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Working Capital of Lawrence

INTRODUCTION

The city of Lawrence developed as an industrial center of New England during the Industrial Revolution. At its peak of prosperity, it was a booming city of garment factories that employed thousands of workers—mostly women. Now Lawrence is home to a new generation of immigrants from Vietnam, Cambodia, Ireland, South America, Africa, Italy, the Caribbean, and other countries. Though Lawrence’s factories still stand, and some continue to manufacture goods, Lawrence has been noteworthy in the state of Massachusetts in recent years for its high levels of poverty and unemployment. Despite its troubles, the people of Lawrence believe in the city’s potential. Many have put down roots here, and some positive trends are evident. All of these characteristics make Lawrence a prime place for Working Capital (WC) to carry out its mission of revitalizing communities by strengthening microenterprises, connecting small business owners, and investing in local economies.

DEMOGRAPHIC AND ECONOMIC BACKGROUND

Lawrence is located in Essex County, in the northeast region of Massachusetts. Lawrence, along with the city of Lowell, is the historic center of this industrial region located 25 miles from Boston. This region traditionally has had an economy characterized by a high concentration of manufacturing. Nearly 32 percent of the region’s employment is in manufacturing industries—a figure that far exceeds the statewide figure of 17.3 percent (Massachusetts 1993). Despite its relatively large size, the Northeast’s manufacturing sector is not very diversified. Computers, communications, and military missile equipment account for the vast majority of manufacturing in the region.

Lawrence’s residents see the community as an older, urban, industrialized city whose history parallels that of the country as a whole. Originally a rural farming town, the city was transformed into a major industrial center when Boston entrepreneurs developed huge textile mills on the Merrimack River, harnessing the power of its waterfalls. The mill owners built canals, a dam and a reservoir, boardinghouses, and a machine shop for locomotives, creating one of the first industrial complexes in the country.

Employees originally came from other parts of New England to work in the mills, but the city has traditionally served as an entry point to immigrants as well. By the turn of the century, Irish, Polish, Italian, Syrian and French-Canadian immigrants were following the jobs to Lawrence. More recently, immigrants have come to Lawrence from the Dominican Republic, Puerto Rico, and Cambodia. Despite huge technological changes over the years, the manufacture of textiles and of men and women's clothing is still central to Lawrence's economy.

Lawrence suffers from a number of socioeconomic problems. Once a thriving center of industry, Lawrence has seen its economic vitality ebb away over the past century. The most recent recession has exacted a heavy toll on the city's traditional manufacturing base and has caused extensive dislocation. With 27.5 percent of its population living below the official poverty line (as of the 1990 Census), Lawrence has the highest proportion of poor people of any community in Massachusetts (Massachusetts 1993). Lawrence also has below-average educational attainment levels. Unemployment was more than 13 percent in 1992.

TABLE 10.1
Lawrence Population by Race, 1990

	<i>Persons</i>	<i>Percent</i>
White	38,401	54.7
Black	1,195	1.7
American Indian, Eskimo, or Aleut	100	0.1
Asian or Pacific Islander	1,087	1.5
Hispanic Origin	29,237	41.6
Other	187	0.3

Source: U.S. Census

The total Hispanic population according to the 1990 Census was 42 percent, as is shown in Table 10.1. Lawrence's white population is on the decline due to out-migration, while its Hispanic population is growing. Between 1980 and 1990, the white population decreased by 17 percent while the Hispanic population increased by 172 percent. Lawrence, with the fourth-largest concentration of Dominicans in the United States, has served as a gateway community for Dominicans and Puerto Ricans for the past 25 years.

The following statistics help to paint a more detailed picture of the socioeconomic context of Lawrence:

- Per capita income in Lawrence was \$9,686 as of the 1990 Census—only 56.2 percent of the state average.
- Lawrence's poverty rate in 1990 was 28 percent, compared to the state's 9 percent. Overall, 45 percent of the Hispanic population lived below the poverty line.
- 43.9 percent of Latino families were headed by a female in 1990, as compared to a statewide average of 16 percent. This represents nearly a 12.5 percent increase since 1980 in the number of Latino families with no male present on a regular basis.
- More households in Lawrence rent than in the surrounding areas; 68 percent of all occupied units in Lawrence are rented. In 1990 the mean rent was \$470 a month. Subsidized housing units make up 13.2 percent of the total housing units in the city.
- Lawrence has a central retail corridor dotted with abandoned stores. The high vacancy rate has resulted from the loss of larger established retail businesses to shopping malls and to other nearby communities with higher average incomes.

Lawrence also has a small and shrinking tax base, resulting from the abandonment of residential property and an arson rate that may be the highest in the country.

The total number of people receiving public assistance in Lawrence increased between 1989 and 1993 but has declined slightly since then. AFDC (Aid to Families with Dependent Children; now TANF, or Temporary Assistance to Needy Families), as a percent of total welfare cases, is somewhat higher in Lawrence than in the county or state.

Lawrence is primarily a blue-collar town with declining employment possibilities. While the population increased between 1982 and 1996, the size of the labor force declined slowly. The recession of the early 1990s resulted in a loss of 5,000 jobs—more than 20 percent of the local employment base.

Currently, 35 percent of workers in Lawrence are employed in manufacturing, 12 percent work in retail, and 40 percent of Lawrence's employment base is in the service sector—mainly in business and health services. The jobs in the service sector tend to be concentrated in low-wage, low-skills industry sectors such as janitorial services and security guard agencies. Manufacturing has diversified from mainly textiles and apparel to include rubber, plastic, metals, and electronic parts and equipment. Some of the largest employers in Lawrence (as of 1993) included:

- Malden Mills (1,400 employees)
- Lawrence General Hospital (1,300 employees)
- Shawmut Bank, N.A. (650 employees)
- Grieco Brothers, Inc. (500 employees)
- Bull Worldwide Information Systems (500 employees)

However, only 40 percent of the employed members of Lawrence's labor force actually work in the city. Thirty-six percent work in the surrounding metropolitan area, with the remaining 24 percent employed outside the region. Residents of Lawrence filled only 42 percent of the jobs in the city. Inadequate public transportation makes employment difficult for many low-income families.

Lawrence's unemployment rate in 1996 was 9.9 percent. Figure 10.1 shows unemployment for Lawrence and the United States during the period from 1983 to 1996. The so-called Massachusetts Miracle of the early 1980s seems to have missed Lawrence, as unemployment in the city during that period was about four points higher than in the rest of the nation. As illustrated, the most recent recession had an acute impact on Lawrence.

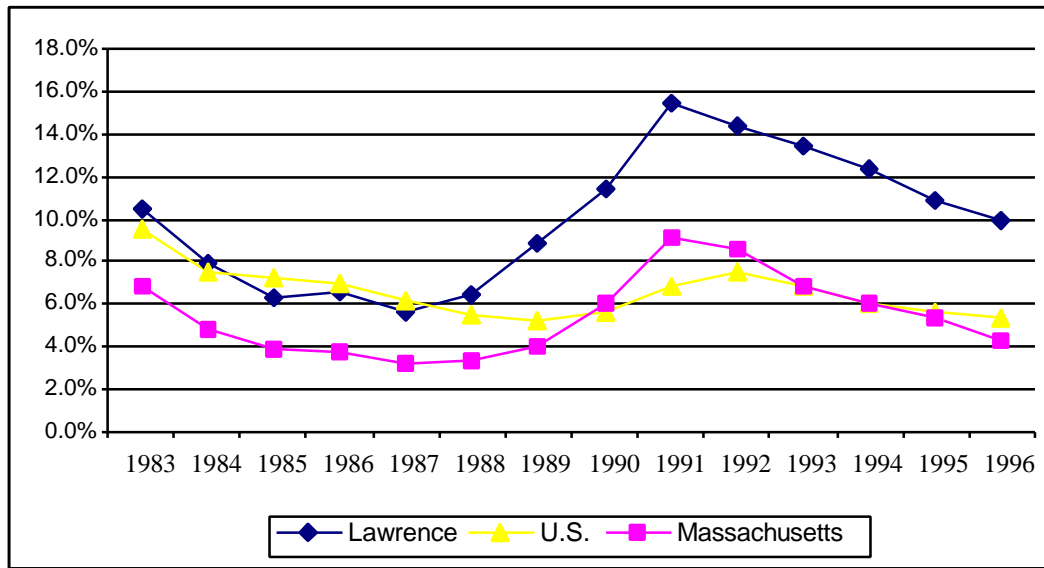


Figure 10.1 Unemployment rates: Lawrence, Massachusetts, and the United States, 1983 to 1996

Source: Bureau of Labor Statistics.

Public education is another significant problem. Lawrence's public schools continue to underperform as compared to those elsewhere in the region and the state. Dropout rates in Lawrence approached 17 percent compared to a 4 percent average for the state. During the 1993-1994 school year, school department data for ninth graders show that of the 627 who started the year, 196 (31 percent) dropped out.

Due to the large immigrant population in Lawrence, a high percentage of school-aged children are not proficient in English. More than one-third of public school students in Lawrence have a limited proficiency in English, and more than three-quarters of students have a first language other than English. However, spending for bilingual education programs is 34 percent less in Lawrence than in towns that offer bilingual education.

DESCRIPTION OF CASE PROGRAM

History, Mission, and Philosophy

Working Capital (WC) was founded in 1990 to increase the economic success of self-employed individuals and their communities by providing loans, business education, and networking opportunities to entrepreneurs with limited resources. Working Capital has started programs in eight states across the United States, from Maine to Florida to Missouri, has a growing program in Russia; and has hosted visitors interested in its program from all over the world. To date, Working Capital has reached more than 2,500 small business owners in the United States. This chapter looks specifically at Working Capital's Lawrence, Massachusetts, program.

Working Capital's strategy is based on founder Jeffrey Ashe's years of research and practice in developing countries, where he learned from third world peer lending models and adapted them to fit the needs of U.S. entrepreneurs. Working Capital was the first microenterprise program in the United States to use this peer lending strategy on a large scale. Since its inception, WC members have obtained 3,547 loans valued at over \$3,483,500. More than 1,880 of the over 2,500 WC customers are active in more than 350 loan groups.

Ashe's decision to employ group lending in the Working Capital program initially made his job as a fund-raiser difficult. Even though many programs in less-developed countries had built impressive records using peer lending, funders were very skeptical about the workability of this method in the United States. Would people actually risk losing money to strangers? Would they invest so much time for such small loans? Ashe remained convinced that group lending could work in the United States and eventually got enough funders on board to start the program.

In Massachusetts alone, WC works through 16 local organizations, of which the most successful is the Lawrence branch. Working Capital Lawrence has been delivering loans and services to a primarily Dominican clientele since 1992. Overall, WC Lawrence has served 344 businesses in 53 loan groups and lent \$963,957 in the past six years.

This site has proved to be an ideal place to carry out the Working Capital program due to these three important factors:

1. the dense population of the city
2. the high levels of poverty combined with the existence of countless small businesses
3. the existence of a close-knit community of immigrant entrepreneurs, the majority from the Dominican Republic, Puerto Rico, and parts of South America

Methodology

Application and Screening Process

WC's methodology is designed so that members run and manage their own peer lending groups. WC provides basic training and structure while members make all of the group and loan decisions. WC has changed and adapted to meet the needs of its members, while maintaining a philosophy characterized by the expression "They know how." After an initial information meeting, interested individuals who own businesses, or who wish to start businesses, attend member training (discussed in greater detail below) and form peer lending groups of four to ten entrepreneurs with others from their community. They attend biweekly or monthly meetings, complete a series of business training modules, serve as a loan committee for other members of the group by making loan approval decisions for each other, and provide advice and business expertise to one another. One of the most important benefits of Working Capital, according to members, is the networking opportunities that come from participating in the peer lending groups and belonging to the "community" of Working Capital members at each site.

Throughout the WC program, the enterprise agent plays a key role in outreach and recruiting for WC. Most are entrepreneurs themselves and are known and respected in their communities. In Lawrence, Leonor Sanchez, Mildred Rodriguez, and Rosa Orellana are three enterprise agents who have been with the program almost since the beginning. They identify and recruit small, home-based businesses in Lawrence and provide them with access to the program. Small business owners often find out about WC by word of mouth. Friends tell friends about the

opportunity to obtain loans for their businesses, and they accompany members to their meetings to find out more about the program. Upon joining, group members are often able to turn a moneymaking activity that they do informally into a successful business by accessing capital that was previously unavailable to them. There is no formal screening process required by Working Capital for membership but the peer lending groups have strict standards and expectations of their members. The concept of peer lending is built on trust, and members know better than any program administrator could who has good standing in the community and who would be a good fit for a peer lending group.

Target Population

While WC is open to all small business owners or individuals wanting to start businesses, it sees its target population as low-income entrepreneurs from low-income communities. In Lawrence, WC has been most successful in reaching this population. Ninety percent of WC Lawrence's members are immigrants from the Dominican Republic, 70 percent are women, and 58 percent of survey respondents reported a yearly household income for 1996 of less than \$15,000, close to the HUD-defined poverty line. The small size of initial loans granted by WC tends to screen out upper-income people, who generally have access to other resources.

Training

The training provided by WC has been refined over time. WC offers an initial information meeting in which potential members meet one another and learn about the program. They then form peer lending groups, where most of the business training actually takes place. Members systematically complete a series of business training modules during their group meetings, managing their own training and moving at their own pace. WC supplements this training with periodic workshops on specific business topics, and enterprise agents are available if questions or difficulties arise. This self-guided training can be problematic if group members come to the process with widely divergent skills and experiences. The primary advantage of this system is that it cuts program costs dramatically.

Two years ago, WC changed the initial information meeting format to include another key step. During member training, interested entrepreneurs follow up the information meeting with an intensive all-day training prior to starting the peer lending group formation process. In the member training, potential WC members receive a much more in-depth view of the WC process, get to know fellow interested entrepreneurs, start brainstorming goals for their businesses and their community, learn how to do a cash flow analysis, and prepare to form groups. This extra step helps give group members a common foundation.

Lending

Working Capital does all of its training and lending in borrowing groups. Group members, with some help from their enterprise agent, meet regularly (usually once a month) to progress through the training materials, become chartered, and accept or deny each other's loan applications.

Working Capital borrowers must begin borrowing at the \$500 level and proceed through successive levels regardless of need, credit history, or size of business. Table 10.2 illustrates the amounts and terms of each step.

TABLE 10.2
Working Capital Stepping Process

<i>Step</i>	<i>Maximum Loan Amount</i>	<i>To Be Paid No Faster than:</i>
1	\$ 500	4–6 months
2	\$1,000	4–12 months
3	\$1,500	4–18 months
4	\$3,000	12–36 months
5	\$5,000	1 –36 months

Source: Fieldwork at Working Capital

Borrowers pay interest of approximately 12 percent plus a service fee of between two and five dollars per month to help cover loan administration, business education, and training materials. This process of starting out small and progressively borrowing larger sums of money is called “stepping”; it is being increasingly employed in microenterprise programs, particularly those that use peer lending. During the first couple of rounds, borrowers learn about the process of borrowing and also build trust with each other. While many participants expressed dissatisfaction at the small size of the loans, they also recognized that borrowing large amounts right away could potentially strain the trust necessary to make the peer group structure work. The theory behind stepping is that by the time group members are ready to borrow sums large enough to potentially damage others’ credit and/or business, group members know enough about each other’s businesses to feel confident about approving, rejecting, or imposing conditions on another member’s loan. The primary disadvantage of stepping is that it constrains borrowers whose businesses are growing quickly and who need larger amounts of credit in order to keep pace with their growth.

Of the 1,597 WC loans made in the state of Massachusetts, which total \$1,690,800, 60 percent have been made to borrowers in Lawrence. Ninety percent of the borrowers are Dominicans. Throughout WC, loans are given in steps beginning at \$500 and moving up to \$5,000. For those who have reached the top of the loan ladder, WC Lawrence will occasionally issue higher loans of up to \$10,000 if entrepreneurs are moving from a home-based business to a storefront business. To date, Working Capital has disbursed 793 loans in Lawrence with a combined value of \$963,957. The average loan size is \$1,215 and the average loan term is 10.15 months. Table 10.3 illustrates the loan disbursement breakdown and the average loan term.

TABLE 10.3
**Loan Disbursement Breakdown
and Average Loan Term**

<i>Amount of Loan</i>	<i>Number</i>	<i>Terms (in months)</i>
\$500 or less	332	5.42
\$501 to \$999	208	8.72
\$1,000 to \$1,499	141	12.09
\$1,500 to \$2,999	86	22.44
\$3,000 to \$5,000	26	30.92

Source: Fieldwork at Working Capital

Many clients told us that without the capital from WC, their businesses would be more of an idea than a reality. One respondent explained, “The possibility of obtaining a loan exists only with WC. Banks have too many prerequisites.” Many respondents referred to their arrival in the U.S. as a time of great disorientation. Working Capital helped them start a new life in this country and gave them training and access to loans and peer support—with other people like them, in their native language.

Relationships with Other Organizations and Institutions

Working Capital initiated its Lawrence program through the Lawrence Minority Business Council (LMBC). LMBC was organized formally in 1989 as an offshoot of the Commonwealth of Massachusetts’s Gateway Cities Program, which encouraged the creation of a business development organization focused on the minority communities in the city of Lawrence—especially Latino populations. The LMBC was assisted in its development by the support of the mayor of Lawrence, Kevin Sullivan.

The decision of the LMBC to provide the Working Capital program to its constituents came after studies done in the 1980s cited isolation and limited access to credit and business education as primary obstacles to the survival and growth of the small businesses there. Carras Associates, with assistance from the National Puerto Rican Coalition, reported in 1991 that microenterprise lending and a local credit union would be critical to the development of Hispanic businesses. Further, the research efforts of an MIT graduate student, Kim Stevenson, showed that the growing contribution of Hispanic families to the local economy was yielding great opportunity for Hispanic businesses. In addition, a Minco Development Corporation report to the Minority Business Summit in 1994 analyzed the Lawrence economy and identified a large market potential for Hispanic businesses whose growth was hampered by inadequate access to credit.¹

In 1992, with a clear mandate from the community, LMBC researched and identified Working Capital as the most cost-effective means of addressing the needs of the minority business community. Working Capital had the successful methodology, capital, and training materials necessary to help jump-start a Lawrence program. Working Capital offered Lawrence’s small business owners a forum for peer support, \$500 to \$5,000 in capital, and a group-based training curriculum. LMBC contracted minority business owners who were well known in the community along with highly skilled trainers to serve as Enterprise Agents.

Changes in Mission and Methodology Since Inception

WC Lawrence’s methodology has remained relatively constant in the six years in which the program has operated. There has been some interest on the part of the enterprise agents and the entrepreneurs in starting a Tier II program, which would grant loans from \$5,000 to \$10,000 or more, using the same methodology.

In Lawrence, some of the peer lending groups have joined together, or members have moved to different groups over the years. WC is planning to introduce a new Enterprise Alliance Program for Lawrence, with individual peer lending groups merging to form enterprise alliances

1. Goldstein-Gelb, Marcy. Working Capital internal document.

of 20 or more entrepreneurs. Enterprise alliances will expand on the original WC methodology, providing access to larger loans to larger peer groups that manage their own funds and have their own loan committees. The enterprise alliance will have other benefits for members (discussed below).

Funding

Current Sources

Working Capital Lawrence is currently funded by the City of Lawrence, the Lawrence Planning and Neighborhood Development Corporation, and Working Capital.

Sources over the Last Five Years and Explanation of Changes

Until last year, WC Lawrence, through the LMBC, had its own funding separate from the rest of Working Capital.

In its beginning stages, the LMBC was housed in the Community Development Department, where it had been provided in-kind matching funds for two planning grants of \$90,000 received from the U.S. Economic Development Administration.

Early in 1994, the LMBC office moved to Essex Street, the main commercial corridor of Lawrence, and opened the Business Development Resource Center with \$54,000 in grant funds provided by the Massachusetts Community Development Finance Corporation's Urban Initiative Fund. LMBC, in focusing on the Latino communities, could not help but turn its attention to the small home-based and storefront businesses or "microenterprises" that were in need of access to the same types of business support as larger businesses.

Through the years that LMBC ran the Working Capital Lawrence program, funding for LMBC came mostly from the City of Lawrence. The Stevens Foundation provided \$10,000 and Sun Micro Systems also provided major funding. BankBoston provided financial support to the program as well. However, with the funding cut off, the LMBC has recently ceased operations, and as of July 1, 1998, Working Capital is operating through the Lawrence Planning and Neighborhood Development Corporation (LPNDC).

Outputs

Number of People Trained

LMBC began WC Lawrence as a pilot peer lending program, and it quickly took off. In just two years, 27 WC loan groups were established that supported 162 businesses. The businesses ranged from groceries to caterers, from car repair to electronics repair companies. More than one-half of the participants were women, and nearly one-third were trying to get off public assistance. Many ran their businesses from their homes, and most were trying to build a part-time into a full-time business.

In the past four years, the LMBC went through a series of changes in management and location before finally folding. Despite the instability of the LMBC, three enterprise agents have

remained with the program throughout, managing a combined total of 53 peer lending groups with a cumulative membership of 344 microentrepreneurs by 1998.

Business Starts, Stabilizations, and Expansions

Anthony's 1996 survey determined that Working Capital had contributed to the creation of approximately 360 start-up businesses in the program since its inception in 1990. One-half of the business start-ups were by individuals who had no other employment. About 55 percent of all start-ups contribute to the owner's monthly income. In Lawrence, 16 percent of businesses were start-ups.

According to Anthony, "In Working Capital, overall the number of full-time jobs in all businesses grew by 34 percent and the number of part-time jobs increased by 51 percent. This means that WC encouraged the growth of more than 170 full-time jobs and more than 280 part-time jobs. The majority of businesses have no employees other than the owner/operator (Anthony 1996:9).

Results from Anthony's 1996 survey show that the impact of WC is considerable, both program-wide and in Lawrence. WC has a substantial impact on the success of both the business and the individual. Data from respondents in Lawrence indicate an increase in both business sales and profits. Sales increased an average of 60 percent when entrepreneurs joined WC. The findings also show an increase of sales from an average of \$551 per month before involvement in WC to an average of more than \$670 per month after the owner joined WC. Business profits increased by 56 percent among all WC businesses in Lawrence (Anthony, 1996).

In Lawrence, owner's draw (the income an owner takes from a business after paying expenses and investing in the business) increased by 17 percent when business owners joined WC. Average owner's draw went from \$441 before involvement with WC to \$457 after. Client entrepreneurs also reported a 44 percent increase in customers per week since joining the program (Anthony 1996).

Types of Businesses Started

The data from the 1996 survey show that 91 percent of businesses in Lawrence are sole proprietorships, 70 percent are home-based, 23 percent are in rented storefronts, and 6.4 percent operate on the street or in flea markets. Forty-one percent of survey respondents said that this was their first business, and 85 percent of these respondents said that they had the same business as when they started the WC program. Of the respondents who started their business with WC, 72 percent said it would have been difficult or very difficult to have done so without WC.

The respondents operate a variety of businesses. One of the most popular small business activities in Lawrence, which seems to be particular to this program site and to the Dominican entrepreneurs, is the purchasing of wholesale goods in New York for resale in Lawrence. Several respondents from this group have this type of business.

Other types of businesses in Lawrence are in the service sector: home day care, catering, restaurants, auto mechanics, furniture upholsterers, among others. In the retail sector many women sell either Avon products or, more often, products that they have bought from wholesalers in New York. These products might be clothing, sheets and bedcovers, cushions and pillows, gold jewelry, or anything else the customer orders specifically. Other entrepreneurs are small-scale manufacturers. Many women, formerly seamstresses at garment factories either in the Dominican

Republic or in Lawrence, have started their own businesses. A few men are skilled carpenters who manufacture cabinets, wooden decorations, and furniture.

Other Outcomes

Anthony's data also show that individuals experienced an increase in confidence in many areas of their business and personal lives after participating in WC and in the peer lending groups. The greatest increase of self-esteem occurred in participants on the lowest rung of the income ladder, owners of the smallest businesses (those business owners with sales less than or equal to \$5000 per month), and minority participants (Anthony, 1996:19-20).

In addition, WC members show an increased involvement in their community, local politics, and city council. Anthony's 1996 survey revealed that 69 percent of current WC business owners belonged to at least one community group, compared to 53 percent of former members.

Findings from the Client Side

Typical Client

Interviews by Denise Anthony with 50 entrepreneurs in Lawrence in 1996 revealed the following basic information about Working Capital members in that program:

- ? Ninety percent of respondents were Latino.
- ? Seventy percent of respondents were women.
- ? Eighteen percent of respondents were single mothers.
- ? Sixty-two percent were at 125 percent of the poverty level.
- ? Fifty-eight percent of respondents had a yearly household income below \$15,000; 33 percent made between \$20,000 and \$40,000.
- ? Respondents tended to be older, despite the fact that the overall population of Lawrence is younger than in surrounding areas. Thirty one percent of respondents were between the ages of 30 and 40; 29 percent were between the ages of 40 and 49, 20 percent between the ages of 50 and 59 and 18 percent above 60 years old. Only 2 percent of respondents were between the ages of 20 and 29.
- ? Forty-four percent of respondents had less than a high school education, 25 percent had attained a high school degree, 17 percent had some college education, and 12.5 percent had a college degree.
- ? Only five respondents had ever applied for a business loan from a bank, and only one had received it.
- ? Eighteen percent of respondents owned their own home, in line with the overall homeownership rate in Lawrence.

- ? Seventy-two percent owned their own automobile, perhaps a testimony to the lack of access to public transportation.

Range of Clients Served

More than 90 percent of the respondents from the Lawrence portion of the 1996 survey were from the Dominican Republic. Most had had some business experience before arriving in the United States. Many had sold merchandise out of their homes or on the street and were accustomed to fluctuating sales and monthly earnings dependent on availability of stock and the needs of their clientele.

Of the ten entrepreneurs interviewed for this study, eight were women. All were from the Dominican Republic; most had come to Lawrence within the past ten years. The average age of the entrepreneurs interviewed was 46. The range was 32 to 67 years old. Three of the respondents were currently married and eight were separated or divorced. Nine out of the ten had young children or grandchildren living in the house with them. This sample of respondents seemed to be representative of Working Capital Lawrence members, though it slightly underrepresents the male population.

Definitions of Client Success/Client Goals

The respondents generally consider themselves successful. Many measure their success by the fact that they now have a viable business after initially struggling in a new country. One client, a furniture upholsterer, said:

I didn't have anything at first. Just a desire to work. Now my business has grown. This is a success.

The Dominican entrepreneurs we interviewed are optimistic people who trust in their hard work and strong faith. They are satisfied with what they have but are not afraid to dream about the future. "Success is achieving each small goal that I establish for myself," says one seamstress. Most believe that they are successful because they have achieved their small goals, and they continue to set new ones. Others believe that if the customer is satisfied, they have been successful.

Many of the respondents who have home-based businesses expressed a desire to ultimately own their own shop in Lawrence. "I'd like a little store in the future. I want to leave my factory job and have a shop in Lawrence," says one respondent. Some would like to hire employees once they have a storefront. Many express the desire to have a place where members of the community could gather to socialize with their families. Their shop would also serve as a way for them to feel more established and connected in the community:

I'd like to have a storefront bakery, a place where people from the community can gather. I'd have toys for the kids to play with and the parents could come together.

Another entrepreneur says:

I want to have my own business in a store, something pretty where people will involve me more with the society. Something entertaining.

All ten of these respondents expressed as a primary goal the desire to expand their businesses. The upholsterer has already begun by selling water filters and beepers as well as upholstery. Next he wants to branch out into a cleaning business. Those who sell products bought wholesale in New York would like to diversify their inventory and sell some products in the Dominican Republic, or begin to sell wholesale themselves. One seamstress wants to be a big designer “like Oscar de la Renta.” Some require more equipment or machinery to increase their productivity. Most feel like they are a long way from opening their own shop, but it is a goal that they always keep in mind. “I want my own shop. I don’t know when, but one day,” says one respondent.

Reasons for Pursuing Self-Employment

The majority of respondents have pursued self-employment in Lawrence because they previously had a business in their own country and it seems almost second nature for them to do so. Many were able to start a business in the United States because they could access capital through Working Capital. Some had tried initially to obtain bank loans but were turned down. In some cases, friends told them about Working Capital, and often, friends pointed out that they could turn an activity they were already doing into a more viable business opportunity.

Five years ago I heard of Working Capital through some other people. They told me about the help. I went out of curiosity to a meeting just to observe. That same day they took me as part of the group and I ended up almost like a member of the family. Everything was difficult for me in the United States as far as work. Difficult because I didn’t speak English. I found a way out with Working Capital.

The majority of the respondents make more money with their own businesses than they would working in a factory or at another job. Most find it more convenient and enjoyable to be on their own rather than working for someone else. Quotes from two seamstresses illustrate what they perceive to be the advantages of self-employment:

I’m satisfied with the money I make at my business. The return is better than if I made two hundred dollars working outside the house. Now I’m efficient at my work. In little time I can do my work. After cutting, it’s easy.

If it weren’t for Working Capital I’d be working in a factory, sewing for someone else, with the boss at my side telling me to sew ten times faster. No way! Here in the house I work however I want to; I’m with my kids. My own schedule. No one tells me no. My machine, my house.

Advantages/Drawbacks of Self-employment vs. Mainstream Work

Of the respondents in this study, most view self-employment as an opportunity to be their own boss and earn money for themselves rather than someone else. Some report that they have been able to leave menial jobs at McDonald's or in factories where they had been used to working long hours with few breaks and constant pressure to produce. Most had some experience in their line of work before starting their own business, or were the product of an entrepreneurial culture that prepared them for self-employment. For the most part they had had little formal training. Many learned a skill as children growing up in entrepreneurial families or watching and helping neighbors or family members in their work.

Of the entrepreneurs interviewed, all prefer being self-employed to working for someone else, where they have to "punch the clock." Many say that they like giving something back to society, and they enjoy knowing that people rely on their particular skill or service. Respondents find a sense of purpose in the community with their business. One business owner who buys household products and clothes in New York for resale in Lawrence explains:

I like to buy things to offer to the public. I like to see how well they look on people.

She had not realized the potential for making money from this interest until a friend told her that with a loan from WC she could have a viable business importing specially selected wholesale goods to Lawrence.

A bakery owner, who works out of her home and appreciates being close to her children while at work, said:

The people need me. What I do is really worth the effort. For example, if I make a wedding cake and the customer is really satisfied, then I am successful.

A day-care owner gets great personal satisfaction from her work:

I like everything about having my own business. I love everything that I do with the kids. Some I've had since they were babies up until when they first start school. They call me mommy.

Many find a sense of personal freedom in having their own business. They enjoy the flexibility of their schedule and the convenience of being in their own home, close to their families. "Now that I work out of the house, I can take care of my kids", explains one entrepreneur.

A furniture upholsterer, whose business has sprouted other side businesses, says:

What I like best about having my own business is that I always have new ideas, positive ideas. I have an objective.

Several share the sentiment that what they earn is all for themselves, and is a direct result of their efforts:

I love to sell. It's money just for me. I don't have to share it with anyone.

Another, who sells items from New York in addition to working at a factory job, says of her business, "I like to be independent"—a sentiment echoed by many respondents. Even though some respondents maintain full- or part-time jobs in addition to their businesses, they enjoy independence and decision-making power only at their business. One woman, who sells Avon products, puts it simply:

It's income. Extra money to survive. To me selling something is natural, something that comes with being alive.

Entrepreneurs encounter some drawbacks to running a small business. The most common problem seems to be collecting money owed by clients who buy on credit. All of the respondents who sell clothing or household items express the same frustration. They enjoy providing a service to friends in the community, but they have a hard time being strict about setting prices and charging their customers. One interviewee explains:

What I like least about having my business is charging, telling them how much something is and collecting money from people. Sometimes you lose friends.

Another says:

Many people don't want to pay. I have to always be calling them and reminding them. I don't like the fact that they don't pay me right away when they buy something. They go. This hurts a lot. It also makes me mad.

Aside from this problem with collecting money they are owed, most respondents find very little to complain about with respect to their business. This may be due in part to the very positive attitude of the entrepreneurs from the Dominican Republic.

While most respondents are quick to say that there is nothing they don't like about running their own business, others express some frustrations. With the freedom and flexibility of running a business comes the increased demand on the business owner's time:

What I like least is that my time is always occupied. This is stressful. Small businesses always have to struggle to have capital. If I need material or fabric, it is much cheaper to buy in bulk but sometimes I don't have enough money to buy in bulk.

Sometimes a specific circumstance comes up that can have a negative effect on the business. One respondent, who is a seamstress with a home-based business, is waiting to get new

glasses: “Many people are waiting for me with orders for new dresses, but blind, I can’t do anything.”

Those who maintain another job as well as their business are often working to make their business viable enough for them to leave their job. Most define success as being able to open a storefront business where they can deal with a larger inventory, have more visibility, and be more accessible to the community. They find it difficult to find enough capital to make the move from a home-based business to a storefront.

Most respondents have not yet attained a high level of proficiency in English. They have a comfortable enclave society where they don’t need to learn English to function in everyday life, but in order to do business on a larger scale it would be necessary.

Relationships with Working Capital

Respondents speak highly of WC, and many credit the program for helping them get where they are today. They realize the difficulty of obtaining capital and appreciate the ready accessibility of loans through WC.

Most respondents learned about WC through conversation with other business owners, or because an enterprise agent found them and got them to come to a meeting. Some went to the Minority Business Council, where an enterprise agent helped them find a group. One respondent says:

I lived in Lawrence. I didn’t have a business yet. I started it with the first loan. I went as a guest to a meeting of a peer lending group, and what a surprise! I met the EA. I got involved in the conversations, and before you knew it I was in the group.

The enterprise agents serve as a link to the whole WC program for these entrepreneurs. Most clients develop a close relationship with the members of their peer lending group, but if problems arise, the enterprise agent is there for advice or to help them in their discussions with Working Capital’s loan department or other group members. One drawback to the current model mentioned by respondents is that if a member of their peer lending group doesn’t pay back a loan, the whole group suffers, sometimes to the point of being paralyzed for months. In extreme situations, “deadbeat” borrowers have caused the whole loan process to come to a halt indefinitely.

Respondents expressed gratitude to WC for supplying them with loan capital and a network of other small business owners. “Everything I know is because of WC. I grew when I joined the program. They should give me a commission because I got a whole peer group together. We are great friends in our group. It’s a very interesting experience in which one gets to know many people and have a lot of fun,” says one respondent. Another says, “WC helps people progress. The loans help everyone. It’s normally not easy to get a loan.”

Respondents would like to see WC provide additional services that could help improve their businesses and their way of life. Many would like to have access to larger loans after they reach the current highest level of \$5,000. They find it frustrating that lack of access to additional loans keeps them from expanding.

WC offers business education workshops, but some clients need more training (perhaps one-on-one) to deal with issues specific to their business. Some require very basic instruction in areas such as bookkeeping.

What Makes the Program Unique

According to Jeffrey Ashe, the Lawrence program has been successful for three reasons:

- ? It is a business membership organization, not a social service agency tangentially involved in enterprise development.
- ? It operates in a homogeneous immigrant enclave where the population is highly entrepreneurial and there is little access to capital because of poverty, and cultural and language issues.
- ? In Lawrence, three enterprise agents whose combined time commitment is less than one full-time position run the entire operation, which includes 53 active groups.

WC is one of the few peer lending programs in the United States, and WC Lawrence is one of the largest Hispanic peer group programs in the country. WC Lawrence has done a great deal to create community in Lawrence, and to link up entrepreneurs who can help one another, use each other's goods and services, and refer customers to each other. WC's frequent networking events are valued by members as a way to create a sense of community and to learn business skills.

The program has had great success in the Dominican enclave in Lawrence. In this close-knit society news spreads by word-of-mouth, and members who benefit from WC quickly tell others. WC is a familiar concept to Dominican entrepreneurs because it is similar to the San and the Sociedad, traditional rotating credit organizations in the Dominican Republic.

WC's group decision-making processes and its hands-off approach make it a unique and accessible program for entrepreneurs.

Program Challenges/New Directions

WC is developing a new model called the Enterprise Alliance Program, which will build on the peer lending model and provide members with a greater range of services such as business planning, marketing, networking, group support, training, personal and business credit ratings, and access to loans up to \$20,000 per person. The Alliance model will tap into existing organizations to provide them with WC services and resources. Organizations such as artisan groups, religious congregations, chambers of commerce, immigrant societies, and cooperatives will have the opportunity to set up a WC enterprise alliance.

WC members in Lawrence will be able to merge their peer lending groups into enterprise alliances of approximately 20 self-employed members each. Having these larger groups will circumvent the problem of one member paralyzing the whole group through bad repayment records. The loan committee will make all loan decisions, and the amount of loan capital available to the enterprise alliance will be commensurate with the amount of money in the guarantee fund. If the alliance's repayment record is excellent, they will have access to increasingly higher loans up to the maximum of \$20,000 per person.

The enterprise alliance model responds to members' desire for more personalized business training, greater networking opportunities, and access to higher amounts of capital. Initial loans range from \$500 to \$2,000 per member, and can grow to \$20,000 if the individual has successfully repaid smaller loans. In addition, members benefit from an even stronger network of entrepreneurs and increased access to business planning, training, networking and group support. Each alliance's loan committee reviews applicants' plans, and individuals are responsible for repayment. WC believes that by working with existing organizations, more microentrepreneurs will gain access to the program and more communities will become vibrant centers for small business growth and cooperation. As mentioned earlier, the Lawrence Planning and Neighborhood Development Corporation will run the WC program in Lawrence.

Microentrepreneurs in Lawrence have already benefited in countless ways from the WC program. They will continue to expand their businesses in the future with the enterprise alliance model, and many of them will achieve their goal of moving from a home-based business to a storefront business, or from part-time to full-time status. There is still a great need for services and support in this community of entrepreneurs, and there is plenty room for other organizations to provide additional resources to business owners. The enterprise agents stress the need for technical assistance in the form of workshops and training sessions for small-business owners. English language courses are greatly needed. Increased access to lines of credit is needed, especially for entrepreneurs who have had success in their business and are ready to expand into a storefront.

Leonor Sanchez says:

In Lawrence we need more agencies concerned with the microentrepreneur, to help them to succeed as self-employed business people. Then they will be able to create job opportunities for others and to achieve a better income for themselves. Microlending is a way to reach out to the small business. WC's support has been invaluable here in Lawrence.