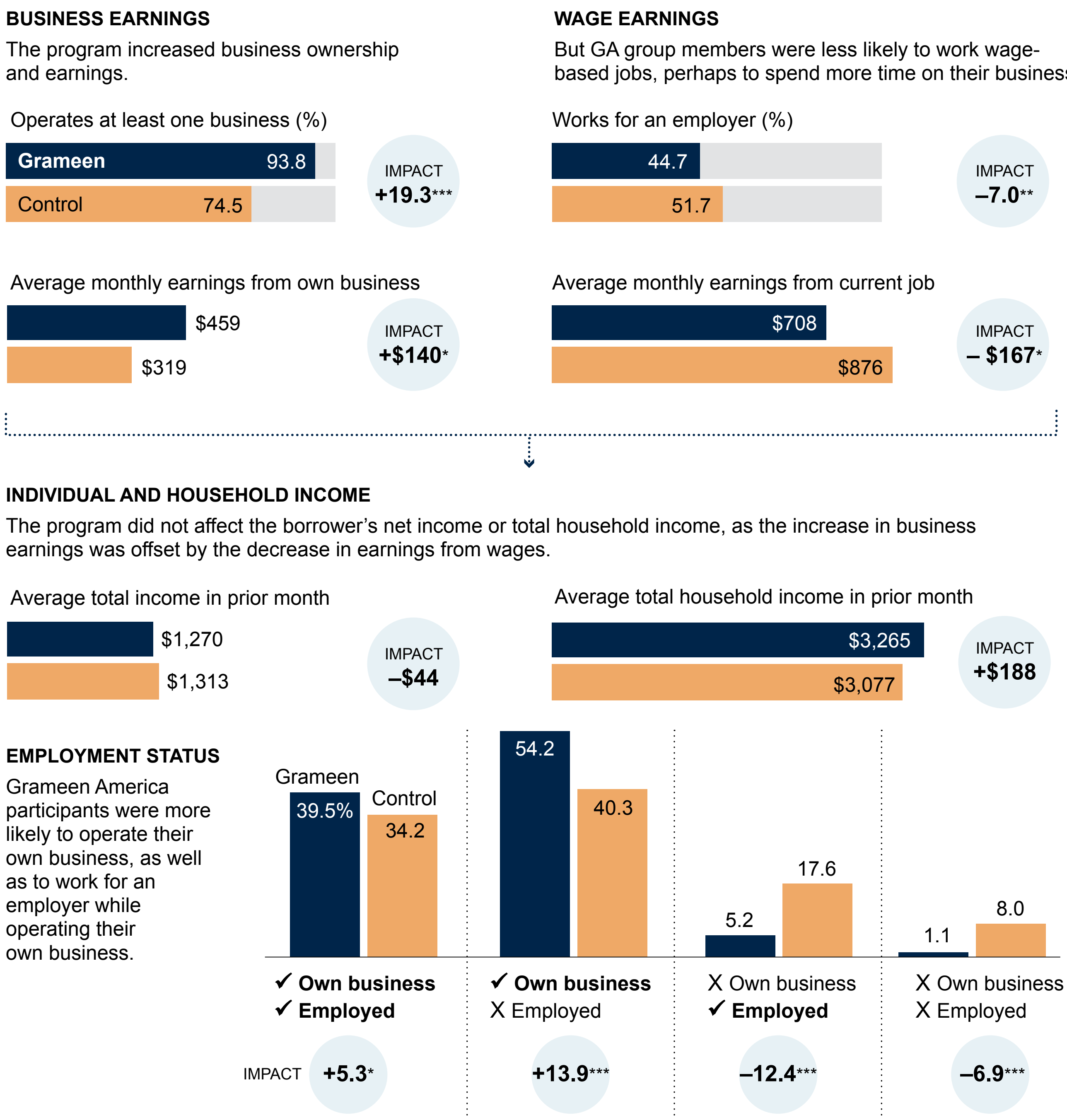
Data from the 18-month survey suggest that the Grameen America program reduced wage-based employment by a statistically significant amount. As the top panel of Figure 4.1 shows, 45 percent of women in the Grameen America group reported working for an employer around 18 months after they entered the study, compared with 52 percent of women in the control group.[5] This suggests that participation in the Grameen America program led some women to either not start working a wage-earning job or to stop working one, either temporarily or permanently. Some women may have started dedicating more time to their businesses and thus were spending less time in wage-based employment. Agustina, for example, introduced in Chapter 3, left her job at a restaurant when her food-selling business picked up and she was able to rent a storefront.

[4] Because increasing wage-based employment is not one of the goals of Grameen America, all of the outcomes in this study related to wage-based employment are considered secondary outcomes.

[5] At the time of the 6-month survey, 56 percent of Grameen America group respondents and 60 percent of control group respondents reported working for an employer. The estimated difference is not statistically significant.

Figure 4.1

18-Month Impact Snapshot: Employment, Earnings, and Income



SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTE: Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.

Were there trade-offs to abandoning paid employment in this way? What was the program's impact on earnings from a job? Did paid employment provide higher earnings than other alternatives, such as operating a business?

To help answer those questions, the study examined monthly earnings from wage-based employment. As shown in the top panel of Figure 4.1, women in the Grameen America group had lower average monthly earnings from paid work ($708) compared with the women in the control group ($876). The difference in earnings from wage-based employment ($167) is statistically significant.

So while the Grameen America group had higher average monthly earnings from a business (around $140 more than the control group), that appears to be almost perfectly offset by a decrease in monthly earnings from wage-based employment ($167 less than the control group), resulting in no statistically significant effect on overall net income. It is unclear whether this trend will continue or whether the Grameen America program will lead to an increase in income over a longer period. It is possible that as women continue in the program and obtain larger loans over time, they will be able to invest more in their businesses, and as those ventures become more established, they will increase their earnings.

Findings from the 18-month survey also provide evidence that borrowers used a mix of strategies to generate income (as shown in the bottom panel of Figure 4.1).Women in the Grameen America group were more likely than those in the control group to be both operating their own business and working for an employer (40 percent versus 34 percent). This is consistent with the stories of women highlighted throughout this report, all of whom used multiple sources of income to make ends meet. However, not *all* women in the study engaged in both types of employment. Some only operated a business and some only worked for an employer. Nonetheless, the Grameen America program also increased the likelihood of doing either type of work. Women in the Grameen America group were more likely — by 7 percentage points — than those in the control group to be either operating a business or having a wage-based job. This indicates that the Grameen America program increased work *effort*, which may, in turn, increase overall well-being.

While Grameen America's impact on any type of work is encouraging because this allows program participants to generate income and thus meet financial obligations, there are potential trade-offs between operating a business and having wage-based employment that could affect other outcomes.

Qualitatively, the case studies suggest that women who had wage-based employment valued having a more or less steady source of income, even if it came from a low-wage job that had to be supplemented with income from other sources such as operating a small business. That was the case for Cecilia, introduced in Chapter 1, who said she valued her wage-based job:

> I get many job offers and I could leave my company, but I wouldn't have the benefits I have here. Here I have personal days, I have vacations. If I don't work, they pay. I have sick days, I have holidays, and they pay. To earn one more dollar [from another job]? I prefer to keep my benefits, because I need them. That extra dollar I can get from my business.

So while the wage-based jobs that women in the case studies had tended to offer a limited set of benefits, they were valued,[6] as was the steady source of income — something a small business might not always provide.

[6] The 18-month survey did not ask about employer-provided benefits or any other trade-offs associated with abandoning wage-based employment in order to operate a business.

Given the relationship between health insurance and financial health (along with health-related outcomes that Grameen America does not target directly),[7] it is important to understand whether the Grameen America program affected health insurance coverage rates. The bottom panel of **Figure** 4.2 shows that the program led to a reduction in overall health insurance coverage, although the difference is not statistically significant. A total of 43 percent of women in the Grameen America group and 48 percent of those in the control group reported that they had health insurance. These overall coverage rates included both public coverage (such as Medicaid) and private health insurance. The breakdown of health insurance types is not known.[8] It is important to see whether this trend will continue over time and whether the emerging difference reaches statistical significance.

Household Income

The stories of the women presented in this and previous chapters reflect the importance of the entire household unit for economic well-being. For example, in Chapter 3, Sonia's decision to start a business came after her children had grown and were able to work and contribute to the household income. Similarly, Agustina relied on her daughter to help her run her canteen. As such, the study sought to understand whether the Grameen America program had spillover effects on borrowers' total household incomes. If the program increased a borrower's income, other members of her household might alter their own financial behavior. For example, some might reduce the hours they worked if the household could instead rely on the borrower's

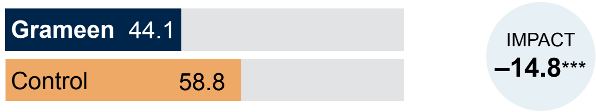
Figure 4.2

18-Month Impact Snapshot: Material Hardship and Benefit Receipt

MATERIAL HARDSHIP

Despite no effects on net income, Grameen America led to a decrease in material hardship — potentially driven by the additional cash flow provided by the loans and a stronger social network among the Grameen America group.

Experienced any hardship in the last 12 months (%)



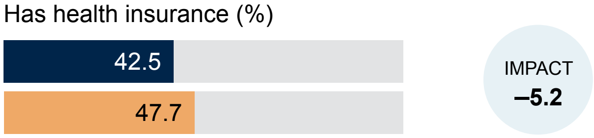
Number of hardships experienced in last 12 months

The program had the largest impacts on borrowers' ability to pay for their housing, utilities, and telephone service.

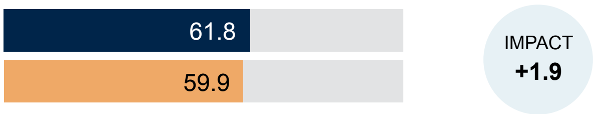
BENEFIT RECEIPT

The program did not have statistically significant effects on benefit receipt.

Has health insurance (%)



Household receives any public benefits (%)



SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTE: Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.

[7] McMorrow, Kenney, and Goin (2014).

[8] Survey respondents were also asked whether they or someone in their household received health care coverage through Medicaid or New Jersey FamilyCare (New Jersey's publicly funded health insurance). Around 48 percent of survey respondents reported that they or someone else in their household had this type of coverage.

income from a small business. In addition, increases in a borrower's income might also affect her households' eligibility for public benefits, including food stamps/Supplemental Nutrition Assistance Program (SNAP) benefits and welfare/cash assistance. Most of these public benefit programs have income eligibility requirements, asset limits, or other requirements, meaning one member in the household could receive services, but not another.

At about 18 months after enrolling in the program, women in the study were asked about their total household income in the prior month, which could include any income from study participants combined with earnings from other members of their household and any income from public benefit programs. Figure 4.1 shows that the Grameen America program did not have a statistically significant effect on overall household income in the prior month. The total household income of women in the Grameen America group was, on average, $3,265, compared with $3,077 for those in the control group. The Grameen America program also did not have a statistically significant effect on earnings from other members of the women's households.

Figure 4.2 also shows that the Grameen America program did not have a statistically significant effect on the likelihood of anyone in the households of study participants receiving public benefits. Around 62 percent of women in the Grameen America group and 60 percent of women in the control group reported that they or someone in their household received any type of public benefits. This may relate to the lack of a statistically significant effect on total household income. The most common types of public benefits that households in both groups received were Medicaid or New Jersey FamilyCare (48 percent), food stamps/SNAP (30 percent), and the Special Supplemental Nutrition Program for Women, Infants, and Children (17 percent). One household member may have been the beneficiary of some of these benefits. For example, sometimes children are eligible for Medicaid even if parents are not. As such, the reported public benefits may not have covered every person in the household.

Experiences of Material Hardship

The evaluation sought to understand whether the Grameen America program contributed to reducing the material hardship experienced by Grameen America group members relative to control group members — one of the main goals of the program. Material hardship measures are often thought to be affected only after individuals increase their income. That is, once income is higher, individuals are able to pay for utility bills, rent, or a doctor's appointment when needed. In the case of the Grameen America program, however, other aspects of the program might contribute to reducing the material hardship program participants experienced, even if their income remains the same. For instance, women may be able to set aside part of their loan for a rainy day (even though this is not Grameen America's policy), and thus have access to cash to meet their financial obligations. Similarly, if participants improve their credit scores by making regular payments on their loan, they may have access to a broader set of financial products such as a credit card that could help them cover any income gaps. The report discusses impacts on credit outcomes in the next chapter. Finally, women in the program may be able to rely on a broader system of social support, which can also help reduce material hardship.

Women who responded to the survey were asked whether they had experienced any of several types of material hardship in the previous year, including those related to housing, health, and utilities. For example, women were asked whether they were ever unable to pay the full amount of their rent or mortgage, and whether they ever chose not to go to the doctor or the hospital because of the amount they would have to pay out-of-pocket to cover the visit.

Figure 4.3 shows that Grameen America reduced several types of material hardship, in some cases by a substantial amount. For example, Grameen America reduced the likelihood of ever not being able to pay the full amount of utility bills by 11 percentage points, and reduced the likelihood of ever not being able to pay the full amount of rent or a mortgage by 9 percentage points. Both impacts are statistically significant. It is important to note that the types of material hardship asked about varied by degree of severity. For example, being evicted or being homeless could be considered more severe types of material hardship than not being able to pay the full amount of rent or a mortgage. The program did not reduce the likelihood of these more severe types of housing-related hardships; their rates were low (less than 4 percent) among both research groups.

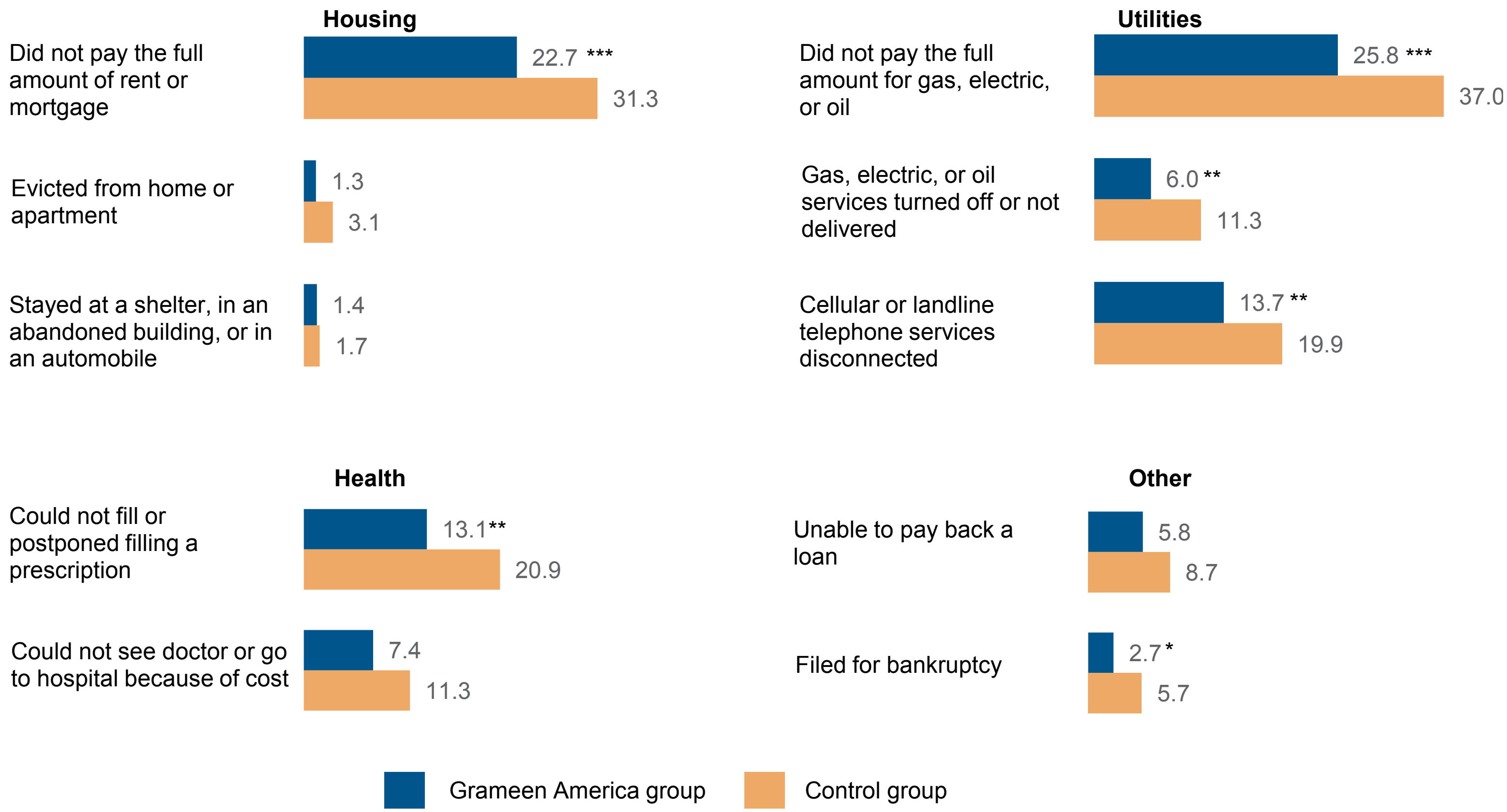
Another way of measuring material hardship is by counting the *types* of hardships that each woman in the study experienced in the past year. This overall measure is one of the study's two primary outcomes. Women in the Grameen America group reported experiencing fewer types of material hardship in the past year (one type, on average), compared with control group members (1.5 types); the estimated impact on the number of types of material hardship experienced is statistically significant (as shown in Figure 4.2).[9] Another way to look at experiences of material hardship is to see how many women in both research groups experienced any type of material hardship; 44 percent of Grameen America group respondents reported experiencing any type of material hardship in the past year, compared with 59 percent of control group respondents. The associated 15-percentage-point difference is also statistically significant.

Because Grameen America did not have an effect on net income, this raises the question of what was driving the material hardship effects. It is helpful here to take a closer look at the ways in which some of the women interviewed in-depth managed their incomes, and how the Grameen American loan fit within their broader set of financial strategies. Laura, mentioned at the start of this chapter, relied on several sources of income to make a living. She dealt with her financial ups and downs by rearranging her various income-generating strategies — spending more or less time on one strategy or another to patch together her weekly income. As noted, about two years after entering the Grameen America program, Laura's situation had changed. By then she could count on a regular contribution to the household income from both her son and her partner. She had increased the number of times a week she spent cleaning houses to make up for the income she no longer made providing child care for her nephews. Also, she spent more time on her food business and sought new clients. By this time, she was on her fourth Grameen America loan cycle and was delivering tamales to her customers two or three times a week. The Grameen America loan, she said, allowed her to set aside some funds that she could use later when she needed them to fill an order and keep her business going; this allowed her to maintain a steady flow of cash into her household. This is an example of reducing income volatility, which may be one mechanism for reducing material hardship.

[9] The number of material hardships is a count of the number of types of material hardship experienced by each respondent, and not a count of the number of times a respondent experienced all of the types of material hardship. For example, respondents who were not able to pay the full amount of their rent or mortgage in one month and respondents who were not able to pay the full amount of their rent or mortgage in nine months were both counted as having experienced one type of material hardship.

Figure 4.3

Impacts on Types of Material Hardship at 18 Months



SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Sample sizes may vary because of missing values.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.

In the case of Sonia in Chapter 3, who sold kitchenware for a direct selling/multilevel marketing (MLM) company, the Grameen America loan allowed her to purchase some inventory that she could sell on credit to clients whom the company would not finance. In that way, Sonia was able to receive installment payments from various clients throughout the month. Then she had to stop her kitchenware sales and find a temporary job on the weekends so she could care for her mother, who had fallen ill. She continued receiving some of the installment payments for products she had sold to her customers on credit in previous months, allowing her to pay her part of the rent. In this way, the Grameen America loan permitted investment that was recovered in the future.

Cecilia, introduced in Chapter 1, sold merchandise at a flea market on the weekends to supplement her wages from her full-time job. Despite a fluctuating work schedule, Cecilia valued her wage job because it provided a more or less regular income and some benefits such as paid holidays and paid vacation days. She figured that the income from her business could make up for the low wages she earned from her job, and she used the Grameen America loan to purchase merchandise that she sold on the weekends and occasionally to her coworkers on credit. Moving funds from one pot of money — capital provided by the Grameen America loan — to another was Cecilia's way of dealing with financial emergencies

> Whatever surplus I have is for myself.... The capital, that's for reinvesting in the business, and the profit is for whatever I have in mind. Only in case of emergency do I take out from that capital fund. I know that next week, I'll recover it. I'll get a profit for the day and I can replace what I took out.

One thing to keep in mind is that the separation between business revenue, wages, and other household income was oftentimes blurry. In some cases, investment in the business was an investment in the household. Agustina, who sold food and had opened a small canteen with her daughter, put it this way: "I would be lying to you if I said that I'm paying them [household members who helped her in her business]. The only thing is that we don't spend money on food. All of it comes from [the business]."

These examples provide some insight into why the study found reductions in some measures of material hardship, even though there was no increase in net income. That is, reducing economic hardship might be related to having additional cash flow provided by the loans or from increased business revenues, giving the women in the Grameen America group a broader set of options to meet their financial obligations. It is possible that other factors were also at play, such as borrowers having a broader network of support from the women in their loan group or center, or from having access to additional financial options. The next two chapters explore some of these ideas.

Income and Material Hardship Impacts, by Subgroups

The impacts of the Grameen America program on net income and material hardship were also examined across several subgroups. As noted in Chapter 3, the study divided the participants into different subgroups, including those with new or existing businesses, those operating a direct-selling/MLM marketing business, and by income level. In general, the impacts on income and the number of types of material hardship experienced among women in the different subgroups examined were consistent with the impacts on those outcomes among all of the women in the Grameen America evaluation. Within each of the subgroups, there were no statistically significant effects on net income. The differences in net income effects across subgroups were not statistically significant, either.

Still, Grameen America decreased the number of types of material hardship experienced among almost all of the subgroups examined. One exception was the group of women who were either already operating or intending to operate a direct-selling/MLM business. Among that group, there was no statistically significant effect on the number of types of material hardship experienced in the past year. However, the difference in impacts across the subgroups based on whether women were operating or intending to operate a direct-selling/MLM business was also not statistically significant. This provides some preliminary evidence that the reduction in material hardship was not as likely among those with direct-selling/MLM businesses. More definitive evidence will come from the 36-month follow-up survey, which will assess whether this pattern continued, grew, or diminished over time.

5

Building Assets, Savings, and a Credit History

Soledad was familiar with financial institutions and credit. She and her husband had both had checking accounts, and her husband had a retirement account from his job. He'd also bought a car on credit. In addition, the couple had a savings account for the education of Soledad's daughter. Neither Soledad nor her husband had credit cards when she enrolled in Grameen America, however. Seven years earlier, their credit rating was ruined after Soledad maxed out several credit cards from what she called a compulsive shopping habit. The couple had a hard time paying back the huge debt. Now they were finally digging out of that hole:

> "*My husband wanted to file for bankruptcy. I said no, because we want to buy our house.... We owe a large amount.... We used to pay four credit cards, we paid them back and now we only owe $7,000 in credit cards.... We are trying to pay all our bills on time so we can build back our credit again. We want to pay on time to be able to buy our house.*"

It was, in part, the need to pay off the remaining credit card debt that led Soledad to look for ways to earn some extra money. During the week she prepared and sold homemade meals to five students — friends of her older son — and she started selling a dish that was popular in her home country to friends and acquaintances; by the time she joined the Grameen America program, that business was a regular weekend venture. In addition, she bought purses from a friend who worked at a company that made them and sold them in her neighborhood. She also sold jeans on consignment in a friend's store and picked up the money from the sales once a week.

Soledad's husband paid for most of the household expenses with wages from his regular factory job and with extra money he made delivering newspapers. Some of the income Soledad brought in went to paying off the couple's credit card debt.

Alejandra had a different experience with financial institutions and credit. She had come to the United States as a young adult and after 15 years of living here, she was just beginning to build a solid credit history. She'd had several wage jobs and usually sold something on the side to supplement her income. When she joined Grameen America, she was working part time at a cleaning company and selling Herbalife out of her home. Alejandra's husband paid for most of the household expenses with wages from his construction job. The couple shared their apartment and some expenses with two of her husband's relatives.

Like Soledad, Alejandra was in debt when she joined Grameen America. Previously, her husband had been arrested and kept in detention for two years, and the couple went into debt to pay for legal expenses; the couple also borrowed from friends and family to help pay for bail. During that time, Alejandra did what she could to keep her household afloat. She worked afternoons at the cleaning company and sold Herbalife products whenever she could. Mornings and weekends she made tamales and other homemade food and sold it in the neighborhood. Her husband's relatives also stepped in to pay the rent.

When Alejandra was interviewed several months after joining the Grameen America program, she and her husband were still paying back the debt they had incurred when he was detained. They also had a checking account and were setting aside $50 in a savings account every month. Her husband had a credit card with a $500 credit limit, and Alejandra had a bank card that allowed her to build credit by depositing money in the account and then using it much like a credit card. Two years after getting that card, she had received a preapproval letter from an outside credit card company, which she saw as proof that she was building a credit history.

The stories of Soledad and Alejandra illustrate the different access that some women in Grameen America have to financial institutions. Just over half of the women enrolled in the study came into it with no credit score. Others, like Soledad and Alejandra, were trying to rebuild bad credit scores after incurring debt. How would a program like Grameen America help participants establish or improve their credit scores? Would access to small loans help them save money or build assets? This chapter addresses these questions and the figures provide quick summaries of the most relevant outcomes. See Appendix B for a full summary of the impact findings related to credit history, savings, and debt.

Building a Credit History

Grameen America reports repayment of its loans to two of the three major credit bureaus. This offers borrowers an opportunity to generate and strengthen their credit histories, which may in turn help them access mainstream credit and its associated lower effective interest rates. A poor or nonexistent credit history may prevent individuals with low incomes from accessing the kinds of bank loans and credit cards that people with higher incomes may count on to get a mortgage, buy big-ticket items like automobiles and furniture, or use in times of emergency. Having low or no credit scores also limits options for housing and in some states affects employment prospects. Moreover, a better credit score may help reduce or eliminate the need for deposits to qualify for a utility account or to sign up for cell phone service. No access to credit may lead to reliance on pawn shops, rent-to-own stores, and other less favorable credit sources, potentially leading to greater debt burdens that can make escaping the poverty trap more difficult.

To be sure, access to better sources of credit is not a panacea. Women who fail to repay their Grameen America loans in a timely manner may establish a weak credit score or further damage an already weak one. It remains an open question whether Grameen America borrowers do graduate into mainstream credit or gain the ability to borrow at lower interest rates than those who do not take out such loans.

The researchers for this study had access to data from VantageScores — a type of credit score created by the three major credit bureaus — at 16 to 21 months after women entered the program. The data were used to determine the impact Grameen American had on building credit histories and improving credit scores. VantageScores range from 300 to 850; higher credit scores indicate to lenders that a borrower is less risky. A report by the Federal Reserve found that VantageScores are highly correlated with the more commonly used FICO credit scores.[1] (For this study VantageScores were collected instead of FICO scores because of resource constraints; FICO scores were too expensive to collect.) VantageScores factor in recurring payments such as utilities and rent as well as typical loan products used to calculate FICO credit scores such as credit card and mortgage payments; the inclusion of these payments allowed individuals with less complete credit histories to be scored. Good credit scores can have a substantial impact on financial well-being.[2]

As expected, women in the Grameen America group were more likely than women in the control group to have a VantageScore roughly 16 to 21 months after they came into the study. Over 79 percent of Grameen America group members had a VantageScore,[3] a statistically significant increase of nearly 20 percentage points over the control group rate (shown in **Figure** 5.1).[4] Grameen America also increased the likelihood of having a "prime" VantageScore — a score in the highest range, between 650 and 850 — by a statistically significant amount. Around 22 percent of Grameen America group members had a prime VantageScore compared with 13 percent of control group members.[5] These findings are encouraging given that credit scores — and prime credit scores in particular — are linked to several positive financial outcomes, including access to formal credit, lower interest rates, and better employment opportunities.

Credit attributes in an individual's credit report include various characteristics of creditworthiness, such as loans and lines of credit, bankruptcies, and other public records. The Grameen America program

[1] Consumer Financial Protection Bureau (2012).

[2] DeNicola (2019).

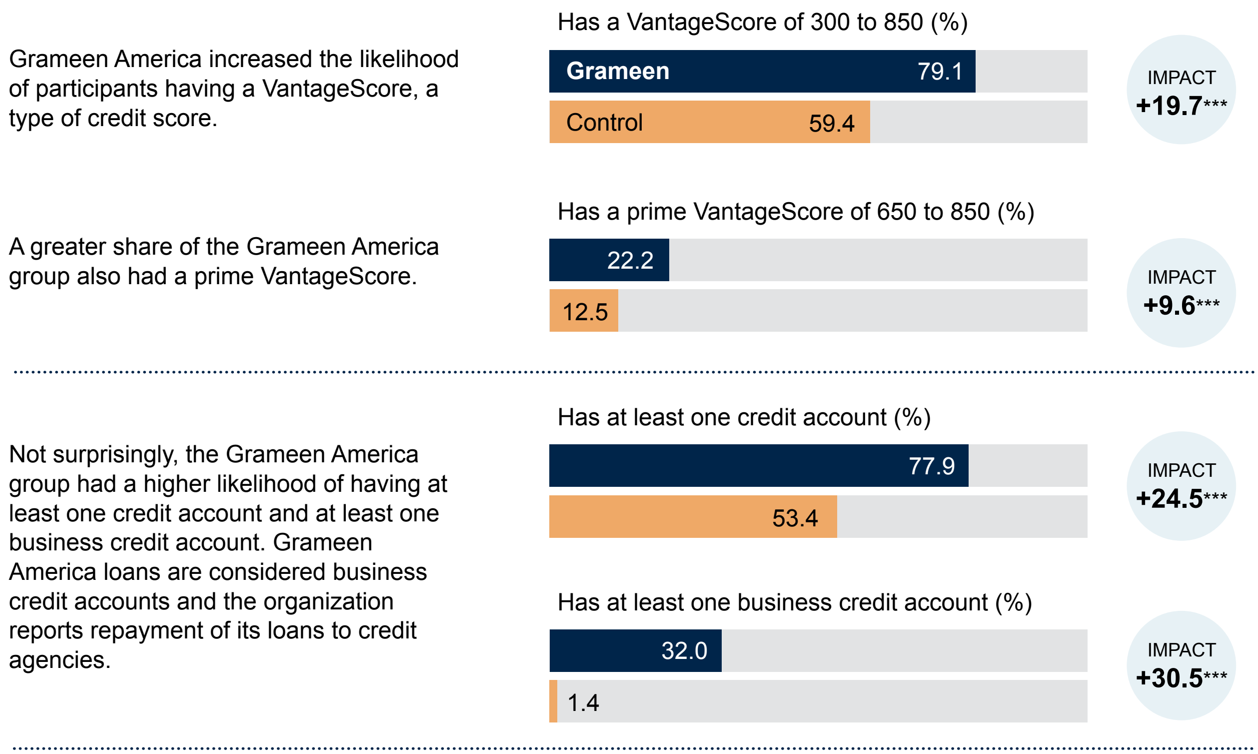
[3] In fall 2017, there was a period when not all Grameen America loans were included in the credit report data. When the issue was resolved, all missing loans and transactions were reported retroactively. The credit data files pulled for this report may not reflect the full credit history of all Grameen America group members, however, potentially weakening the impact estimates related to the VantageScores.

[4] This effect on VantageScores was slightly smaller than the effect observed at 7 to 12 months after study entry. At that time, roughly the same percentage of Grameen America group members had a VantageScore (78 percent) but fewer control group members had a VantageScore (56 percent). See Schaberg et al. (2019). This suggests that some control group members established credit histories through borrowing from a source other than Grameen America over time.

[5] This effect on prime VantageScores was larger than the effect seen at 7 to 12 months after study entry. At that time, 18 percent of Grameen America group members and 12 percent of control group members had a prime VantageScore. See Schaberg et al. (2019). Given that it takes time to establish a higher credit score, it follows that the Grameen America program would have a larger effect on this outcome over a longer follow-up period.

Figure 5.1

18-Month Impact Snapshot: Building a Credit History



SOURCE: MDRC calculations from credit report data from a major credit agency.

NOTES: Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent.
A VantageScore is a credit score developed by the three national reporting companies.
VantageScores range from 300 to 850. A prime VantageScore is a score of 650 to 850.

increased the likelihood of having at least one credit account by a statistically significant amount. Seventy-eight percent of the Grameen America group, compared with 53 percent of the control group, had at least one credit account (shown in Figure 5.1). This is not surprising, given that Grameen America reports repayment of its loans to credit agencies. In addition, 32 percent of Grameen America group members had at least one business credit account (Grameen America loans are considered business credit accounts), an increase of 31 percentage points over the control group average.[6] This credit attribute provides more evidence that the study had a large treatment differential — that is, a large difference in the rate of participation in services, including receiving a business loan — between the Grameen America group and the control group. Appendix Table B.1 also shows impacts on several other credit attributes.

Grameen America did not have a statistically significant effect on the likelihood of having any other types of loans — including mortgage and auto loans — or on the likelihood of having a delinquent or deroga-

[6] The rate of having a business credit account among the Grameen America group was lower than expected. This may be partially due to the period in fall 2017 when not all Grameen America loans were included in the credit report data. These loans were reported retroactively but may not be reflected in the credit report data used in this report.

tory credit account. Credit accounts are considered delinquent or derogatory if a borrower fails to make payments; having accounts with such statuses can negatively affect an individual's credit score. Some scholars have questioned whether access to microcredit might lead to increased delinquencies, but there is no evidence so far that this is the case with the Grameen America program.

Savings

As discussed in Chapter 2, the Grameen America model requires borrowers to open a savings account and deposit a small amount — around $2.00 — every week. Due to issues negotiating an agreement with a local bank to offer such accounts, the Union City branch of Grameen America, where the evaluation took place, did not require borrowers to open a savings account or make weekly savings contributions. It was not until 2017 (about two-thirds of the way into the fielding of the 18-month survey) that the Union City branch started asking borrowers to maintain funds in a savings account.[7] Despite the delay in implementing this aspect of the model, the Grameen America program could still have an effect on savings if borrowers saved on their own at either a higher rate or a higher amount than control group members.

Grameen America increased the amount of nonretirement savings for women in the Grameen America group and their live-in spouses or partners relative to the amount saved by women in the control group and their live-in spouses or partners. Women in the Grameen America group reported having $1,920 in combined savings (including the woman and her partner) compared with $1,180 for women and their partners in the control group (as shown in **Figure** 5.2). The $740 (or 63 percent) increase in average savings amounts is statistically significant.

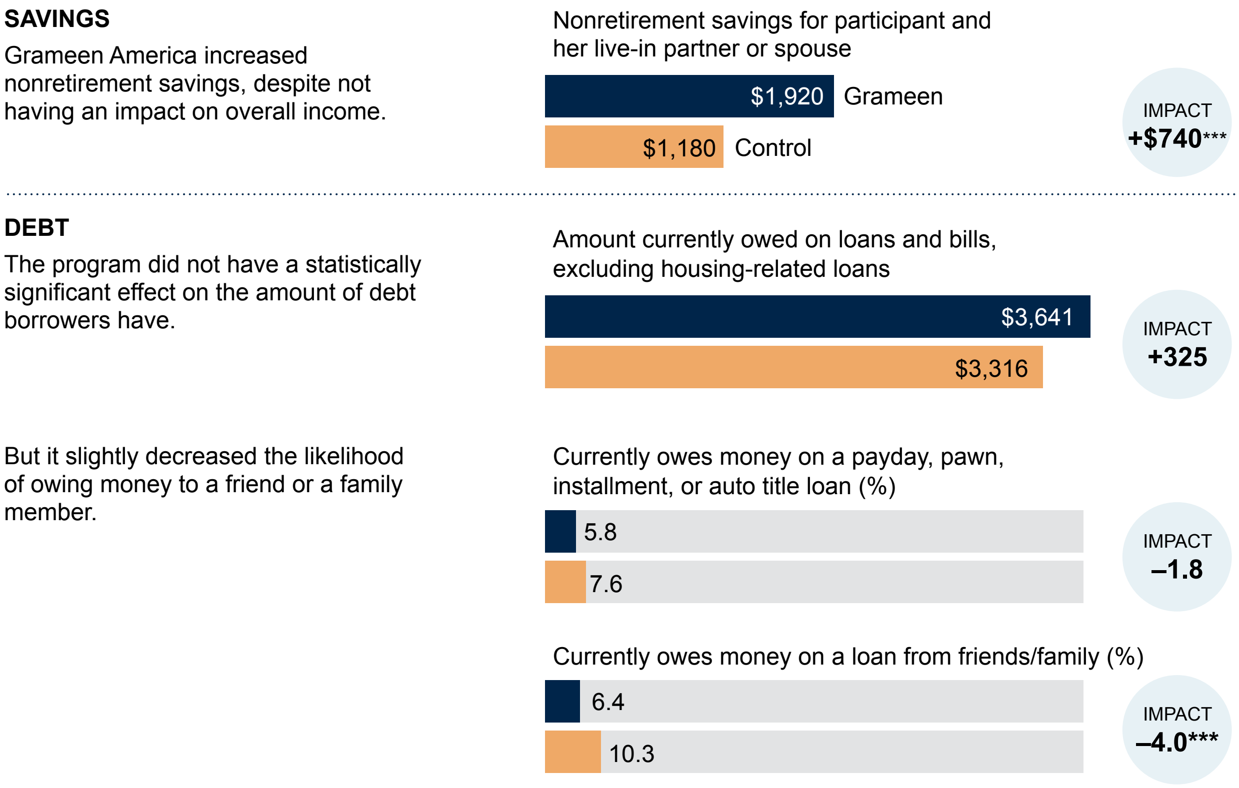
Following the logic of the Grameen America theory of change, the most likely explanation for an increase in savings would be that the program increased the overall incomes of Grameen America group members (relative to those in the control group), and the women in that group were able to put more of their income into savings. However, as seen in Chapter 3, the Grameen America program did not have a statistically significant effect on overall net income, so it is unclear what is driving this savings effect. One possible explanation is that Grameen America loans were not being spent in their entirety once received; instead, part of the funds were set aside for future use. The rules of Grameen America are clear on this: Borrowers must spend their loans on business-related expenses within two weeks of receiving the funds.[8] Center managers ask borrowers for receipts as proof of investment in a business. In practice, however, not everyone can invest the money within the allotted two weeks. Women who sell food, for instance, may not be able to immediately spend all of their funds on cooking supplies if they don't have enough orders to use them. During in-depth interviews, some women revealed that they routinely set aside some of their loan funds for future use. Sonia, for example, introduced in Chapter 3, used part of her loan to buy sample kitchenware for her multilevel marketing business. The rest of it she put aside to be able to

[7] In early 2018, Grameen America started asking borrowers in the Union City branch to save $10 a month. Unlike the program's standard savings model of $2 a week, facilitated at weekly meetings, the Union City participants were asked to contribute to their savings accounts on their own. Savings might be used to determine loan amounts in the future, as was typical in other Grameen America branches.

[8] The timing of loan investment was extended to two months in 2018.

Figure 5.2

18-Month Impact Snapshot: Savings and Debt



SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTE: Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent.

finance clients who didn't qualify for the kitchenware company's credit line. Soledad, introduced in this chapter, said she put the money from her Grameen America loan into her personal account and used it as needed whenever she had orders for her home-cooked food. She said that having the funds available helped her business because it allowed her to sell more food. For both Soledad and Sonia, having access to the Grameen America loans allowed them to use the money when they needed it to cover their business expenses, instead of having to rely on money from another source.

Using the loans in this way may help explain why women in the Grameen America group reported increased savings, despite not having higher incomes. Such liquidity could also explain why there were reductions in material hardship without any increases in income.

Debt

The Grameen America program could affect the amount of debt borrowers have, either by increasing it or decreasing it. The program could increase the amount of debt borrowers have if it leads them to take out a loan that they would not have taken out in the absence of the program. If the program helps borrowers establish a credit history and credit score, they may be eligible to take out different loan products or credit cards from other lenders, further increasing their debt load. In both cases, the increased debt levels may be considered positive outcomes, as long as the women are able to pay back their loans and credit card bills. Alternatively, the Grameen America program could decrease the amount of debt borrowers have if their businesses bring in additional income that allows them to pay off any existing debts. This, too, could be considered a positive outcome.

The findings in Figure 5.2 show that the Grameen America program did not have a statistically significant positive effect on the amount of debt the women in the study had. Around 18 months after they entered the study, women in the Grameen America group owed an average of $3,641 on loans and bills compared with an average of $3,316 for women in the control group. These amounts indicate how much the women in the study owed at the time, but do not indicate how much debt the women took out or the amount of debt they had already paid back. It is possible, for example, that women in the Grameen America group and women in the control group took out and paid back similar amounts of debt, leading them to owe similar amounts of debt. It is also possible, however, that women in the Grameen America group took out and were able to pay back more debt compared with their counterparts in the control group, again leading to both groups, ultimately, owing similar amounts. Thus, it is unclear whether the Grameen America program had an effect on the overall amount of debt women had within the 18 months after they came into the study, or whether the program had an effect on the women's ability to pay back that debt.[9]

The Grameen America program could also affect the types of debt borrowers have. As mentioned, without the availability of the Grameen America loan, individuals may have to access capital through other means, including borrowing money from friends or family members, as was the case for Alejandra, introduced above. Alternatively, women may take out loans from subprime lenders or rely heavily on credit cards. There is some evidence that the program affected the types of debt the women in the study had. Women in the Grameen America group were less likely than those in the control group to owe money to friends and family; around 6 percent of women in the Grameen America group owed money to friends and family, a statistically significant decrease of 4 percentage points below the control group average. While borrowing from friends and family may mean the borrower does not have to pay interest, this type of borrowing can come with social costs.

Grameen America did not have a statistically significant effect on the use of subprime loans, including payday, pawn shop, installment, and auto title loans. Around 6 percent of women in the Grameen America group and 8 percent of women in the control group currently owed money on a subprime loan. Reduc-

[9] There is some evidence from other outcomes in the study that may provide insight into this question. Chapter 3 showed that the Grameen America program increased the amount of debt taken out by women in the Grameen America group to start or expand a business relative to women in the control group. However, findings based on the credit score data (presented earlier in this chapter) show that the Grameen America program did not lead to increases in the likelihood of participants having certain types of debt, including mortgages and auto loans. It should also be noted that there are other sources of debt that did not show up in the credit data, such as debt from local moneylenders.

tions in the use of subprime loans are often mentioned as a benefit of microlending programs. Subprime loans typically have very high interest rates and may increase the debt levels of borrowers who are unable to pay them back on time. The lack of an effect in the study — and the low rates of subprime loan use among both research groups — may be related to the fact that some types of subprime loans, including payday and auto title loans, are banned in New Jersey.[10] The Grameen America program may have a larger effect on subprime loan use at branches that operate in states where these types of loans are allowed.[11]

[10] New Jersey does not allow storefront payday lenders. However, individuals may be able to obtain subprime loans online. The Pew Charitable Trusts (2014).

[11] Impacts on credit, debt, and savings outcomes were not analyzed by subgroup. Only mediating outcomes were included in the subgroup analysis and the only mediating outcomes presented in this chapter are the outcomes related to VantageScores. The credit data used in this study were only available at the group level; therefore, it was not possible to run impacts on those outcomes by the subgroups defined by the characteristics of individual women in the study.

6

A Sense of Well-Being and Social Support

Amalia, co-owner of a grocery store, said the weekly meetings with the women in her loan center provided a respite from her usual routine and gave her the chance to meet new people.

> *"Now I know a woman who used to buy at the grocery store where I used to work .... I would see her all the time, but never talked to her.... Also Daniela. She has a beautiful baby she always brings to the meetings and I spend time with the baby.... You can pass a good time there, talking.... I can escape for a little while from the bodega, and I go there to relax."*

Cecilia, introduced in Chapter 1, said that it was difficult to talk about each other's business at the weekly meetings because the meetings were short and making the loan payments took up most of the time. Then she added:

> I saw one woman talking about her product before everyone arrived.... [The center members] are all women entrepreneurs and a person who sells is selling all the time and takes advantage of any opportunity she has. That's what we talk about.

Agustina, introduced in Chapter 3, said the women in her loan group decided to use the one-year anniversary celebration of their center to raise money for a member whose restaurant business was struggling.

> So we are going to sell $10 tickets for the celebration that will allow you to get a meal [at her restaurant].... We have never done this.... We would just see each other at the meetings and that was it. Now we were presented with this case, she is having a hard time continuing her business, and we are going to help her and see what happens. I think it's going to go well for her. As I said, my dream is to have my own restaurant. Who knows if tomorrow, I might need help from my fellow group members, too.

The connections that Amalia, Cecilia, and Agustina developed with other women in the program highlight an important aspect of Grameen America. It offers the potential for building and strengthening social capital — the resources and reciprocity that come from connections to others.[1] Researchers have noted the importance of social capital for well-being.[2] Finding things like a job, a quality school, or available social services partly depends on the ability of a person to capitalize on her connections to people who may have the information she needs.[3] Thus, one question of this evaluation is whether Grameen America's group-lending model helped build and strengthen relationships that women in the program could rely on to help weather difficult financial times, to advance their businesses, or to get other types of support. This chapter examines the impact the program had on borrowers' relationships and sense of well-being. The figures in this chapter provide quick summaries of the most relevant outcomes. See Appendix C for detailed tables of the impact findings for loan-group relationships, social support, work-life balance, well-being, and empowerment.

Building and Strengthening Social Relationships

As part of Grameen America's group-lending model, women who want to participate in the program must form a loan group of five potential borrowers who have or want to start a small business. Under the rules of the program, the women must have known one another previously but cannot be immediate kin. Once enrolled, members of the group must bring in five or six other groups to form a loan center — about 25 to 30 borrowers. The weekly center meetings, often just 15 or 20 minutes long and usually held at the home or business of one of the members, are primarily for making loan repayments. However, since the women come together on a regular basis, the meetings may also facilitate the exchange of tips, strategies, and other information that can help participants succeed in their businesses. In fact, the Grameen America program is specifically designed to build and capitalize on borrowers' existing social networks.

For this study, the five-member loan groups were randomly assigned to one of two research groups — the Grameen America group and the control group. In this way, the study maintained and tracked women in the original groups of five to understand the difference that the program had on relationships. Those who were assigned to the control group may also have continued to have contact with one another. However,

[1] Bourdieu and Richardson (1986).

[2] Bourdieu and Richardson (1986); Putnam, Leonardi, and Nanetti (1994); Small (2009).

[3] In his work on childcare centers, Mario L. Small writes of the important role organizational context plays in building social relationships that parents can rely on for support, resources, and information. Further, he notes three aspects of organizations that are important for fostering social capital: establishing how individuals interact with one another, setting obligations toward others, and potentially providing ties to other organizations. Small (2009).

only those assigned to the Grameen America group had the opportunity to go through the five-day Continuous Group Training (CGT), and to receive a Grameen America loan; they were also required to meet with the other members in their loan group on a weekly basis until they paid back their loans (about 25 weeks). Women in the control group did not have an explicit reason to continue meeting with the other members of their loan groups.

To determine whether the program helped deepen relationships, the study analyzed the experiences of the women in the original loan groups. **Figure** 6.1 shows outcomes related to those relationships, and the results are encouraging. The findings provide strong evidence that the women in the Grameen America group grew significantly closer to the other women in their original loan groups compared with the level of closeness reported by women in the control group. Almost 58 percent of women in the Grameen America group reported they had grown closer to the other members of their loan group, compared with 14 percent of women in the control group. The 44 percentage point increase is statistically significant. The Grameen America program also increased trust among members of the original loan groups. Around 39 percent of women in the Grameen America group reported they had increased trust in the other women in their loan group, a statistically significant increase of 28 percentage points over the control group average. Having close and trusting relationships is important because these elements of social relationships constitute the basis of social support. Being close to or trusting someone does not necessarily contribute to material well-being, however. The next section examines whether these outcomes translated into concrete forms of social support.

Social Support

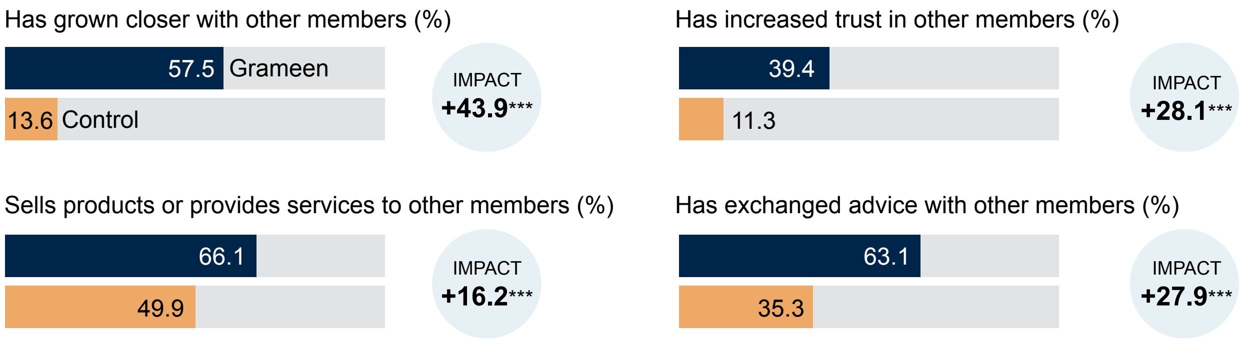
The experiences of the three women described at the beginning of this chapter illustrate concrete ways the Grameen America program contributed to building systems of support. Agustina's group, for instance, organized an event to celebrate their center's anniversary and to support the business of a member who was undergoing financial difficulties. The pleasure that Amalia took from sharing a few social moments with other women in her group each week might be another way in which women in the program benefited from having an expanded social network.

The study examined whether Grameen America increased the likelihood of women having social support. The first two measures in **Figure** 6.2 show outcomes related to such support. Women in the Grameen America group were more likely than women in the control group to say they had someone they could depend on for social and financial needs: About 79 percent of women in the Grameen America group said they had someone they could ask for a favor such as a ride, babysitting, or to borrow something small, compared with 71 percent in the control group. About 79 percent of the women in the Grameen America group also said they had someone from whom they could borrow $250 in case of an emergency, compared with nearly 73 percent of those in the control group. The differences in outcomes for both measures are statistically significant. And while the impacts are not large (9 percentage points and 7 percentage points, respectively, with rounding), favors like these might make a material difference to a household. Take for instance, childcare. Having someone who can look after one's children in a pinch can save a substantial amount of money — no small thing if budgets are tight. It might also make all the difference in not having to take time off from work, and that could even mean keeping one's job.

Figure 6.1

18-Month Impact Snapshot: Relationships with Other Loan Group Members

The women who came together in five-member loan groups to enter the Grameen America program grew significantly closer to one another due to the experiences of participating in the program.



SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTE: Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent.

What could have contributed to the increase in social connectedness and support experienced by Grameen America group members?

Organizational Context, Discipline, and the Role of Center Managers

Research shows that the culture of an organization affects whether a person creates ties to other people in that organization, the kinds of ties created, and the kinds of resources derived from those ties.[4] This section examines various aspects of the Grameen America program and the role that frontline staff may have played in creating opportunities for social interaction and, thus, ways to deepen social relationships.

As part of the Grameen America model, women in the five-member loan groups must live within a short walking distance of each other and must know one another, although they cannot be next of kin such as sisters or mother and daughter. In everyday practice, however, "know" is a relative term. As the interview with Amalia above illustrates, knowing someone can mean being friends for several years or more recent acquaintances. What seems to be most relevant is that there is some basic level of association and trust among loan group members before they enter the Grameen America program, either because of a prior personal relationship or one that is derived from someone else in the group.

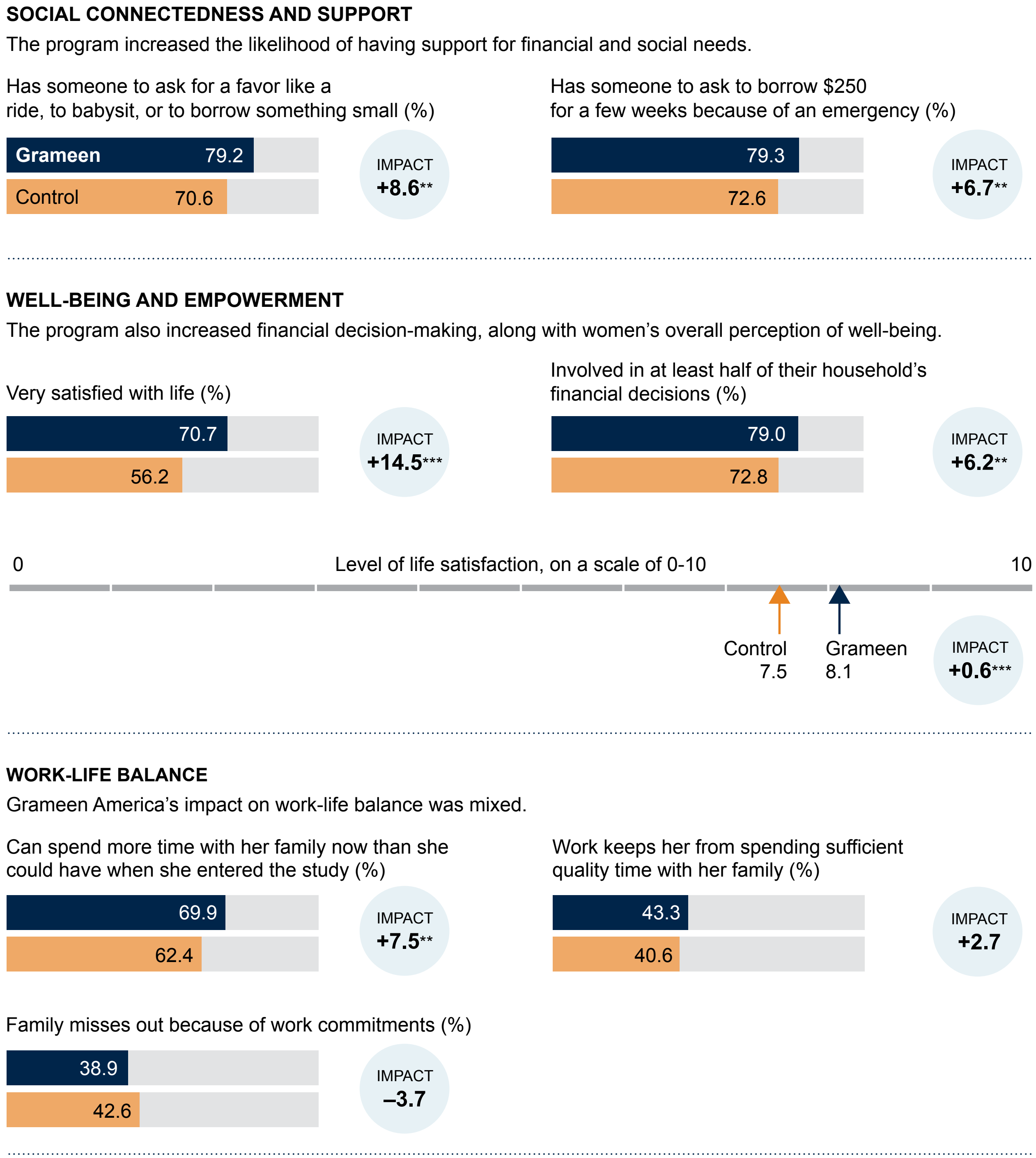
Once formed, each loan group goes through the five-day CGT that provides an opportunity for the women to interact and get to know one another. During observations of the training sessions, the center manager (CM), a Grameen America staff member from the branch office, assesses the financial situation of the potential borrowers and fills out the requisite paperwork for each candidate.[5] The assessment is carried out publicly so that every member of the group can hear what the other women earn, their plans for their busi-

[4] Small (2009).

[5] In December 2018, Grameen America went from using paper forms to digital forms.

Figure 6.2

18-Month Impact Snapshot: Social Support, Well-Being, and Empowerment



SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTE: Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent.

nesses, and other aspects of their financial and family lives. At the end of the training, the branch manager who oversees all of the loan centers (in the case of this study, the manager from the Union City branch office) tests candidates' knowledge of the program in a process known as "recognition." The branch manager also visits each woman's home to ensure that she meets the program's criteria, as described in Chapter 2. While these practices do not guarantee that social ties will develop among loan group members, they do provide the opportunity for connections to be made and relationships to develop.

Each loan group must also select a president and a secretary during the training period. The president is charged with maintaining group communication and ensuring that everyone complies with the rules of the program, and the secretary steps in to help the president whenever needed. While members of the original group of five usually have a certain level of acquaintance with one another, it is possible that there is less familiarity among other members in a loan center as new groups join. Each center holds its weekly meeting at the home or business of one of the borrowers, which may offer the opportunity to get acquainted with borrowers in other loan groups.

Once the loans are approved, as described in Chapter 2, women meet regularly for approximately 25 weeks to make their loan repayments. While meetings are relatively short and focused on the loan repayments, the regular contact can provide an opportunity for interaction and thus for building relationships. During focus groups and in-depth interviews, women in the Grameen America program said the meetings provided a space for them to talk about their children and family matters, encourage each other in their business ventures, and discuss various issues related to the loans themselves, such as remaining payments or how the money was invested. Some participants also said they socialized outside of the center meetings. Others preferred to keep to themselves and limited their interaction with members of their center.

There is always the potential for conflict in these weekly meetings, since several aspects of the program depend on the individual behavior of the group members. In the absence of collateral, for example, the program relies on the borrowers themselves and their relationships with each other to discourage default. While Grameen America loans are made on an individual basis, borrowers understand that if one member defaults, the other four loan-group members are responsible for ensuring that the loan is paid off, either by chipping in to repay it themselves or by pressuring the defaulter to pay. Staying in the program is partly contingent on everyone in a loan group repaying their respective loans and on abiding by the rules of the program. These situations might create tension, if not outright conflict. Even arriving late to a meeting might mean that everyone in the center must wait until all are present — another potential source of tension. In interviews with CMs, discipline emerged as an important principle that helped them manage conflict and guided aspects of implementing the program.

Discipline as defined by Grameen America frontline staff refers to complying with the rules and regulations of the program: attending weekly meetings, making weekly payments, and being on time. Adhering to these rules determines whether borrowers can continue in the program or not as well as the value of the subsequent loans they can apply for.

CMs and staff used various strategies to instill discipline. Staff members tried to instill discipline by setting an example. Center managers emphasized the importance of attending meetings and of arriving on time, particularly during CGT and during the early stages of group and center development. They also talked about the importance of adopting a professional demeanor and limiting their own interactions with members to program-related matters, although they also acknowledged the importance of having a personal connection with the women in the program. One CM said:

> The members ask me, "Why do I have to come in person [to make a payment]?" I tell them that the only way to build credit is by coming and making their payments in person. Because if I don't know them, how could I lend them a thousand dollars again? If I see their name on paper … but I don't know their face, I cannot lend them a thousand dollars again.

Center managers also tried to make an example out of borrowers who did not comply with program rules, in order to instill discipline. One of them noted, "As a center manager you could say that we incentivize.… If they meet the requirements and discipline, they will be able to receive an increase or a second loan.… That's how others see what the consequences are and assume more of a responsibility."

Somewhat counterintuitively, CMs and staff said the larger the center, the easier it was to maintain discipline, because there were more members to hold each other accountable. "Now it's not one member who speaks up.… [Members] are observing, one is observing the other," a center staff member said. "Now it's … thirty angry women saying, 'Why did you arrive late?'"

By using the notion of discipline to guide strategy, CMs played an important role in preventing tensions from escalating into conflict. They were also important actors in fostering social relationships among participants. While acknowledging that Grameen America discouraged personal relationships with program participants, many CMs also said that such relationships were unavoidable. One CM said:

> There are women [in the program] who are going through a situation and don't know how to get out of it. We are there for that. That is, it's not just about arriving, paying the money, and getting out. They also must share, they must know each other. If someone has a problem, we're going to help that woman.… If at any moment someone has a problem, I'll be there. And not just me, but [the borrowers] are going to be there to help that person. I think that's the way we should be, a leader in that space, to motivate [the borrowers]. They care about me and I care about them and that's a good thing. Why? Because over time we trust each other … and you must trust each other to be able to … lend money.

For this CM, developing personal relationships with program participants was an important way to develop the trust needed to issue a loan. Others preferred to maintain a certain amount of distance to avoid potential conflicts of interest, such as borrowers expecting preferential treatment because of their relationship with the manager.

Work-Life Balance and Well-Being

The Grameen America program may help improve work-life balance and provide women in the program with greater flexibility to spend time with their families. Research shows that street vending businesses, for example, can give women flexibility to arrange their schedules and care for their children.[6] However, other studies have noted that by blurring the boundary between workplace and home, street vending and other informal work might increase the burden on women.[7]

The findings in this report related to work-life balance were mixed. There was a positive and statistically significant impact on one of the four measures related to work-life balance. Women in the Grameen America group (70 percent) were more likely than those in the control group (62 percent) to report that they were able to spend more time with their families roughly 18 months after they entered the study (shown in the bottom panel of Figure 6.2). However, the rates were similar among the women in the Grameen America and the control groups who reported that their work kept them from spending sufficient quality time with their families, and that their families missed out because of their work commitments. These findings suggest that operating a business may have provided more time flexibility, but this extra time may not have been sufficient to balance life and work.

Grameen America increased life satisfaction by a statistically significant amount. Around 71 percent of Grameen America group respondents reported being very satisfied with their lives, 15 percentage points more than the control group average (shown in the top panel of Figure 6.2).[8] Outcomes such as life satisfaction are often thought to be affected only after individuals increase their income and strengthen social networks, which can reduce depression and dissatisfaction. In the case of the Grameen America program, however, this impact might have been related to other factors, such as experiencing fewer types of material hardship, or from the benefits of owning a business. For example, the women in the Grameen America group might have been more satisfied with their lives because, relative to the control group, they were better able to pay their rent or bills each month (as discussed in Chapter 4). Similarly, the program, which contributes to the increased likelihood of owning a business, might have given women a sense of agency by allowing them to decide how to arrange their time.

Empowerment

Many programs that offer microloans, including Grameen America, offer loans only to female entrepreneurs. The idea is that these loans will help women start businesses that generate income and grow over time. By earning additional income and by being able to contribute to their households' finances, these women may gain a sense of agency and an increased role in their household's financial decision-making. Additionally, there is a close link between economic development and female empowerment. Several studies of microfinance programs, however, have found no effects on female empowerment.[9] While economic development is closely related to female empowerment, it may not be sufficient to increase women's ability to make financial decisions.[10] Other gender and household dynamics may prevent women from fully experiencing the potential benefits of earning additional income by operating a business.

[6] Muñoz (2013).

[7] Park (2005).

[8] Survey respondents were asked how they would rate their lives on a scale of 0 to 10, where 0 meant "the worst possible life overall" and 10 meant "the best possible life overall." Responses between 8 and 10 were counted as "very satisfied with life."

[9] Banerjee, Duflo, Glennerster, and Kinnan (2015); Crépon, Devoto, Duflo, and Pariente (2011).

[10] Duflo (2012).

There is some evidence that the Grameen America program increased women's ability to make household financial decisions. Of the women in the Grameen America group, 79 percent reported that they were involved in at least half of their household's financial decisions, compared with 73 percent of control group respondents (shown in the top panel of Figure 6.2). This increase is statistically significant. This finding is encouraging, given the correlation between women's empowerment and other outcomes, including overall well-being and children's welfare and health. It is unclear, however, whether the increase in women's financial decision-making led to improved outcomes for their households and children.[11] (These outcomes were not measured in this study.)

Impacts on Social Support, by Subgroup

The impacts of the Grameen America program on social support were examined across several subgroups. See Chapter 3 for a more detailed discussion on how the subgroup analysis was performed.

The impacts of the Grameen America program on having someone from whom they could borrow $250 in the case of an emergency differed across some of the subgroups examined. (These differences were statistically significant.) Among women in households with a monthly income of at least $400, Grameen America increased the likelihood of having someone from whom they could borrow $250; this was not the case among women in households with a monthly income below $400 (shown in Appendix Table F.3). Additionally, Grameen America increased this measure of social support among women in loan groups who were less familiar with one another when they entered the study, but not among women in groups who were more familiar with one another at study entry (shown in Appendix Table F.4). The latter finding makes sense. Women in loan groups who came into the study not knowing each other well had more opportunities to develop new relationships — and, therefore, more opportunities to now have someone they could ask to borrow money from — than women in groups who came into the study already knowing each other well.

There were statistically significant impacts for some subgroups on the other measure of social support — having someone to ask for a small favor — but the differences in impacts across subgroups were not statistically significant.

[11] Duflo (2012).

7 Conclusion

Rosa, who operated a cleaning business, says participating in the Grameen America program had been helpful to her:

> *"I have also benefited a lot because at that time [before entering the program], I had these vacuums that were like robots, they were noisy. I bought a commercial one, a very good model. So, it helps me one hundred percent to do my job. The issue of flexibility with the timing [of the weekly meeting], that's the only thing that is complicated."*

Delia, who also worked as a house cleaner, had favorable things to say about the loan program as well:

> *"It has helped me increase my supplies... and with transportation. It also helped me to invest in jewelry and accessories and to be able to start a different kind of business. In other words, to move to a different area. It has really been a blessing because you know you can count on that loan, that investment, to be able to grow. And at the same time, at the family level, you feel comfortable because you get used to having your own business, your own hours. It really is good."*

Sara spoke about other kinds of support she received from the women in her center:

> *I was diagnosed with cancer last year. I did not work all year long. I spent most of the time at the hospital. I had to close my store. But [the center manager] is always looking after us. She organized a fundraiser at a time when the insurance did not cover the surgery.... It was a huge blessing....*

The responses of Rosa, Delia, and Sara — three of the women in two focus groups who were asked to assess the Grameen America program — illustrate some of the benefits borrowers might experience by joining loan groups and gaining access to a small loan to start or grow a business. Did such benefits translate into improved material outcomes relative to what would have happened if they had not participated in the program?

This report indicates that Grameen America had a positive effect on several outcomes. Women in the Grameen America group experienced fewer types of material hardship than women in the control group, although the program did not increase individual net income (gross earnings minus business expenses). The program increased business ownership and overall monthly earnings from a business. At the same time, the program reduced the likelihood of working in a wage-based job and, as a result, reduced earnings from a job. The lack of a statistically significant effect on net income seems to be due to at least some women substituting earnings from a wage-based job with earnings from their business. The lack of an effect on net income found in this study is consistent with findings from similar studies in developing countries. It is unclear whether this trend will continue or whether the Grameen America program will lead to an increase in net income over a longer period. It is possible that as women continue in the program and obtain larger loans over time, they will be able to invest more in their businesses as those businesses potentially become more established, which in turn could increase earnings from them.

It is worth mentioning the value that women put on having less material hardship, even when the program did not lead to an increase in net income. The ability to meet financial obligations on an everyday basis might itself be an important outcome. While it is unclear what is driving this outcome, the report proposes that part of the explanation lies in the liquidity that a small loan provides to women in the program to help them manage their monthly bills and expenses. That is, borrowers may set aside some funds from the loan for a rainy day or use increased business revenue to invest in more inventory that can later be used to maintain a steady flow of cash.

The program led to positive results in terms of the likelihood of having a VantageScore and a prime VantageScore, and increased nonretirement savings.

The program strengthened social connectedness and the likelihood of having someone to ask for a favor, such as babysitting or to borrow $250 from for an emergency. Sara's experience, mentioned above, is a good example of the ways Grameen America offered a safety net when needed. The program also increased trust among loan group members and increased overall well-being and life satisfaction, even though it had mixed effects on work-life balance. Questions that remain include to what extent the social ties that women in the program established can be relied on in times of need. What are some of the limits that these connections might have? What are some of the social costs that reliance on social connections might pose? At this point it is also unclear how long the social ties that women in the Grameen America program built and strengthened with the other borrowers will endure over time.

The study also raises a number of questions regarding the potential trade-offs of investing in a business and forgoing wage-based employment. That is, does dedicating time to a business limit the ability of women to access some of the benefits of wage-based employment, such as employer-paid health insurance, sick leave, or paid vacation? Can the small businesses of Grameen America borrowers grow so as to be able to provide some of the benefits associated with wage-based employment? On the other hand, can the wage-based jobs that women access ever provide the flexibility and empowerment that they might get from running their own businesses? As the report indicates, the Grameen America program showed some encouraging outcomes, but only one of its two primary outcomes — reducing material hardship — had a positive and statistically significant impact. Thus, what should be the overall assessment? How can the program better support women entrepreneurs?

As Grameen America evolves and expands as an organization, it plans to offer a new set of financial products and services. In addition to its existing loans, Grameen America will offer a new type of loan that will be substantially bigger — $10,000 — specifically aimed at helping borrowers invest in assets in order to expand or grow their business (rather than simply to operate one). Existing borrowers will be eligible to apply for these loans. Additionally, Grameen America plans to offer a new set of services to its borrowers. The organization has transitioned from a paper-based organization to one that uses digital technology to administer most if not all aspects of the program, including loan disbursement, loan payments, and loan tracking. Transactions at weekly center meetings have been simplified, and Grameen America hopes to use them as a platform to introduce new services focused on financial literacy, preventive health, and legal services. One such initiative called Grameen Promotoras has been implemented in New York City and is growing rapidly. It uses the weekly loan meetings to provide basic preventive health care information and connects participants to health resources.

Moving Forward

As the research team wrote this report, the COVID-19 pandemic reached the United States. The pandemic has laid bare existing income, racial, and ethnic inequalities as the spread of the virus has been felt unevenly across the country. While this report cannot speak to the impact that the COVID-19 pandemic had on women in the Grameen America study, the crisis has raised a number of questions about how the Grameen America program might help participants at this particular juncture. Can Grameen America-supported businesses help women weather the crisis? Can they access a broader set of financial products, given that some have improved their credit scores? Can women in the program lean on the system of social support that some have built through the program?

The results of the evaluation of the Grameen America program at 18 months — the focus of this report — are promising even if mixed. The evaluation of the Grameen America program is ongoing. The next phase of this study will assess the impacts of the program after 36 months. In addition to reporting on the same measures as this report, the next phase will look at the impact of the program on assets such as the purchase of appliances to help support businesses. These new measures will allow the study to assess whether such investments might contribute to increased earnings by expanding the production capacity of small businesses. It is possible that some of the results presented in this report will change by then. It is also possible that some impacts that were not detected at 18 months could manifest themselves at 36 months.

APPENDIX A

Supplementary Tables: Impacts on Employment Status, Income, and Material Hardship

Appendix Table A.1

Impacts on Wage-Based Employment and Earnings at 18 Months

Outcome	Grameen America Group	Control Group	Difference (Impact)	90% Confidence Interval Lower	90% Confidence Interval Upper	P-Value
Secondary outcomes						
Currently works for an employer (%)	44.7	51.7	-7.0**	-12.8	-1.2	0.048
Average number of jobs currently working	0.5	0.6	-0.1**	-0.2	0.0	0.046
Average hourly wage at current job, among those currently employed[a] ($)	*12.76*	*11.88*				
Average monthly earnings at current job(s) ($)	708	876	-167**	-280	-55	0.015
Average monthly earnings at current job(s) is at least $1,250 (%)	29.4	34.8	-5.3	-10.9	0.2	0.110
Average hours worked per week at current job(s) (N)	14.5	17.7	-3.2**	-5.3	-1.1	0.014
Sample size	805	340				

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Outcomes shown in italics are nonexperimental. Statistical significance tests are not conducted on nonexperimental outcomes.
Sample sizes may vary because of missing values.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.
Rounding may cause slight discrepancies in sums and differences.
[a]For sample members currently employed at more than one job, the hourly wage at the job they earned the most was used.

Appendix Table A.2

Impacts on Income, Employment Status, and Benefits at 18 Months

Outcome	Grameen America Group	Control Group	Difference (Impact)	90% Confidence Interval Lower	90% Confidence Interval Upper	P-Value
Primary outcome						
Average net income in prior month[a] ($)	1,270	1,313	-44	-216	129	0.676
Secondary outcomes						
Operates own business and works for an employer (%)	39.5	34.2	5.3*	0.2	10.5	0.088
Operates own business and does not work for an employer (%)	54.2	40.3	13.9***	8.1	19.7	0.000
Does not operate own business and works for an employer (%)	5.2	17.6	-12.4***	-16.8	-8.0	0.000
Does not operate own business and does not work for an employer (%)	1.1	8.0	-6.9***	-9.4	-4.4	0.000
Average total hours worked per week at own business and for an employer (N)	34.9	32.4	2.5*	0.2	4.8	0.075
Income						
Average net income in prior month was $1,800 or more (%)	30.5	28.3	2.1	-3.2	7.5	0.509
Average income from other income generating activities ($)	84	86	-1	-32	30	0.954
Average total earnings for other household members in prior month[b] ($)	1,711	1,576	135	-150	420	0.435
Average total household income in prior month ($)	3,265	3,077	188	-156	532	0.368
Average gross earnings in prior month ($)	2,326	1,961	365***	144	585	0.007

(continued)

Appendix Table A.2 (continued)

Outcome	Grameen America Group	Control Group	Difference (Impact)	90% Confidence Interval Lower	90% Confidence Interval Upper	P-Value
Benefits						
Has health insurance (%)	42.5	47.7	-5.2	-11.2	0.7	0.149
Respondent or her live-in partner or spouse has a retirement plan (%)	10.0	10.9	-0.9	-5.0	3.2	0.715
Household receives any public benefits[c] (%)	61.8	59.9	1.9	-3.6	7.5	0.568
Sample size	805	340				

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Sample sizes may vary because of missing values.

Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.

Rounding may cause slight discrepancies in sums and differences.

[a]Net income includes earnings from respondent's business(es) (minus business expenses), wage employment, and/or income from other sources.

[b]Other household members include the respondent's spouse or partner and any other individuals who live with the respondent, including children under 19 and other non-family adults.

[c]Public benefits include food stamps/Supplemental Nutrition Assistance Program; welfare/cash assistance; unemployment insurance; Social Security Income; Social Security Disability Income; housing assistance; Medicaid/New Jersey Family Care; and Women, Infants, and Children benefits.

Appendix Table A.3

Impacts on Material Hardship at 18 Months

Outcome	Grameen America Group	Control Group	Difference (Impact)	90% Confidence Interval Lower	90% Confidence Interval Upper	P-Value
Primary outcome						
Types of material hardship experienced in the last 12 months (N)	1.0	1.5	-0.5***	-0.7	-0.3	0.000
Secondary outcomes						
Experienced any material hardship in the last 12 months (%)	44.1	58.8	-14.8***	-20.7	-8.8	0.000
Experienced the following material hardships in the last 12 months (%)						
Did not pay the full amount of rent or mortgage	22.7	31.3	-8.6***	-13.7	-3.6	0.005
Evicted from home or apartment	1.3	3.1	-1.8	-3.9	0.4	0.171
Stayed at a shelter, in an abandoned building, or in an automobile	1.4	1.7	-0.3	-2.0	1.4	0.764
Filed for bankruptcy	2.7	5.7	-3.0*	-5.6	-0.4	0.061
Did not pay the full amount for gas, electricity, or oil	25.8	37.0	-11.3***	-16.8	-5.7	0.001
Gas, electric, or oil services turned off or not delivered	6.0	11.3	-5.3**	-9.1	-1.6	0.020
Cellular or landline telephone service disconnected	13.7	19.9	-6.2**	-10.8	-1.6	0.027
Could not fill or postponed filling a drug prescription	13.1	20.9	-7.8**	-12.8	-2.8	0.011
Could not see doctor or go to the hospital because of cost	7.4	11.3	-3.9	-7.8	0.1	0.106
Unable to pay back a loan	5.8	8.7	-2.8	-6.1	0.4	0.153
Household income changes a lot month to month (%)	12.6	12.6	0.0	-4.1	4.1	0.998
Often runs out of money between paychecks or before the end of the month (%)	9.1	15.4	-6.2**	-10.3	-2.1	0.013
Sample size	805	340				

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Sample sizes may vary because of missing values.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.
Rounding may cause slight discrepancies in sums and differences.

APPENDIX B

Supplementary Tables: Impacts on Credit History, Savings, and Debt

Appendix Table B.1

Impacts on Credit Score and Attributes at 16-21 Months After Random Assignment

Outcome	Grameen America Group	Control Group	Difference (Impact)	90% Confidence Interval Lower	90% Confidence Interval Upper	P-Value
Mediating outcomes						
Has a VantageScore[a] (%)	79.1	59.4	19.7***	15.7	23.6	0.000
Has a prime VantageScore[b] (%)	22.2	12.5	9.6***	6.0	13.2	0.000
Secondary outcomes						
Has at least one credit account (%)	77.9	53.4	24.5***	20.4	28.5	0.000
Has at least one open credit account (%)	63.6	42.0	21.7***	17.0	26.3	0.000
Has at least one business credit account[c] (%)	32.0	1.4	30.5***	27.1	34.0	0.000
Has at least one auto loan or lease credit account (%)	16.7	18.0	-1.2	-5.0	2.6	0.604
Has at least one nondeferred student credit account (%)	6.8	7.6	-0.8	-3.0	1.4	0.571
Has at least one mortgage credit account (%)	1.4	2.3	-0.9	-2.7	1.0	0.435
Has at least one currently delinquent credit account (%)	9.5	8.1	1.4	-1.9	4.6	0.490
Has at least one currently derogatory credit account (%)	6.4	5.9	0.5	-1.7	2.7	0.689
Balance-to-credit ratio on open credit accounts	36.8	28.3	8.4***	4.4	12.5	0.001
Sample size	1,041	448				

SOURCE: MDRC calculations from credit report data from a major reporting agency.

NOTES: Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.
Rounding may cause slight discrepancies in sums and differences.
[a]A VantageScore is a credit score developed by the three national reporting companies. VantageScores range from 300 to 850.
[b]A prime VantageScore is a score of 650 to 850.
[c]Grameen America loans are reported as business credit accounts.

Appendix Table B.2

Impacts on Savings and Debt at 18 Months

Outcome	Grameen America Group	Control Group	Difference (Impact)	90% Confidence Interval Lower	90% Confidence Interval Upper	P-Value
Secondary outcomes						
Average amount of nonretirement savings for respondent and her live-in partner or spouse ($)	1,920	1,180	740***	337	1,144	0.003
Average amount currently owed on loans and bills, excluding housing-related loans ($)	3,641	3,316	325	-379	1,030	0.447
Currently owes money on: (%)						
A payday, pawn, installment, or auto title loan	5.8	7.6	-1.8	-4.7	1.0	0.294
A loan from friends/family	6.4	10.3	-4.0**	-7.2	-0.7	0.046
Sample size	805	340				

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Sample sizes may vary because of missing values.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.
Rounding may cause slight discrepancies in sums and differences.

APPENDIX C

Supplementary Tables: Impacts on Group Relationships, Social Support, and Well-Being

Appendix Table C.1

Impacts on Relationships with Other Loan Group Members at 18 Months

Outcome	Grameen America Group	Control Group	Difference (Impact)	90% Confidence Interval Lower	90% Confidence Interval Upper	P-Value
Mediating outcomes (%)						
Has grown closer with other loan group members	57.5	13.6	43.9***	39.1	48.7	0.000
Has increased trust in other loan group members	39.4	11.3	28.1***	23.0	33.2	0.000
Sells products or provides services to other loan group members	66.1	49.9	16.2***	10.3	22.0	0.000
Has given advice to or received advice from other loan group members	63.1	35.3	27.9***	22.1	33.7	0.000
Sample size	805	340				

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Sample sizes may vary because of missing values.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.
Rounding may cause slight discrepancies in sums and differences.

Appendix Table C.2

Impacts on Social Support, Well-Being, and Empowerment at 18 Months

Outcome	Grameen America Group	Control Group	Difference (Impact)	90% Confidence Interval Lower	90% Confidence Interval Upper	P-Value
Mediating outcomes						
Respondent has someone they could ask: (%)						
For a favor like a ride, to babysit, or to borrow something small	79.2	70.6	8.6**	2.7	14.5	0.017
To borrow $250 from for a few weeks because of an emergency	79.3	72.6	6.7**	2.0	11.4	0.020
Secondary outcomes						
Life satisfaction[a]	8.1	7.5	0.6***	0.3	0.8	0.000
Very satisfied with life[b] (%)	70.7	56.2	14.5***	8.2	20.8	0.000
Respondent is involved in at least half of their household's financial decisions (%)	79.0	72.8	6.2**	1.2	11.3	0.043
Respondent can spend more time with her family now than she could when she entered the study[c] (%)	69.9	62.4	7.5**	1.8	13.1	0.029
Respondent's work keeps her from spending sufficient quality time with her family[c] (%)	43.3	40.6	2.7	-2.8	8.3	0.418
Respondent feels there is no time left at the end of the day to do the things she'd like to do at home[c] (%)	40.9	46.1	-5.2	-11.8	1.4	0.194
Respondent's family misses out because of her work commitments[c] (%)	38.9	42.6	-3.7	-9.5	2.0	0.288
Sample size	805	340				

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Sample sizes may vary because of missing values.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.
Rounding may cause slight discrepancies in sums and differences.
[a]Respondents were asked on a scale of 0 to 10, where 0 means "the worst possible life overall" and 10 means "the best possible life overall," how they would rate their life in the past 12 months.
[b]Responses of 8, 9, and 10 were counted as very satisfied with life.
[c]Respondents were asked how much they disagreed or agreed with these statements on a scale of 0 to 10, where 0 means "strongly disagree" and 10 means "strongly agree." Measures include responses of 8, 9, and 10.

APPENDIX D

Collection and Analysis Approaches for Grameen America Evaluation Quantitative Data

This appendix describes the collection and analysis approaches for the quantitative data used in this report.

18-Month Survey

This section answers the following questions about the 18-month survey: How many sample members responded to the survey, and to what extent are survey respondents representative of the full sample?

How Many Sample Members Responded to the Survey?

MDRC contracted with Decision Information Resources (DIR) to design and administer the 18-month survey. MDRC has worked with DIR on surveys for other studies, including evaluations of career advancement initiatives for low-income individuals and households. DIR staff members used their computer-assisted telephone interviewing call center and database system to conduct all interviews. Per the agreement with MDRC, DIR sought to interview at least 80 percent of both Grameen America group members and control group members, while maintaining a less than 3 percent differential in response rates between research groups. As shown in Appendix **Table** D.1, DIR came close to meeting the response rate goals for both research groups and met the goal for the response rate differential.

Appendix Table D.1

18-Month Survey Response Rates

Outcome	Grameen America Group	Control Group	Full Sample
Fielded sample (N)	1,044	448	1,492
Respondent sample (N)	805	340	1,145
Response rate (%)	77.1	75.9	76.7

SOURCE: MDRC calculations from Grameen America baseline data and responses to the 18-month survey.

To What Extent are Survey Respondents Representative of the Full Sample?

The survey nonresponse analysis presented in this appendix examines whether the survey-based outcomes presented in the main report (which cover only 18-month survey respondents) can be generalized to the full research sample. To answer this question, three main analyses were performed:

1. Comparison of Respondents and Nonrespondents

Because the full Grameen America evaluation sample — both Grameen America group members and control group members — was contacted for the survey, respondents were expected to have characteristics similar to nonrespondents. Appendix **Table** D.2 compares select baseline characteristics between 18-month survey respondents and the full sample (which includes 18-month survey respondents). The

Appendix Table D.2

Selected Baseline Characteristics of Research Sample Members by Response to the 18-Month Survey

	Mean	
Outcome	**18-Month Survey Respondents**	**Full Sample**
Grameen America group (%)	70.3	70.0
Average age (years)	41	41
Hispanic or Latina (%)	98.8	98.5
Not born in the United States (%)	92.1	91.0
Moved to the United States in the past 5 years since study enrollment, among those born in another country (%)	*18.3*	*20.4*
Speaks English well (%)	24.9	26.6
No more education than high school, GED, or less education (%)	67.3	66.4
Lives with spouse or partner (%)	43.2	42.0
Parent of at least one child living in household (%)	66.2	65.3
Currently working for an employer (%)	48.6	50.0
Currently operating own business (%)	74.2	72.6
Average annual participant income[a] ($)	18,524	18,655
Average annual household income[b] ($)	22,783	22,990
Often or sometimes ran out of money in the past 3 months[c] (%)	64.6	65.3
Knows all group members well or very well (%)	39.1	37.8
Sample size	1,145	1,492

SOURCE: MDRC calculations from the Grameen America Baseline Information form.

NOTES: Sample sizes may vary because of missing values.

Italics indicate the metric is not among the full sample shown in the table.

[a]This measure is the sum of total earnings from self-employment and total earnings from a job. For the first 195 individuals randomly assigned, this also includes income from other types of work.

[b]This measure is the sum of total earnings from self-employment, total earnings from a job, and family member contributions to income.

[c]Data not available for first 195 participants randomly assigned.

numbers between the two columns were very similar, suggesting that respondents had similar characteristics to nonrespondents.

A logistic regression was also run to test whether key baseline characteristics could predict whether an individual was a respondent to the 18-month survey. Separate regressions were run by random assignment cohort (see "Random Assignment Ratio" section, below, for more information on the random assignment cohorts). A regression was not run among the first random assignment cohort due to the small sample size of that cohort. The models included several characteristics that were regressed on a dichotomous survey response indicator (1 = survey respondent; 0 = nonrespondent).

Appendix **Table** D.3 shows that 18-month survey respondents in the second random assignment cohort (those randomly assigned with an 80/20 ratio) differ compared with nonrespondents in that cohort across the measured baseline characteristics; the logistic regression model is statistically significant (p-value = 0.012). The results show that respondents were more likely than nonrespondents to have a higher number of children living in their households and to have operated or intended to operate a multilevel marketing business at baseline. Respondents were also less likely than nonrespondents to be in loan groups with lower average incomes (across the five members of the loan group).

Appendix Table D.3 also shows that among individuals in the third random assignment cohort (those randomly assigned with a 65/35 ratio), 18-month survey respondents differ compared with nonrespondents across the measured baseline characteristics; the logistic regression model is statistically significant (p-value = 0.013). The results show that respondents were less likely than nonrespondents to be in the Grameen America group and to speak English well, and were more likely than nonrespondents to be older and have a credit card.

2. Comparison of Grameen America and Control Group Respondents

Because of random assignment, Grameen America group members were expected to be similar to control group members, and thus, respondents should also be similar across research groups. MDRC conducted an analysis to check for statistically significant differences in select baseline characteristics across research groups among 18-month survey respondents. Only one statistically significant difference in baseline characteristics across research groups was found (Appendix **Table** D.4). Furthermore, the characteristics with a statistically significant difference among the 18-month survey respondents were also statistically significant among all study participants.

A logistic regression analysis was also conducted to test whether key baseline characteristics could predict whether a respondent to the 18-month survey was in the Grameen America group. Separate regressions were run by random assignment cohort. (A regression was not run among the first random assignment cohort due to the small sample size of that cohort.) The models included several characteristics that were regressed on a dichotomous Grameen America group indicator (1 = Grameen America group; 0 = control group).

Appendix **Table** D.5 shows that among survey respondents in the second random assignment cohort (80/20 ratio), Grameen America group members were similar to control group members across the measured baseline characteristics; the logistic regression is not statistically significant (p-value = 0.126).

Appendix Table D.5 also shows that among respondents in the third random assignment cohort (65/35 ratio), Grameen America group members differed in comparison with control members across the measured baseline characteristics; the logistic regression model is statistically significant (p-value < 0.001). The results show that Grameen America group respondents were more likely than control group respondents to currently work for an employer, to be in loan groups that had higher levels of familiarity among members, and to be in loan groups that have more types of businesses.

Appendix Table D.3

Estimated Regression Coefficients for the Probability of Responding to the 18-Month Survey, by Random Assignment Cohort

Characteristic	Parameter Estimate 80/20 RA Ratio Cohort	Parameter Estimate 65/35 RA Ratio Cohort
Individual-level covariates		
Grameen America group	0.396	-0.400**
Age	0.000	0.013**
Number of children living with sample member	0.206*	0.080
Currently operating own business	0.545	0.391
Currently working for an employer	-0.194	-0.160
Highest level of educational attainment is a high school diploma or GED	-0.121	0.164
Has a bank account	0.284	0.138
Has a credit card	0.267	0.345*
Average level of familiarity with other loan group members	0.105	0.118
Currently operating or intends to operate a direct-selling/multilevel marketing business	0.611**	0.048
Never ran out of money in the past 3 months	0.435	0.126
Lives apart from partner or spouse	0.626	-0.169
Speaks English well	-0.032	-0.435**
Average monthly sample member income from own business	0.000	0.000
Average total monthly sample member income	0.000	0.000
Average monthly income contributed by other household members	0.000	0.000
Group-level covariates		
Average level of familiarity among all loan group members	0.274	0.085
Average monthly income of all loan group members	-0.001*	0.000
Percentage of loan group members currently operating own business	0.175	-0.276
Number of business types loan group members operate or intend to operate	0.054	0.100
Model Statistics		
R-squared	0.088	0.044
Chi-square statistic	42.266**	43.226**
P-value of chi-square statistic	0.012**	0.013**
Sample size	473	994

SOURCE: MDRC calculations from the Grameen America baseline information form.

NOTES: RA = random assignment.

A chi-square test was applied to differences between outcomes for 18-month survey respondents and nonrespondents. Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.

A regression was not run for the cohort with a 50/50 random assignment ratio due to a small sample size for that cohort.

Appendix Table D.4

Selected Baseline Characteristics of All Sample Members and 18-Month Survey Respondents, by Research Group

	18-Month Survey Respondents				All Study Participants			
Characteristic (%)	**Grameen America Group**	**Control Group**	**Difference**	**P-Value**	**Grameen America Group**	**Control Group**	**Difference**	**P-Value**
Average age (years)	41	41	0	0.791	41	41	-1	0.591
Hispanic or Latina (%)	99.1	98.5	0.7	0.320	98.9	97.6	1.3	0.186
Not born in the United States (%)	92.8	92.0	0.8	0.700	92.0	90.4	1.6	0.361
Moved to the United States in the past 5 years since study enrollment, among those born in another country (%)	*19.3*	*13.6*	*5.7*		*20.6*	*18.8*	*1.8*	
Speaks English well (%)	24.4	25.2	-0.7	0.804	26.1	26.1	0.0	0.996
No more education than high school or GED (%)	66.5	69.2	-2.8	0.491	65.7	68.3	-2.7	0.446
Lives with spouse or partner (%)	42.0	46.7	-4.7	0.174	41.2	44.5	-3.3	0.304
Parent of at least one child living in household (%)	65.3	67.5	-2.1	0.617	64.7	65.4	-0.7	0.845
Currently working for an employer (%)	48.2	49.0	-0.8	0.865	50.1	49.2	0.9	0.810
Currently operating own business (%)	75.1	69.7	5.4	0.243	72.8	69.6	3.2	0.440
Average annual participant income[a] ($)	18,252	18,148	104	0.915	18,402	18,289	113	0.900
Average annual household income[b] ($)	22,422	22,388	34	0.974	22,653	22,691	-38	0.967
Often or sometimes ran out of money in the past 3 months (%)	0.2	0.2	0.0 *	0.081	0.2	0.2	0.0 *	0.062
Knows all group members well or very well (%)	0.4	0.4	0.0	0.371	0.4	0.4	0.1	0.187
Sample size	805	340			1,044	448		

SOURCE: MDRC calculations from the Grameen America Baseline Information form.

NOTES: Sample sizes may vary because of missing values.
Italics indicate the metric is not among the full sample shown in the table.
Rounding may cause slight discrepancies in sums and differences.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.
[a]This measure is the sum of total earnings from self-employment and total earnings from a job. For the first 195 individuals randomly assigned, this also includes income from other types of work.
[b]This measure is the sum of total earnings from self-employment, total earnings from a job, and family member contributions to income.

Appendix Table D.5

Estimated Regression Coefficients for the Probability of Being a Grameen America Group Respondent to the 18-Month Survey, by Random Assignment Cohort

	Parameter Estimate	
Characteristic	**80/20 Ratio Cohort**	**65/35 Ratio Cohort**
Individual-level covariates		
Age	-0.012	0.005
Number of children living with sample member	-0.089	0.111
Currently operating own business	0.083	0.344
Currently working for an employer	-0.354	0.527*
Highest level of education attainment is at most a high school diploma or GED	0.286	-0.206
Has a bank account	0.444	0.229
Has a credit card	0.076	-0.001
Average level of familiarity with other loan group members	0.022	-0.098
Currently operating or intends to operate a direct-selling/multilevel marketing business	-0.157	0.238
Never ran out of money in the past 3 months	0.360	0.259
Lives apart from partner or spouse	0.189	0.373
Speaks English well	0.132	-0.252
Average monthly sample member income from own business	0.000	0.000
Average total monthly sample member income	0.000	0.000
Average monthly income contributed by other household members	0.000	0.000
Group-level covariates		
Average level of familiarity among all loan group members	-0.076	0.518***
Average monthly income of all loan group members	-0.001*	0.000
Percentage of loan group members currently operating own business	1.134	-0.069
Number of business types loan group members operate or intend to operate	0.203	0.228***
Model Statistics		
R-squared	0.092	0.098
Chi-square statistic	30.875	71.707***
P-value of chi-square statistic	0.126	0.000***
Sample Size	377	751

SOURCE: MDRC calculations from the Grameen America baseline information form.

NOTES: RA = random assignment.

A chi-square test was applied to differences between outcomes for Grameen America and control group respondents. Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.

A regression was not run for the cohort with a 50/50 random assignment ratio due to a small sample size for that cohort.

3. Grameen America 18-Month Survey Weighted Impacts

Appendix **Table** D.6 shows impacts on the study's primary and mediating outcomes weighted by the likelihood of survey response. The weights were used as a sensitivity check to see if there were any issues with the representativeness of who responded to the survey.

Appendix Table D.6

Impacts on Primary and Mediating Outcomes, Weighted by Likelihood of Survey Response

				90% Confidence Interval	
Outcome	**Grameen America Group**	**Control Group**	**Difference (Impact)**	**Lower**	**Upper**
Primary outcomes					
Average net income in prior month ($)	1,269	1,313	-43	-214	128
Types of material hardship experienced in the last 12 months (N)	1.0	1.5	-0.5***	-0.7	-0.3
Mediating outcomes					
Currently operates own business(es) (%)	93.6	74.8	18.9***	14.3	23.5
Average monthly earnings from own business(es) ($)	457	322	135*	12	258
Respondent has someone they could ask: (%)					
For a favor like a ride, to babysit, or to borrow something small	79.2	70.4	8.8**	2.9	14.8
To borrow $250 from for a few weeks because of an emergency	79.5	72.6	7.0**	2.2	11.7
Sample Size	805	340			

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Sample sizes may vary because of missing values.
Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent.
Rounding may cause slight discrepancies in sums and differences.

Weights were calculated separately for each random assignment cohort to account for differences in the random assignment ratios and characteristics of sample members. The sample size of the first random assignment cohort (50/50 ratio) was too small to estimate weights, so the weight for each individual in that cohort was set to 1. Weights for the other two cohorts were calculated by first, running a logistic regression within each cohort to obtain the predictive probability that each individual responded to the survey. The models included several characteristics that were regressed on a dichotomous survey response indicator (1 = survey respondent; 0 = nonrespondent). The mean predictive probability for each cohort was calculated and then divided by each individual's predictive probability to obtain the survey weight for each sample member.

The results of the weighted analysis are extremely similar to the unweighted impacts. There are statistically significant impacts on the same outcomes, and the strength of those impacts are very similar. This provides assurance that there were not likely any serious issues with the representativeness of the survey sample.

Estimating the Effects of Grameen America

Before estimating the effects of the Grameen America program, MDRC conducted an analysis planning process and registered an analysis plan in the American Economic Association's registry for randomized controlled trials.[1] All the analytic decisions discussed in this section were prespecified during that planning process and are included in the analysis plan. Prespecification is a key means of safeguarding a statistical study from drawing false conclusions. By prespecifying, analysts are limited in their ability to "search for impacts" when they may not be present.

Random Assignment Ratio

The Grameen America evaluation used a cascading random assignment ratio because of the nature of Grameen America's recruitment process. Nearly all recruitment for the program occurs through recommendations and referrals by existing members. Individuals who ended up in the control group were unlikely to refer their friends or family members.

Initially, a 50/50 random assignment ratio was used. With this ratio, however, only half of the groups that entered the study were potential referral sources for additional groups. This slowed recruitment to an unsustainable point. The evaluation team decided to change the random assignment ratio to 80/20 and eventually to 65/35. The de facto "average" random assignment ratio is 70/30. The table below shows the enrollment dates for each random assignment cohort, along with the number of sample members and 18-month survey respondents who were randomly assigned in each cohort.

Random assignment ratio	Enrollment dates	Number of individuals	Number of 18-month survey respondents
50/50	March 18, 2014 - June 2, 2014	25	17
80/20	June 6, 2014 - June 2, 2015	473	377
65/35	June 6, 2015 - March 2, 2017	994	751

Covariates

Covariate selection for the Grameen America evaluation was based on both theory and modeling. All covariates are based on pre-random assignment characteristics. Both individual-level and loan group-level covariates were included to increase statistical precision.

The following is a list of the baseline characteristics that MDRC used as covariates in the regression models for survey-based outcomes at the individual level:

[1] See Hendra, Nuñez, and Schaberg (2018).

- Age
- Number of children living with sample member
- Currently operating own business
- Currently working for an employer
- Highest level of education attainment was at most a high school diploma or GED certification
- Had a bank account
- Had a credit card
- Average level of familiarity with other loan group members
- Average monthly income contributed by other household members
- Currently operating or intends to operate a direct-selling/multilevel marketing business
- Never ran out of money in the past three months
- Lives apart from partner or spouse
- Speaks English well
- Average monthly income from own business
- Average total monthly total income

Loan group-level covariates were created by taking the mean of their equivalent individual-level covariates within loan groups. Loan group-level covariates used in the regression models included:

- Average familiarity among loan group members
- Average monthly income
- Percentage of loan group members operating their own business
- Number of loan purposes

For outcomes based on the credit data, the loan group-level covariates and two individual-level covariates based on the credit data were used. (The credit data files MDRC received from the credit agency were de-identified at the individual level, making it impossible to include individual-level covariates from the baseline data.) The individual-level covariates based on the credit data were: has a VantageScore, and has a prime VantageScore.

Outliers

To improve precision, when estimating program effects on the key continuous outcomes (those that would be most affected by outliers, such as dollar-value measures), extreme values were identified as outliers and for some measures, outliers were top-coded, recoded using a substitute measure, or both. Appendix **Table** D.7 compares the impacts on income, savings, debt, and earnings measures by the level of exclusion of outlier values.

The first row under each measure shows the impact with all values included. The second row shows the impacts with extreme outliers removed or top-coded (these are the impacts presented in the main report). Not all measures shown in the table had extreme outliers, and for those measures, the impacts are the same in the first two rows. Some of the details on changes made to outlier values are included in the notes in Appendix Table D.7. The third row shows the impact after excluding the top 1 percent of values (or in the case of measures that had negative values, the top 1 percent and bottom 1 percent). The table shows that the findings in this report were robust to outliers in most cases.

Missing Data

Outcomes. Sample members with missing values for dependent variables (outcomes) were excluded from the impact estimates. Appendix **Table** D.8 shows the percentage of sample members with missing values on key outcomes from the 18-month survey (there were no missing values for the credit data). Note that the rates of missingness were higher for average total earnings for the entire household in the prior month, average total earnings from other household members in the prior month, and average amount of nonretirement savings for the respondent and their live-in partner or spouse compared to the other outcomes. However, the rates of missingness for those outcomes were similar across research groups.

The rates of missingness for total earnings for the entire household in the prior month and total earnings from other household members were higher because they were both composite measures. Total earnings for other household members was calculated as the sum of earnings from the respondent's spouse or live-in partner and earnings from any other household members (that were not a spouse or live-in partner). If either of those two measures was missing, then the composite measure was also missing. Total earnings for the entire household was calculated as total respondent earnings, total earnings of other household members, and income from any public assistance programs. If any of those outcomes was missing, then the composite measure was also missing.

Covariates. All individual level covariates in the regression models for estimating program impacts had missing values for some sample members. Among the full research sample, the proportion of missing responses for these measures ranged from less than 1 percent (for age) to 11 percent (for if a respondent never runs out of money at the end of the month). In response, missing values for individual level covariates were imputed using the full sample's mean, and dummy variables were added to the model for any covariates with more than 1 percent missingness. This resulted in missing indicators for four of the covariates (currently working for an employer, familiarity with other loan group members, never runs out of money at the end of the month, and average monthly total income).

Appendix Table D.7

Comparison of Impacts on Income, Savings, Debt, and Earnings, by Level of Exclusion of Outlier Values

Outcome ($)	Grameen America Group	Control Group	Difference (Impact)	Sample Size
Primary outcome				
Average net income in prior month[a]				
All responses	1,678	2,389	-710	1,135
Extreme outliers removed or capped	1,270	1,313	-44	1,135
Top and bottom 1% excluded	1,289	1,314	-25	1,113
Mediating outcome				
Average monthly earnings from own business(es)				
All responses	459	319	140*	1,121
Extreme outliers removed or capped	459	319	140*	1,121
Top and bottom 1% excluded	461	281	180***	1,098
Other outcomes				
Average monthly revenue from own business(es)				
All responses	1,523	1,000	523***	1,131
Extreme outliers removed or capped	1,523	1,000	523***	1,131
Top 1% excluded	1,418	957	461***	1,120
Average monthly expenses from own business(es)				
All responses	1,069	685	384***	1,131
Extreme outliers removed or capped	1,069	685	384***	1,131
Top 1% excluded	947	667	280***	1,116
Average monthly earnings at current job(s)[b]				
All responses	1,131	1,944	-813	1,132
Extreme outliers removed or capped	708	876	-167**	1,132
Top 1% excluded	691	843	-152**	1,121
Average amount taken out in loans to start or expand a business				
All responses	2,805	323	2,483***	1,102
Extreme outliers removed or capped	2,805	323	2,483***	1,102
Top 1% excluded	2,543	326	2,217***	1,086
Average income from other income-generating activities				
All responses	84	86	-1	1,138
Extreme outliers removed or capped	84	86	-1	1,138
Top 1% excluded	67	66	0	1,126
Average total earnings for other household members[c]				
All responses	2,034	1,726	308	987
Extreme outliers removed or capped	1,711	1,576	135	987
Top 1% excluded	1,621	1,449	172	972

(continued)

Appendix Table D.7 (continued)

Outcome ($)	Grameen America Group	Control Group	Difference (Impact)	Sample Size
Average net income for the entire household in prior month[d]				
All responses	4,040	3,885	155	950
Extreme outliers removed or capped	3,265	3,077	188	950
Top and bottom 1% excluded	3,439	3,221	219	932
Average amount of nonretirement savings for respondent and their live-in partner or spouse				
All responses	1,920	1,180	740***	1,042
Extreme outliers removed or capped	1,920	1,180	740***	1,042
Top 1% excluded	1,501	997	504***	1,032
Average amount currently owed on loans and bills, excluding housing-related loans				
All responses	3,641	3,316	325	1,118
Extreme outliers removed or capped	3,641	3,316	325	1,118
Top 1% excluded	3,083	2,939	144	1,104

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.
The impacts presented in the tables in the main body of the report are the impacts with extreme outliers removed or capped. No extreme outliers were identified or removed from measures except as indicated.
Rounding may cause slight discrepancies in sums and differences.
[a]This outcome is a measure composed of earnings from respondent's own businesses, current jobs, and other income-generating activities. Of these measures, earnings from respondent's current jobs had outliers that were recoded. This is further explained in footnote c.
[b]Respondents reported their wages and hours worked per week. Hourly wage outliers were identified as anyone in the 95th percentile of response ($80 per hour) and whose hourly wage multiplied by hours worked was inconsistent with their reported weekly wage. These responses were recoded by dividing their weekly wage by hours worked to obtain a more accurate hourly wage. This scheme was also used for anyone who reported a weekly wage and hours worked in one week but didn't report an hourly wage.
[c]This outcome is a composite measure of earnings from the respondent's spouse or live-in partner and earnings from any other household members (who are not the spouse or live-in partner). Both intermediate measures were capped at earnings of $9,999.95.
[d]This outcome is a composite measure of average total respondent income, average total earnings for other household members, and household income from public benefit programs.

The individual level measures used to create the group-level covariates all had missing values for some sample members. In response, the group-level covariates were calculated in two ways depending on the number of individuals in the group with a missing value for that measure. If only one or two members of the group were missing that measure, the group-level covariate was calculated by taking the mean value of the measure for all loan group members with non-missing values. If more than two members of the group were missing that measure, the group-level covariate was imputed using the full sample's mean. Loan group-level missing flags were created if their individual level equivalents had more than 1 percent missingness. Loan group-level missing flags were included for average group familiarity and the average monthly income of the loan group.

Appendix Table D.8

Percentage Missing on Key Outcomes

Outcome (%)	Grameen America Group	Control Group
Primary outcomes		
Average net income in prior month	0.7	1.2
Types of material hardship experienced in the last 12 months	1.2	0.9
Mediating outcomes		
Currently operates own business(es)	0.1	0.3
Average monthly earnings from own business(es)	1.5	3.5
Respondent has someone they could ask:		
For a favor like a ride, to babysit, or to borrow something small	0.5	1.8
To borrow $250 from for a few weeks because of an emergency	1.0	3.5
Other outcomes		
Average total earnings for the entire household in prior month	17.0	17.1
Average total earnings for other household members in prior month	14.2	12.9
Currently works for an employer	0.1	0.3
Average amount of nonretirement savings for respondent and her live-in partner or spouse	8.6	10.0
Took out at least one loan from Grameen America	0.6	1.8
Life satisfaction	1.0	2.4
Sample size	805	340

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

Comparison of Adjusted vs Unadjusted Impacts

To test the sensitivity of the regression adjustment, MDRC compared the adjusted and unadjusted research group means and differences (impacts) for primary and mediating outcome measures (see Appendix **Table** D.9). As shown, the adjusted and unadjusted estimates were very similar. These findings help increase confidence that the random assignment process resulted in the creation of research groups with similar characteristics and that the effort to field the Grameen America 18-month survey did not bias the results.

Standard Errors and Effect Sizes

Appendix **Table** D.10 displays more detailed statistical data on MDRC's impact estimates of the primary and mediating outcomes. These details are included to provide more information on the uncertainty associated with specific impact estimates; they may be useful to meta-analysts who are interested in including the Grameen America findings. For each measure, the first column shows the standard error. The

Appendix Table D.9

Comparison of Adjusted versus Unadjusted Impacts, Primary and Mediating Outcomes

	Adjusted			Unadjusted		
Outcome	Grameen America Group	Control Group	Difference (Impact)	Grameen America Group	Control Group	Difference (Impact)
Primary outcomes						
Average net income in prior month ($)	1,270	1,313	-44	1,250	1,305	-56
Types of material hardship experienced in the last 12 months (N)	1.0	1.5	-0.5***	1.0	1.6	-0.6***
Mediating outcomes						
Currently operates own business(es) (%)	93.8	74.5	19.3***	93.8	74.4	19.4***
Average monthly earnings from own business(es) ($)	459	319	140*	459	299	159**
Respondent has someone to ask: (%)						
For a favor like a ride, to babysit, or to borrow something small	79.2	70.6	8.6**	79.5	70.2	9.3**
To borrow $250 from for a few weeks because of an emergency	79.3	72.6	6.7**	79.8	71.5	8.3***
Sample size	805	340		805	340	

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Sample sizes may vary because of missing values.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.
Rounding may cause slight discrepancies in sums and differences.

second column displays the effect size in absolute values. For each measure, the effect size was calculated by dividing the impact estimate by the standard deviation for the full sample. Effect sizes standardize impact estimates for comparison with impact estimates from other studies.

For example, for the mediating outcome of average monthly business earnings, the standard error is 75.34. The standard error reflects the statistical uncertainty associated with this estimate, factoring in the sample size, the standard deviation, and the unit of measurement. The other element — the effect size (0.06) — indicates that is this a small-size impact based on statistical literature on effect sizes.2

Assessment of Possible Effects of Multiple Comparisons

In recent years, the issue of multiple test bias has become more prominent in both the academic literature and the field of program evaluation more generally. The basic issue is well known and not new. Every

[2] See Hill, Bloom, Black, and Lipsey (2007); Cohen (1988).

Appendix Table D.10

Standard Errors and Effect Sizes for Key Outcomes

Outcome	Standard Error	Effect Size
Primary outcomes		
Average total income in prior month ($)	104.45	-0.01
Types of material hardship experienced in the last 12 months (N)	0.14	-0.11
Mediating outcomes		
Currently operates own business(es) (%)	0.03	0.21
Average monthly earnings from own business(es) ($)	75.34	0.06
Respondent has someone to ask: (%)		
For a favor like a ride, to babysit, or to borrow something small	0.04	0.07
To borrow $250 from for a few weeks because of an emergency	0.03	0.07

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Sample sizes may vary because of missing values.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.

time one estimates an impact on an outcome, there is a precisely defined probability (conventionally 10 percent in such studies as Grameen America) of concluding that a program has had a true impact when the observed difference is simply due to chance. Since researchers typically examine many outcomes, the probability that at least one estimate will be statistically significant simply by chance can get very high.

A two-part strategy was used in this evaluation to deal with the potential for spurious correlations emerging from analysis of multiple outcome measures:

- The first was to distinguish between primary and secondary outcomes of interest and specifying single measures and units for each outcome (for example, monthly net income). The two primary outcomes in the evaluation were average net income in the prior month and number of types of material hardship experienced in the past 12 months.

- The second was to use the Benjamini-Hochberg procedure to adjust for multiple comparisons of the primary outcomes across domains. The Benjamini-Hochberg-adjusted p-values are shown in Box 4.1 and are discussed in the main report. It should be noted that the study was not powered for multiple comparisons.

APPENDIX E

Additional Information and Tables on Grameen America Evaluation Program-Tracking Data

This appendix shows and describes additional tables based on the program-tracking data collected from Grameen America.

Wage-Earning Employment Characteristics

Each time borrowers receive a new loan from Grameen America, they are asked whether they are currently working at a wage-earning job (in other words, whether they are working for an employer). Borrowers who are working wage-earning jobs are also asked questions about the characteristics of those jobs.

Appendix Table E.1 shows the characteristics of wage-earning jobs held by Grameen America group members. The first two measures in the table are among all Grameen America group members, while the subsequent measures are only among those who had a wage-earning job at the time they received their most recent loan from Grameen America.[1]

About 73 percent of Grameen America group members reported ever having a wage-earning job and about half reported having a wage-earning job at the time they received their most recent loan. Regarding the first statistic, this rate is higher than the wage-based employment rate measured at baseline — around half of Grameen America group members reported having a wage-earning job at baseline. This implies that at least some Grameen America group members obtained wage-earning jobs after they entered the study.

The number of Grameen America group members who reported having a wage-earning job at the time they received their most recent report is lower than the number of Grameen America group members who reported ever having a wage-earning job. This suggests that some Grameen America group members are leaving — perhaps temporarily — their wage-earning jobs over time.

The majority of Grameen America group members with a wage-earning job worked part-time (less than 35 hours per week). On average, Grameen America group members with wage-earning jobs worked about 26 hours per week and earned an average of $1,125 per month.

Characteristics of Businesses Operated by Grameen America Group Members

Appendix Table E.2 highlights several characteristics of the businesses operated by Grameen America group members. The first two measures in the table are among all Grameen America group members, while subsequent measures are only among those who took out at least one loan from Grameen America.

Among those who took out a loan from Grameen America, 78 percent had a business before they took out their first Grameen America loan. The average monthly revenue was $969, and most Grameen America group members with a business (97 percent) had no employees.

[1] Some Grameen America group members are missing information related to their wage-earning employment at the time they received their most recent loan. For these borrowers, the most recently reported information regarding their wage-earning employment was used.

The most common locations from which Grameen America group members ran their businesses were their homes and the street. About 40 percent operated out of their home while about 31 percent operated their business on the street. About 20 percent of Grameen America group members reported travelling to meet with their customers.

Overall Employment

Appendix Table E.3 details information on overall employment — both operating a business and employment at a wage-earning job. All measures in the table are among all Grameen America group members and are based on the information reported at the time the borrowers received their most recent loans. About 43 percent of Grameen America group members had both a wage-earning job and their own business at that time. This suggests that at least some Grameen America group members were supplementing income from their business with income from a wage-earning job. Grameen America group members earned, on average, $1,594 per month from their own business and their wage-earning job.

Appendix Table E.1

Wage-Earning Employment Within 18 Months of Random Assignment, Among Grameen America Group Members

Outcome	Grameen America Group Members
Ever had a wage-earning job (%)	72.8
Had a wage-earning job at the time of the most recent report[a] (%)	52.4
Among those with a wage-earning job at the time of the most recent report[b]	
Average hours worked per week at wage-earning job (N)	*25.9*
Worked full time (35 hours or more) at wage-earning job (%)	*29.6*
Monthly income from wage-earning job ($)	*1,125*
Sample size	1,044

SOURCE: MDRC calculations from program-tracking data provided by Grameen America.

NOTES: Sample sizes may vary because of missing values.

The table includes 18 months of follow-up for all Grameen America group members.

For individuals who did not take out a loan from Grameen America, all measures are set to missing because their employment status is unknown.

Italics indicate the metric is not among the full sample shown in the table.

[a]Information on wage-earning employment is collected at the time of loan disbursement. For individuals who took out more than one loan from Grameen America, their employment status as of the most recent loan they took out is reported.

[b]Measures are based on each Grameen America group member's most recently reported information about her wage-earning job.

Appendix Table E.2
Self-Employment Within 18 Months of Random Assignment, Among Grameen America Group Members

Outcome	Grameen America Group Members
Ever took out a loan from Grameen America (%)	87.8
Ever had own Grameen America-supported business[a] (%)	81.9
Among those who took out a loan from Grameen America	
Business existed prior to receiving first Grameen America loan (%)	*77.5*
Average hours worked per week at business[b] (N)	*27.7*
Worked full time (35 or more hours per week) at business[b] (%)	*38.4*
Monthly revenue from business[b] ($)	*969*
Number of employees in business[b] (%)	
No employees	*97.3*
1	*0.9*
2-3	*1.4*
4-7	*0.5*
Location of business[b,c] (%)	
Home	*39.7*
Street	*30.9*
Market stall	*4.4*
Travel to customer	*19.5*
Storefront	*5.2*
Other	*1.4*
Increased hours worked per week at business (%)	*36.9*
Number of additional hours, among those who increased hours (%)	
1-10	*62.7*
11-20	*25.3*
21-30	*9.0*
31 or more	*3.0*
Increased number of employees in business (%)	*2.7*
Number of new employees, among those who hired new employees (%)	
1	*41.7*
2	*25.0*
3-6	*33.3*

(continued)

Appendix Table E.2 (continued)

Outcome	Grameen America Group Members
Increased monthly revenue from business (%)	*49.1*
Amount monthly revenue increased, among those who increased revenue (%)	
$1-$100	*11.2*
$101-$400	*38.8*
$401-$600	*15.3*
$601 or more	*34.7*
Ever not paid a loan in 36 weeks (%)	*0.3*
Total interest paid toward all loans ($)	*162.9*
Sample size	1,044

SOURCE: MDRC calculations from program-tracking data provided by Grameen America.

NOTES: Sample sizes may vary because of missing values.
The table includes 18 months of follow-up for all Grameen America group members.
Italics indicate the metric is not among the full sample shown in the table.
[a]Having a Grameen America-supported business is defined as having an existing business prior to receiving a loan from Grameen America or having received more than one loan from Grameen America.
[b]Information on business characteristics is collected at the time of loan disbursement. These measures capture the characteristics of individuals' businesses as of their most recent loan.
[c]Individuals were allowed to select more than one response, so percentages may sum to more than 100 percent.

Appendix Table E.3

Wage-Earning and Self-Employment Within 18 Months of Random Assignment, Among Grameen America Group Members

Outcome	Grameen America Group Members
Has both a business and a wage-earning job (%)	43.1
Total hours worked per week at business and wage-earning job[a] (N)	40.1
Total monthly income from business and wage-earning job[b] ($)	1,594
Sample size	1,044

SOURCE: MDRC calculations from program-tracking data provided by Grameen America.

NOTES: Sample sizes may vary because of missing values.

The table includes 18 months of follow-up for all Grameen America group members.

All measures in the table are based on each Grameen America group member's most recently reported information on her business and wage-earning job.

[a]If an individual only has a wage-earning job or a business, this is calculated as the hours worked at that job or business.

[b]If an individual only has a wage-earning job or a business, this is calculated as the income from that job or business.

APPENDIX F

Impacts on Primary and Mediating Outcomes by Subgroups

Appendix Table F.1

Impacts on Subgroups Defined by Direct-Selling/Multilevel Marketing Business Status

Outcome	Did Not Have or Intend to Start a Direct-Selling/Multilevel Marketing Business			Had or Intended to Start a Direct-Selling/Multilevel Marketing Business			
	Grameen America Group	Control Group	Difference (Impact)	Grameen America Group	Control Group	Difference (Impact)	Sig.
Primary outcomes							
Average total income in prior month ($)	1,407	1,389	18	997	1,116	-118	
Types of material hardship experienced in the last 12 months (N)	0.9	1.5	-0.6***	1.1	1.4	-0.3	
Mediating outcomes							
Currently operates own business(es) (%)	92.9	73.3	19.6***	95.6	76.2	19.3 ***	
Average monthly earnings from own business(es) ($)	528	321	207**	331	287	44	
Respondent has someone they could ask: (%)							
For a favor like a ride, to babysit, or to borrow something small	79.0	67.5	11.5***	79.4	76.6	2.8	
To borrow $250 from for a few weeks because of an emergency	77.5	69.9	7.7**	82.5	77.8	4.7	
Other outcomes							
Currently operates a direct-selling/multilevel marketing business (%)	26.4	20.2	6.3*	76.6	60.7	15.9 ***	
Sample size	512	242		292	98		

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Sample sizes may vary because of missing values.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.
Differences across subgroups were tested for statistical significance. Statistical significance levels (Sig.) are indicated as follows: ††† = 1 percent; †† = 5 percent; †= 10 percent. The differences in impacts across subgroups were not statistically significant for all outcomes.
Rounding may cause slight discrepancies in sums and differences.

Appendix Table F.2

Impacts on Subgroups Defined by Self-Employment Status

	Not Operating Own Business			Operating Own Business			
Outcome	Grameen America Group	Control Group	Difference (Impact)	Grameen America Group	Control Group	Difference (Impact)	Sig.
Primary outcomes							
Average total income in prior month ($)	1,503	1,461	42	1,193	1,198	-5	
Types of material hardship experienced in the last 12 months (N)	1.2	1.7	-0.5*	0.9	1.4	-0.5***	
Mediating outcomes							
Currently operates own business(es) (%)	87.3	58.3	29.0***	96.3	80.6	15.7***	†
Average monthly earnings from own business(es) ($)	326	65	260*	511	354	157*	
Respondent has someone they could ask: (%)							
For a favor like a ride, to babysit, or to borrow something small	80.2	72.1	8.1	78.8	70.0	8.7**	
To borrow $250 from for a few weeks because of an emergency	74.2	66.3	8.0	80.8	75.7	5.1	
Sample size	200	95		604	245		

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Sample sizes may vary because of missing values.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.
Differences across subgroups were tested for statistical significance. Statistical significance levels (Sig.) are indicated as follows: ††† = 1 percent; †† = 5 percent; †= 10 percent.
Rounding may cause slight discrepancies in sums and differences.

Appendix Table F.3

Impacts on Subgroups Defined by Household Income Level

	Household Income Less Than $400			Household Income $400 or More			
Outcome	Grameen America Group	Control Group	Difference (Impact)	Grameen America Group	Control Group	Difference (Impact)	Sig.
Primary outcomes							
Average total income in prior month ($)	974	1,053	-78	1,569	1,707	-137	
Types of material hardship experienced in the last 12 months (N)	1.2	1.6	-0.5**	0.9	1.3	-0.4***	
Mediating outcomes							
Currently operates own business(es) (%)	92.6	71.4	21.2***	94.7	77.4	17.3***	
Average monthly earnings from own business(es) ($)	331	307	24	583	317	267**	
Respondent has someone they could ask: (%)							
For a favor like a ride, to babysit, or to borrow something small	80.4	71.3	9.1*	77.8	71.4	6.4	
To borrow $250 from for a few weeks because of an emergency	77.9	77.2	0.7	79.8	67.0	12.8***	††
Sample size	383	160		364	171		

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Sample sizes may vary because of missing values.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.
Differences across subgroups were tested for statistical significance. Statistical significance levels (Sig.) are indicated as follows: ††† = 1 percent; †† = 5 percent; † = 10 percent.
Rounding may cause slight discrepancies in sums and differences.

Appendix Table F.4

Impacts on Subgroups Defined by Level of Familiarity Among Members of Loan Group

	Below Median Group Familiarity			Above Median Group Familiarity			
Outcome	Grameen America Group	Control Group	Difference (Impact)	Grameen America Group	Control Group	Difference (Impact)	Sig.
Primary outcomes							
Average total income in prior month ($)	1,318	1,413	-95	1,226	1,269	-43	
Types of material hardship experienced in the last 12 months (N)	1.0	1.5	-0.5***	1.0	1.5	-0.6***	
Mediating outcomes							
Currently operates own business(es) (%)	92.8	75.1	17.7***	94.5	73.9	20.7***	
Average monthly earnings from own business(es) ($)	460	357	102	462	309	153	
Respondent has someone they could ask: (%)							
For a favor like a ride, to babysit, or to borrow something small	77.2	65.3	12.0**	80.5	75.5	5.0	
To borrow $250 from for a few weeks because of an emergency	80.9	67.4	13.5***	78.2	75.1	3.1	†
Sample size	349	203		456	137		

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Sample sizes may vary because of missing values.

Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.

Differences across subgroups were tested for statistical significance. Statistical significance levels (Sig.) are indicated as follows: ††† = 1 percent; †† = 5 percent; †= 10 percent.

Rounding may cause slight discrepancies in sums and differences.

Appendix Table F.5

Impacts on Subgroups Defined by Number of Business Types Loan Group Members Operated or Intended to Operate

	Less Than Four Business Types Within Loan Group			Four or More Business Types Within Loan Group			
Outcome	**Grameen America Group**	**Control Group**	**Difference (Impact)**	**Grameen America Group**	**Control Group**	**Difference (Impact)**	**Sig.**
Primary outcomes							
Average total income in prior month ($)	1,228	1,286	-58	1,344	1,430	-86	
Types of material hardship experienced in the last 12 months (N)	1.0	1.5	-0.5***	1.0	1.5	-0.6***	
Mediating outcomes							
Currently operates own business(es) (%)	94.8	75.0	19.8***	92.8	72.6	20.2***	
Average monthly earnings from own business(es) ($)	464	373	92	448	334	114	
Respondent has someone they could ask: (%)							
For a favor like a ride, to babysit, or to borrow something small	79.5	74.1	5.4	77.4	66.1	11.3**	
To borrow $250 from for a few weeks because of an emergency	80.2	74.8	5.4	76.9	69.7	7.2	
Sample size	473	204		332	136		

SOURCE: MDRC calculations from responses to the Grameen America 18-month survey.

NOTES: Sample sizes may vary because of missing values.
Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.
Differences across subgroups were tested for statistical significance. Statistical significance levels (Sig.) are indicated as follows: ††† = 1 percent; †† = 5 percent; † = 10 percent.
Rounding may cause slight discrepancies in sums and differences.

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Kelsey Schaberg, M. Victoria Quiroz-Becerra, Toni Castro-Cosio, Stephen Nuñez, and Richard Hendra. 2019. *Microfinance in the United States: Early Impacts of the Grameen America Program*.

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MDRC is a nonprofit, nonpartisan social and education policy research organization dedicated to learning what works to improve the well-being of low-income people. Through its research and the active communication of its findings, MDRC seeks to enhance the effectiveness of social and education policies and programs.

Founded in 1974 and located in New York; Oakland, California; Washington, DC; and Los Angeles, MDRC is best known for mounting rigorous, large-scale, real-world tests of new and existing policies and programs. Its projects are a mix of demonstrations (field tests of promising new program approaches) and evaluations of ongoing government and community initiatives. MDRC's staff members bring an unusual combination of research and organizational experience to their work, providing expertise on the latest in qualitative and quantitative methods and on program design, development, implementation, and management. MDRC seeks to learn not just whether a program is effective but also how and why the program's effects occur. In addition, it tries to place each project's findings in the broader context of related research — in order to build knowledge about what works across the social and education policy fields. MDRC's findings, lessons, and best practices are shared with a broad audience in the policy and practitioner community as well as with the general public and the media.

Over the years, MDRC has brought its unique approach to an ever-growing range of policy areas and target populations. Once known primarily for evaluations of state welfare-to-work programs, today MDRC is also studying public school reforms, employment programs for ex-prisoners, and programs to help low-income students succeed in college. MDRC's projects are organized into five areas:

- Promoting Family Well-Being and Children's Development
- Improving Public Education
- Raising Academic Achievement and Persistence in College
- Supporting Low-Wage Workers and Communities
- Overcoming Barriers to Employment

Working in almost every state, all of the nation's largest cities, and Canada and the United Kingdom, MDRC conducts its projects in partnership with national, state, and local governments, public school systems, community organizations, and numerous private philanthropies.