

# Socio-economic impact valuation of microStart's activities in Belgium

April - June 2014

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(FT MBA 2013-2014)

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# Objectives

## Part I

**Deliver a comprehensive analysis of how microStart actions impact its clients**

- Profile analysis
- Micro-companies' sustainability
- Job creation
- Enhancing formality
- Change in the customers' welfare

## Part II

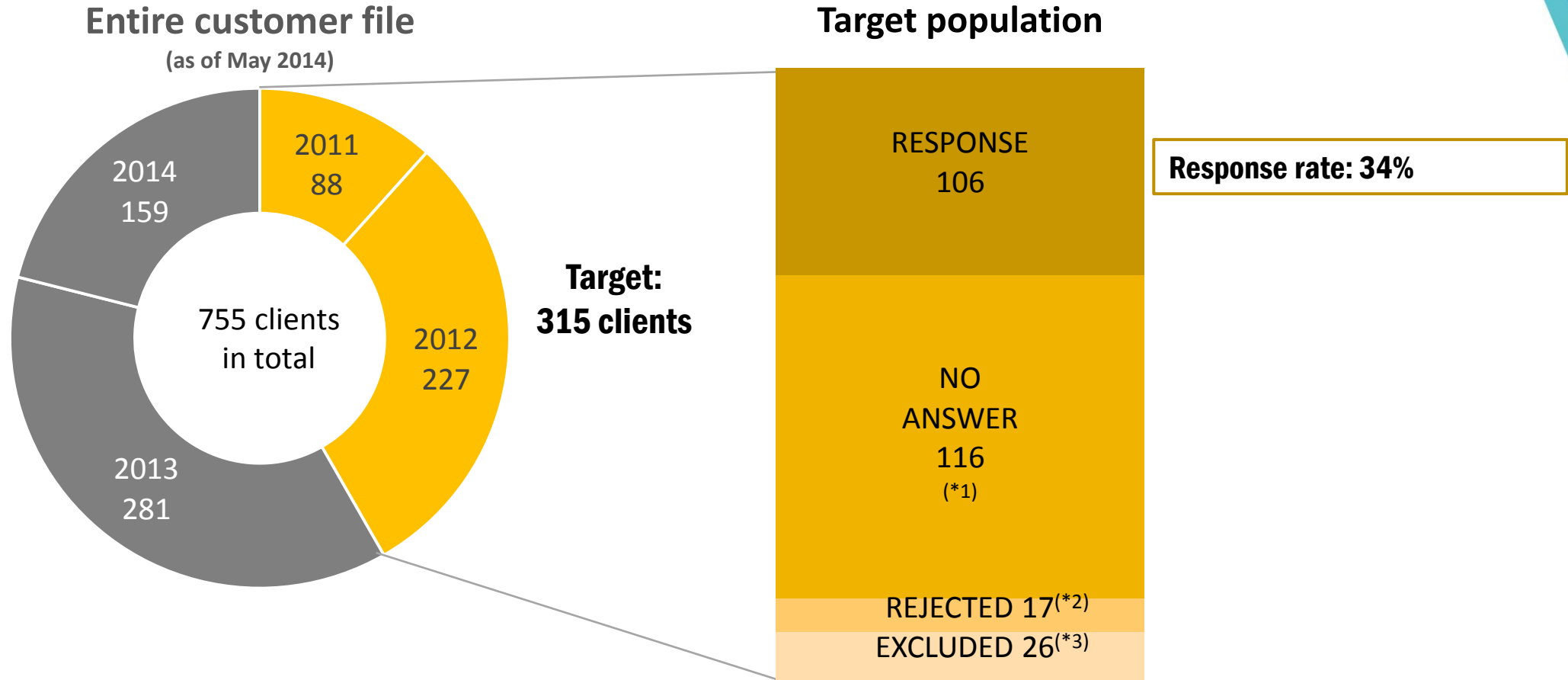
**Valorize the impacts of microStart actions on governments**

- Savings in public intervention programs
- Additional revenues in social contribution and taxes

## Overview of surveys

**Out of 755, the target population is 315 clients.**

**Out of these 315, 106 clients responded.**



### Note

(\*1) We were not able to talk with the customer because he/she did not answer the telephone, did not call-back, or the telephone number did not exist.

(\*2) We reached to the customer but he/she did not want to answer the survey.

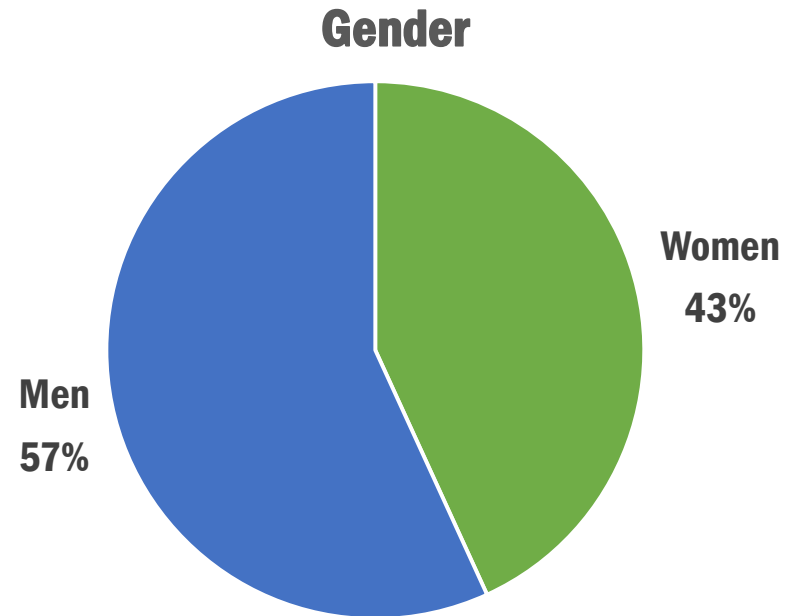
(\*3) We excluded these customers (e.g. with legal conflicts).

# **Part I - Socio-Economic Impact Report**

# Profile of the customers

## Profile – gender

**43% of the target group is female (versus 28% in EU countries)<sup>(\*1)</sup>**

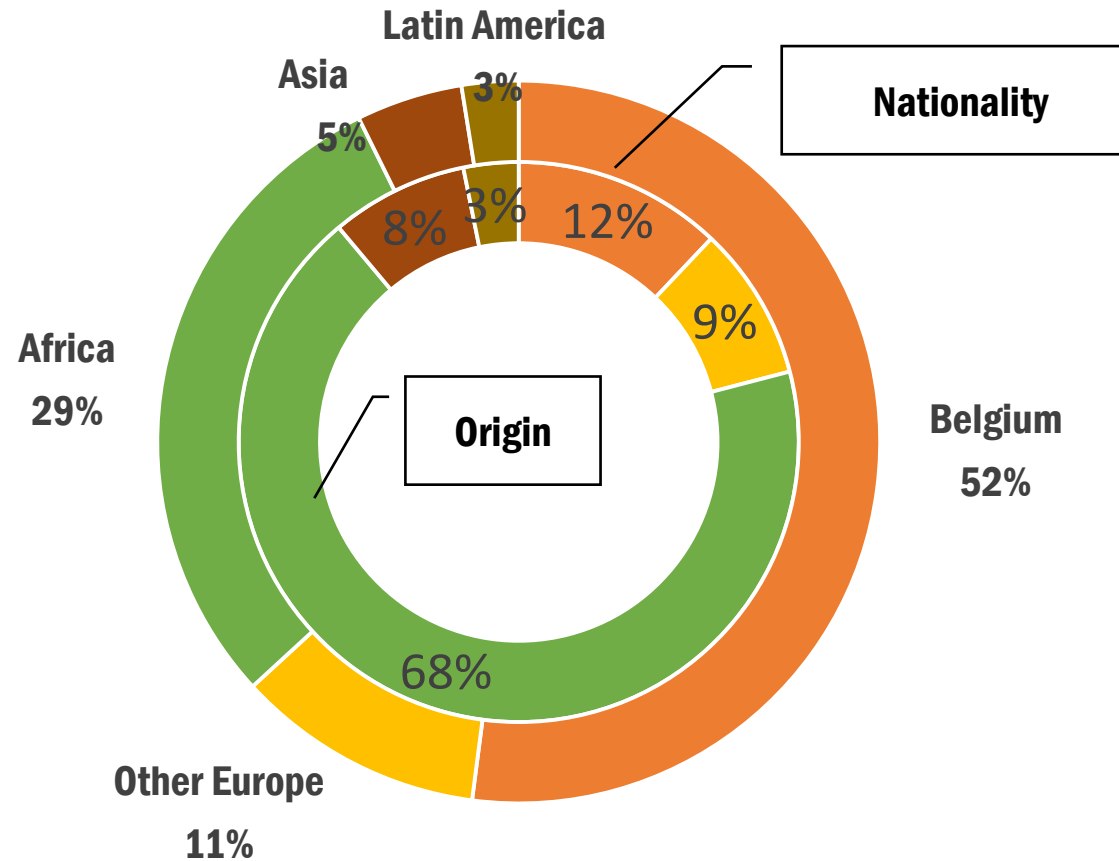


**Base: 315 people (target population)**

Data source: (\*1) OECD.StatExtracts, 2009

## Profile – Nationality and the place of origin

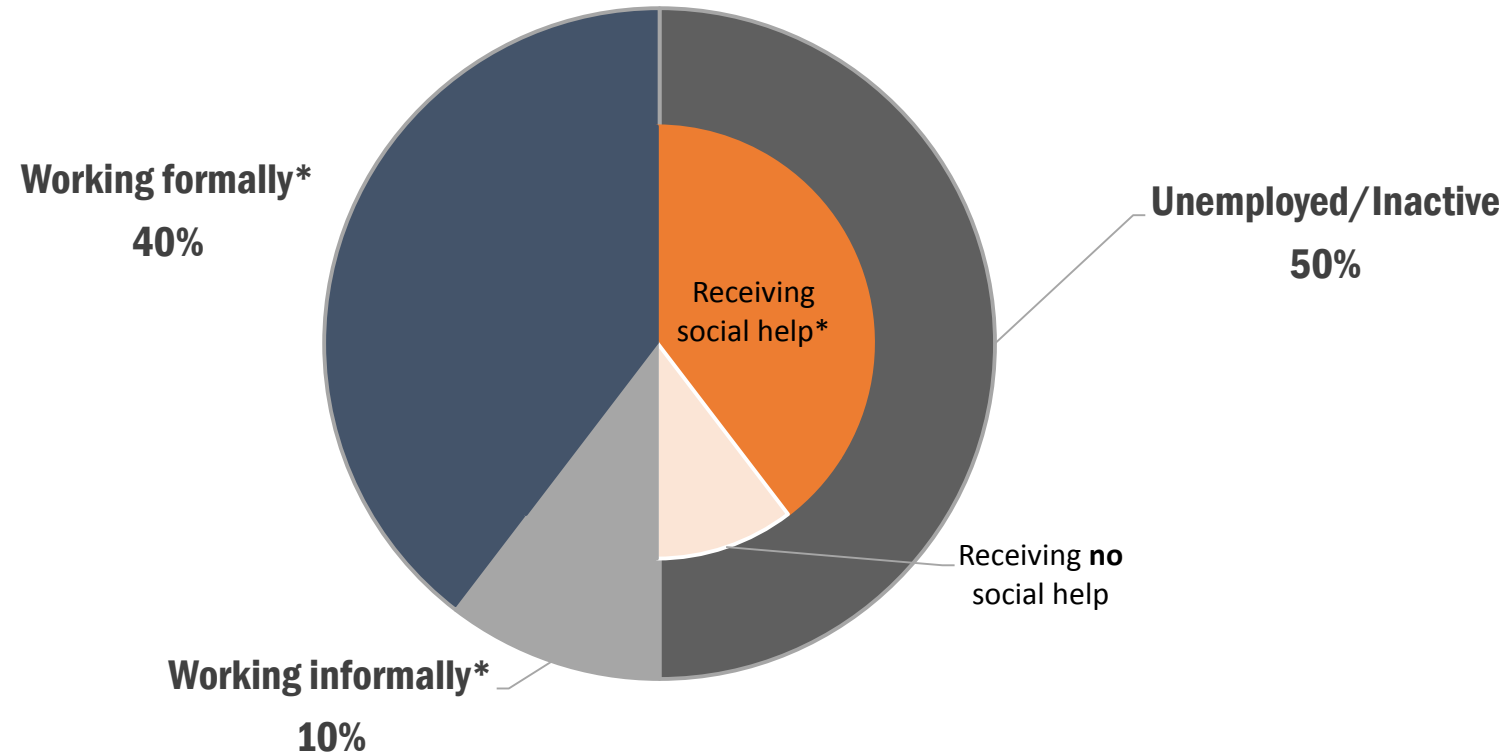
**52% of the customers have the Belgian nationality, whereas 68% of the customers are from African countries.**



**Base: 315 people (target population)**

## Profile – initial working situation

# 50% were unemployed before they became clients of microStart



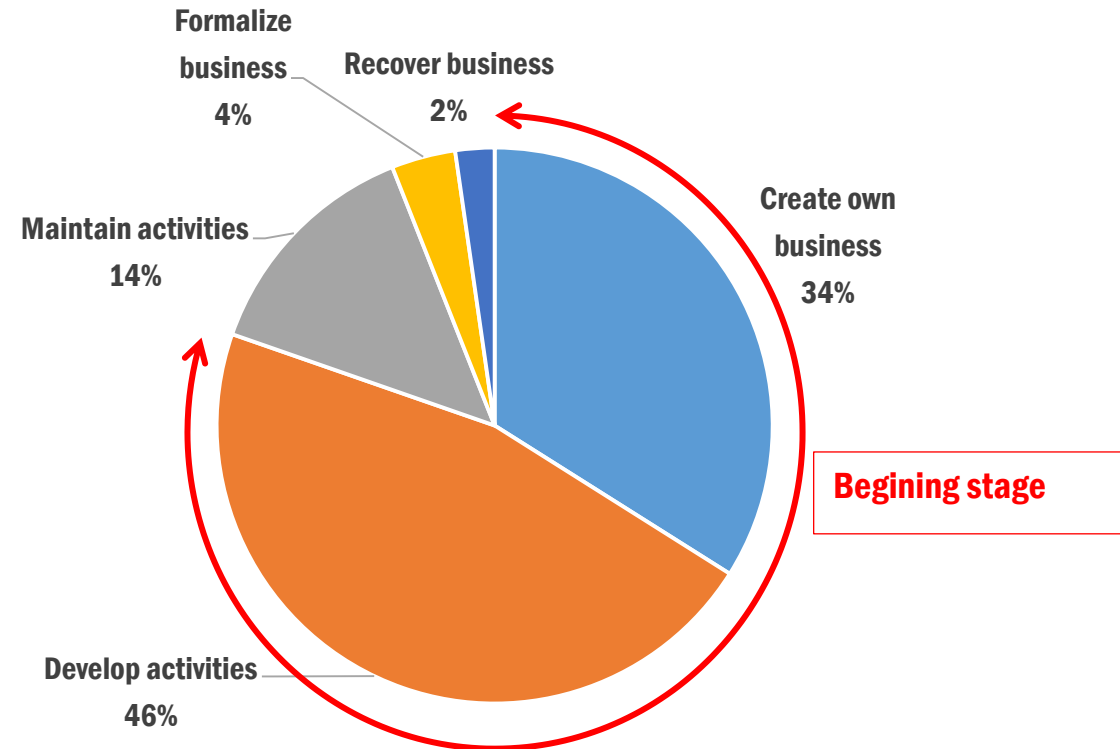
Base: 106 persons who were interviewed

\* Some of the clients “working formally” had side-businesses which were not necessarily formal. People who were “working informally” are the clients who only had informal income.



## Profile – Objective of making loans

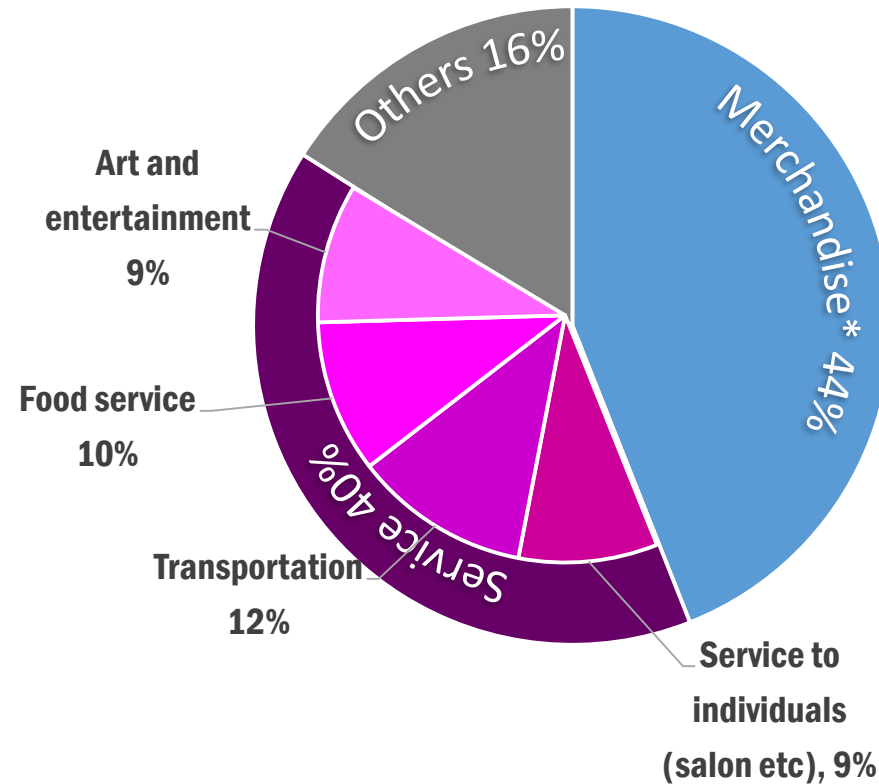
# 80% of the customers borrow money to create or develop a business



Base: 483 cases from 315 clients (target population)

## Profile – Industry

**44% of the customers operate in the merchandising industry (e.g grossery shops) and 40% in the services.**



\* Operating small supermarkets/night shops etc

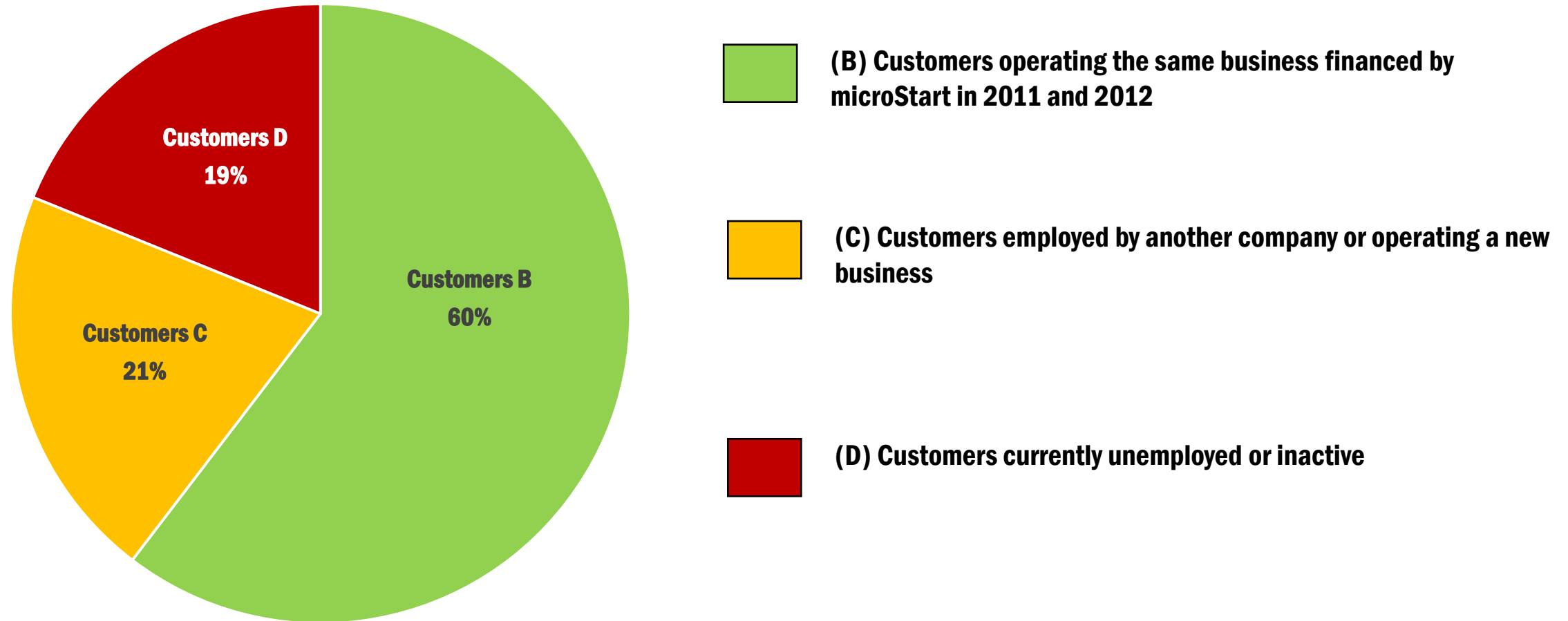
Base: 315 persons (target population)

# Micro-companies' sustainability

## Sustainability – Rate of insertion

**81% of the customers are currently working.**

**60% of the customers run the same company financed by microStart.**

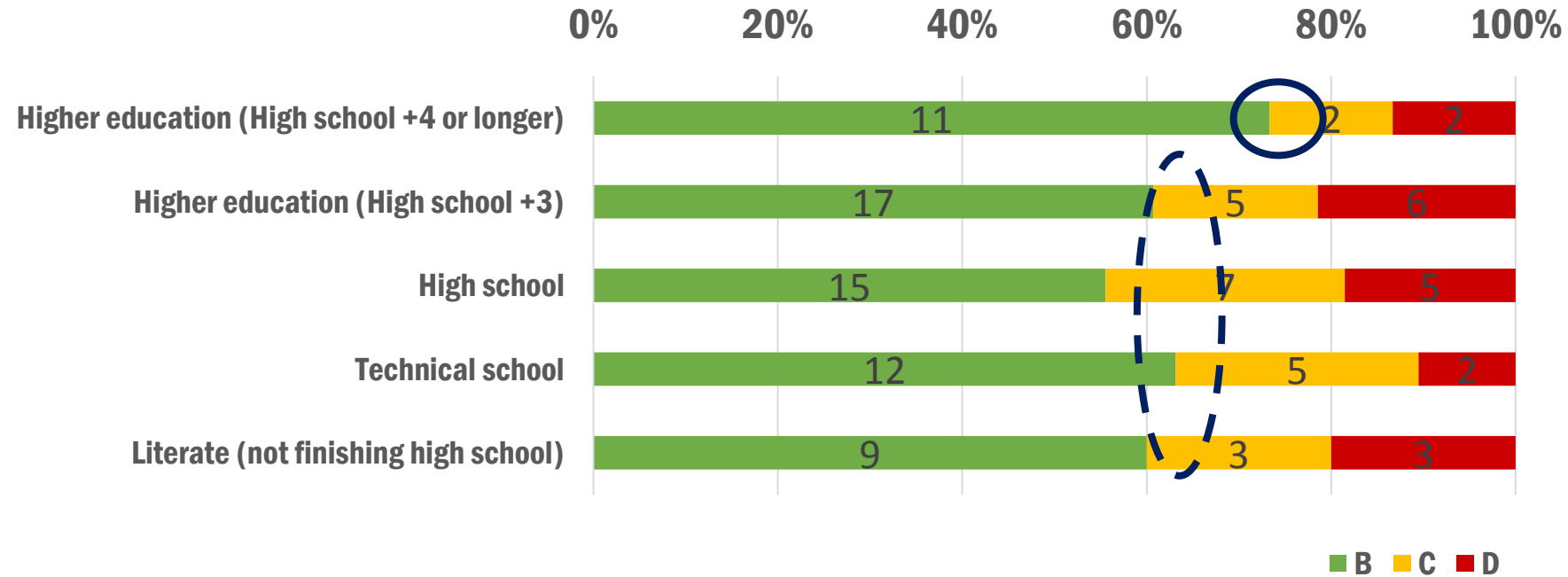


Base: 106 out of 106 who were interviewed.

## Sustainability – education vs. sustainability

**The least educated people have similar results as the more educated.**

**Only the group of most highly educated clients (master+) shows better sustainability\*.**



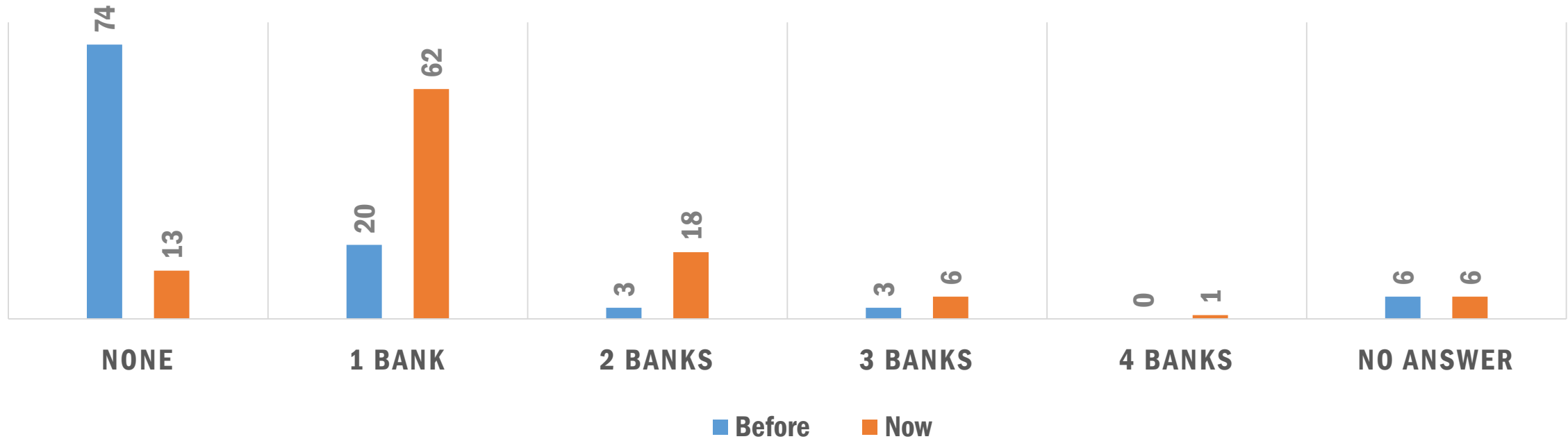
**\*Disclaimer:**

We didn't perform the regression analysis regarding the relation between the education levels and companies' sustainability. Accordingly, this study doesn't explain the significance level of the correlation.

**Base: 104 out of 106 who were interviewed. 2 illiterate people were excluded due to too small size.**

The proportion of customers borrowing from the banks has increased from 26% to 87%.

NUMBER OF BANKS PER CUSTOMER USED AS A FINANCIAL RESOURCE

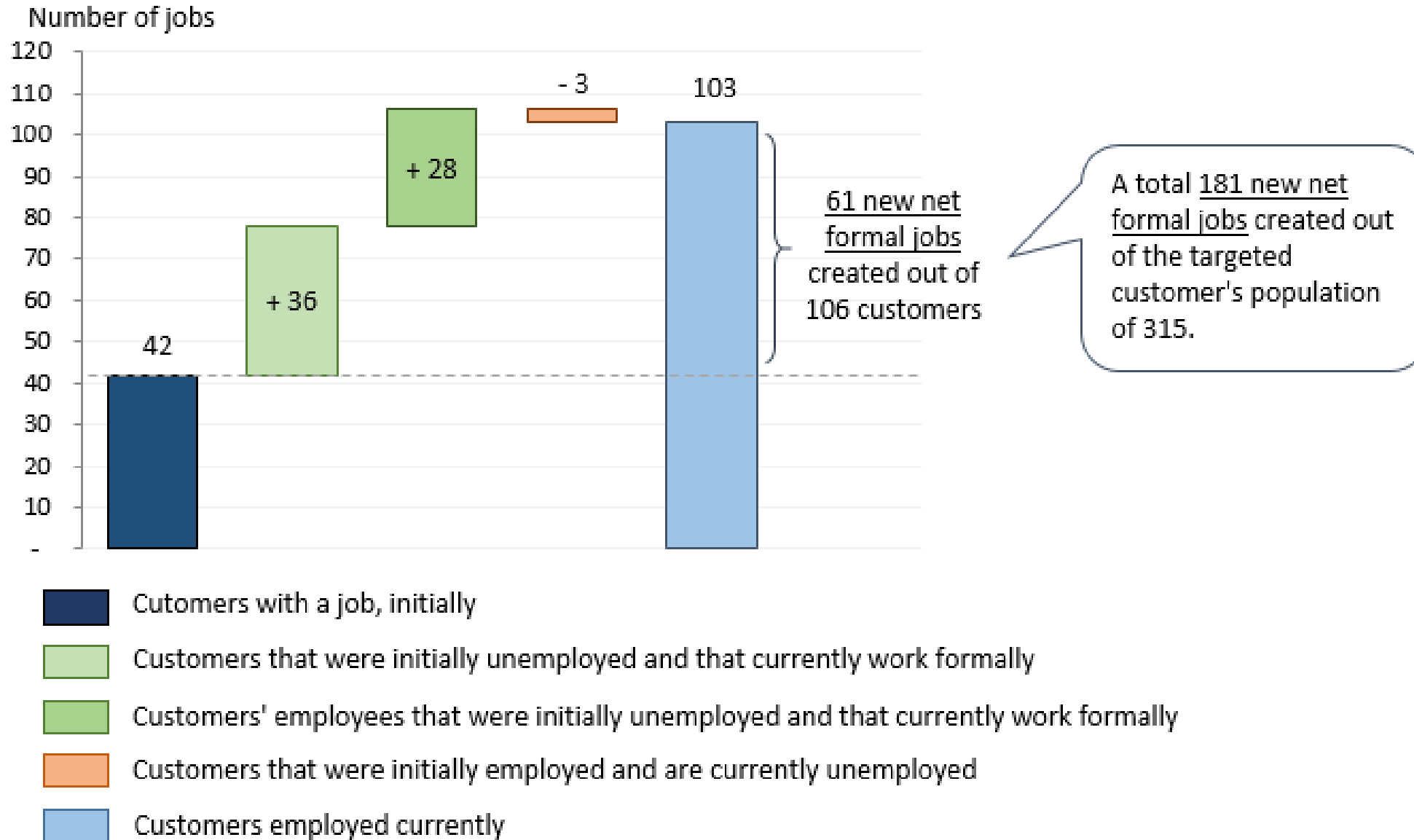


100 answers out of 106

# Job Creation

## Job creation including the spillover effects

# 61 new formal jobs were created out of 106 customers interviewed



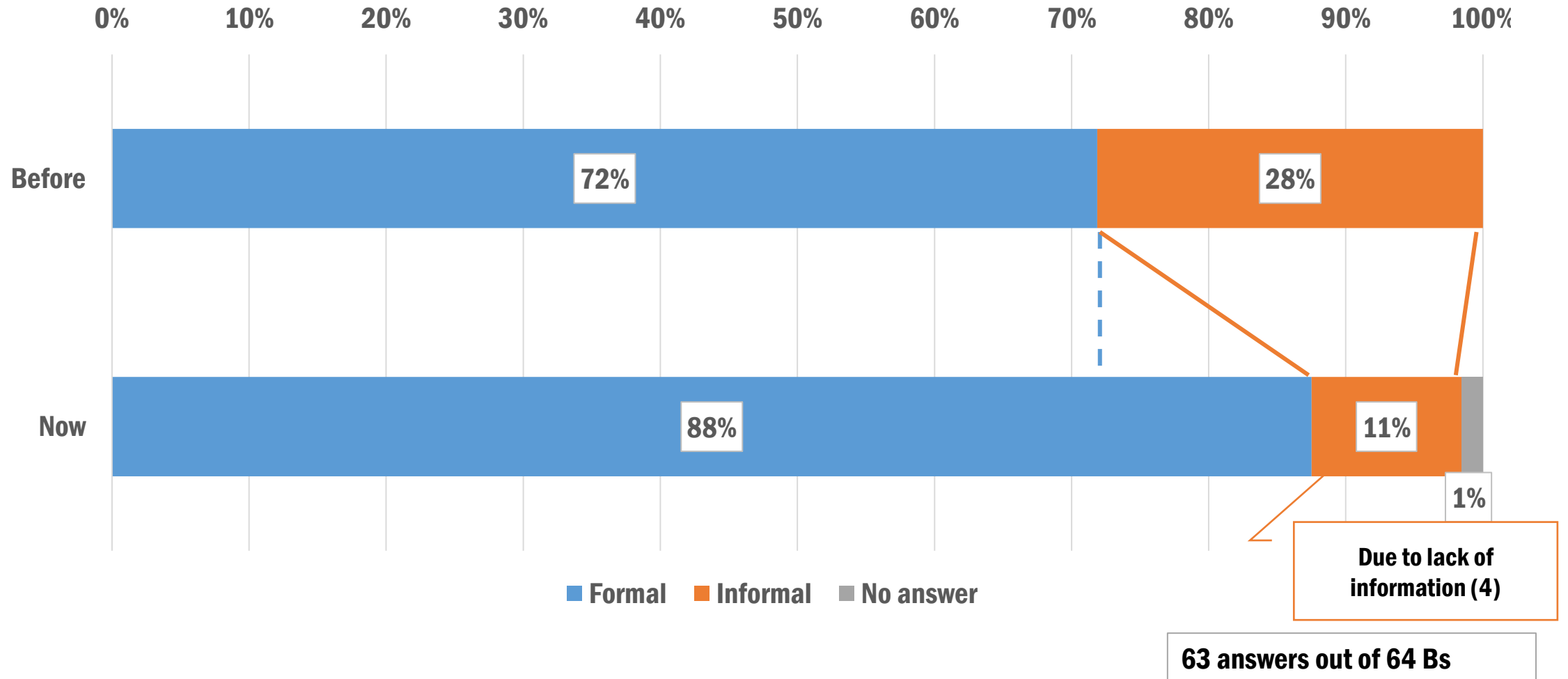
**Base:** 106 answers over 106 microStart customers interviewed.



# Enhancing Formality

## Enhancing formality

The number of companies not registered in the 'Banque Carrefour des entreprises' has decreased from 18 to 7

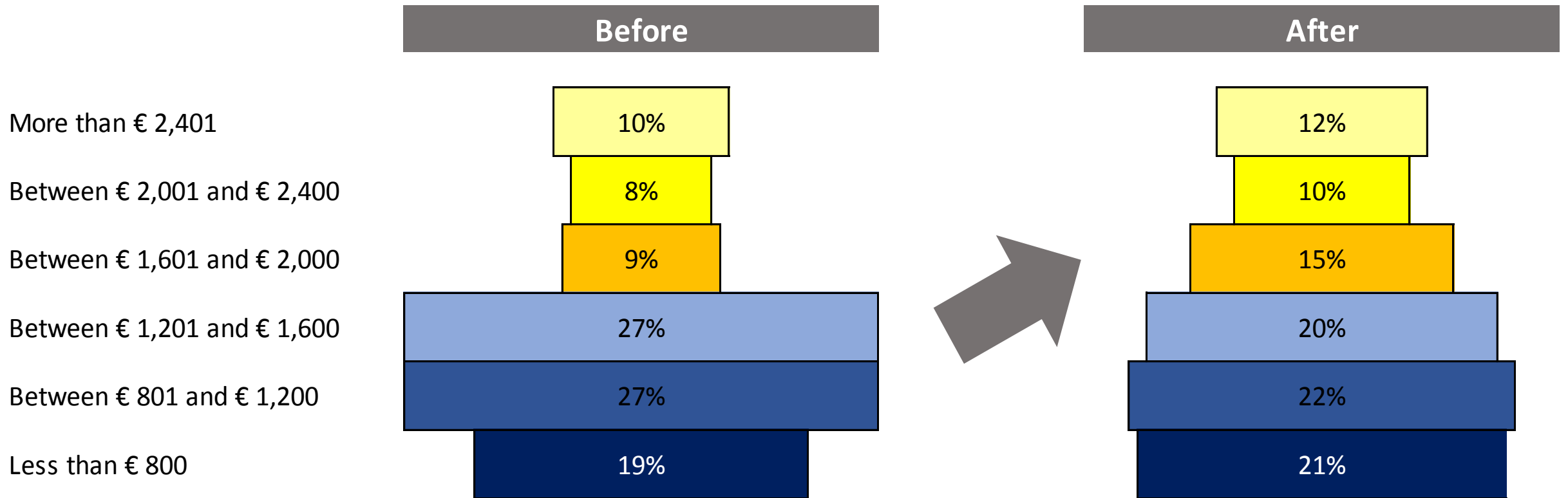


# **Change in the customers' welfare**

## Change in the level of income

**On average, the total income of the customers has increased by 7.6%**

### The proportion of the clients in each range of monthly income

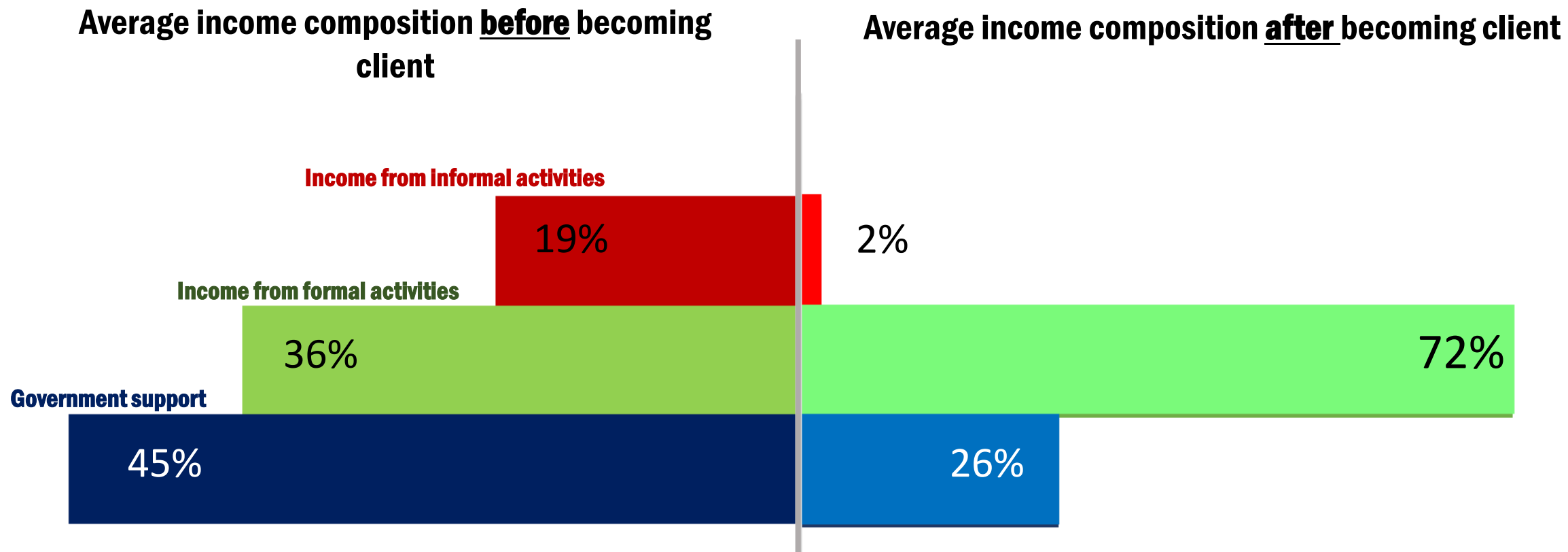


**91 answers out of 106**

## Change in their main sources of total income

**Customers are less dependent on the government's support.**

**Their main source of income is no longer the social help but the income generated by their own formal activities.**



91 answers out of 106

# **Part II – Valorization of the socio-economic impact**

### MicroStart has contributed to:

- ✓ **Create new businesses,**
- ✓ **Insert unemployed or inactive people into the formal job market,**
- ✓ **Enhance business formality, and**
- ✓ **Improve people's welfare.**



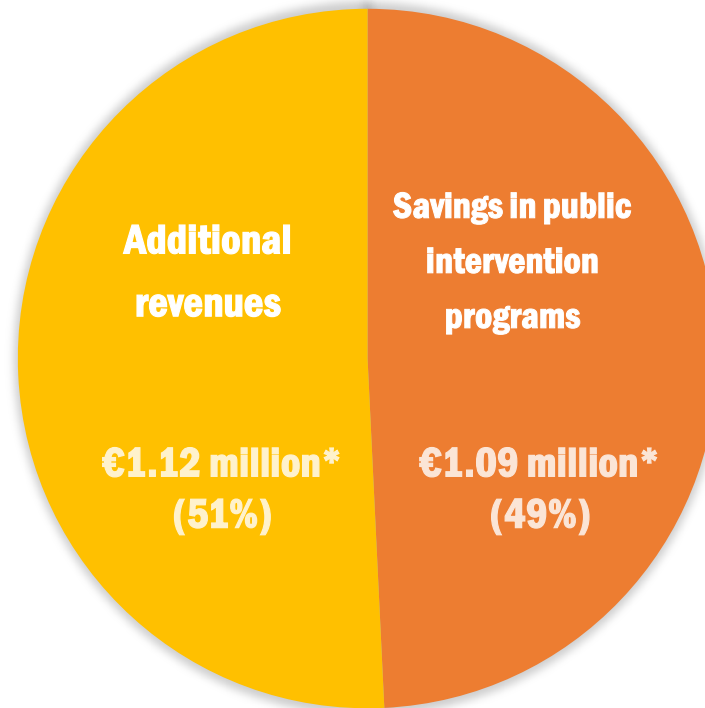
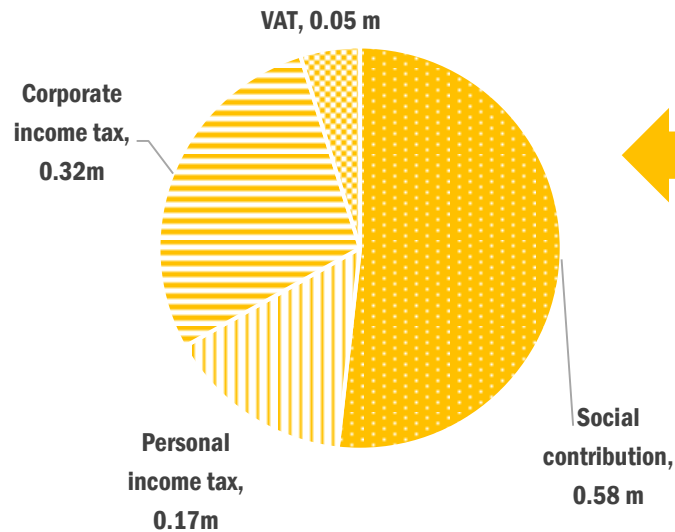
**How much does all of this represent in savings and additional revenues generated for the Belgian government?**

## Total absolute results

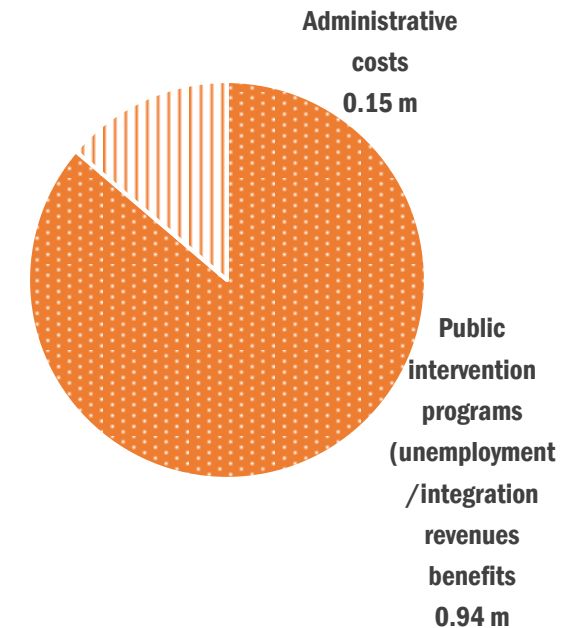
**MicroStart's actions are estimated to generate annual benefits for the government of € 2.21 million\*.**

**Total annual benefits: € 2.21 million**

**Additional revenues: € 1.12 million**



**Savings: € 1.09 million**



\*Total estimated impact for the 315 clients (Extrapolation target group). See Appendix for the direct results of 106 interviews. We considered a +/- 10% of margin of error

\*\* Social benefits: Unemployment benefits or integration revenues benefits. Other allowances are accounted as part of the personal income but not differentiated as social benefits for the purpose of this study



## What are the main determinants of these impacts?

Three main effects are identified:

### Job market insertion effect

(+)

- Benefits generated when a customer who was previously unemployed, inactive or working informally is inserted in the formal job market.

### Job lost effect

(-)

- Negative effect caused when a customer did not succeed to be inserted in the job market

### Continuity effect

(+)

- Benefits generated when a customer who was previously employed continues working

## Total absolute results

**In absolute terms, the job market insertion effect represents 86% of the total savings and revenues generated for the government.**

Category	Job market Insertion effect (TOTAL ANNUAL EUR)		Job lost Effect (TOTAL ANNUAL EUR)		Continuity Effect* (TOTAL ANNUAL EUR)	TOTAL ESTIMATED GENERATED YEARLY
	No formal job ↓ Entrepreneur	No formal job ↓ Employee of other company	No formal job ↓ No formal job	Formal job ↓ No formal job	Formal job ↓ Formal job	
<b>1. Total savings in unemployment/Integration revenues benefits</b>	€ 704,294	€ 290,784	€ 157,797	€ (93,457)	€ 30,150	€ 1,089,567
<b>2. Additional revenues received regarding social contributions and taxes</b>	€ 792,905	€ 104,877	€ (43,966)	€ (119,098)	€ 388,555	€ 1,123,273
<b>TOTAL EUR</b>	€ 1,497,198	€ 395,661	€ 113,831	€ (212,555)	€ 418,705	€ 2,212,841
<b>TOTAL ESTIMATED EFFECT FOR THE 315 CLIENTS (EXTRAPOLATION TARGET GROUP)</b>	€ 1,892,859		€ (98,724)		€ 418,705	€ 2,212,841

## Benefits generated by customer (EUR/CUSTOMER)

**In average, transforming an unemployed person into a formal entrepreneur generates almost twice benefits than inserting him as an employee of other company.**

Category	Job market Insertion effect (EUR/CUSTOMER)		Job lost Effect (EUR/CUSTOMER)		Continuity Effect* (EUR/CUSTOMER)
	No formal job ↓ Entrepreneur	No formal job ↓ Employee of other company	No formal job ↓ No formal job	Formal job ↓ No formal job	Formal job ↓ Formal job
<b>1. Total savings in unemployment/integration revenues benefits</b>	€ 7,406	€ 6,523	€ 2,898	€ (8,283)	€ 317
<b>2. Additional revenues received regarding social contributions and taxes</b>	€ 8,599	€ 2,666	€ (925)	€ (11,192)	€ 4,233
<b>TOTAL EUR/CUSTOMER</b>	€ 16,006	€ 9,189	€ 1,973	€ (19,475)	€ 4,550

# **1. Total savings in public intervention programs**

## Detailed Analysis (EUR/CUSTOMER) – Savings in public intervention programs

**Entrepreneurs have spill over effects.  
Those who didn't succeed lost social benefits.**

Category	Job market Insertion effect (EUR/CUSTOMER)		Job lost Effect (EUR/CUSTOMER)		Continuity Effect (EUR/CUSTOMER)
	No formal job ↓ Entrepreneur	No formal job ↓ Employee of other company	No formal job ↓ No formal job	Formal Job ↓ No formal job	Formal job ↓ Formal job
<b>TOTAL DIRECT IMPACT – SAVINGS IN UNEMPLOYMENT AND INTEGRATION REVENUES BENEFITS</b>	€ 6,407	€ 5,514	€ 2,898	€ (6,600)	€ 264
Savings in benefits - MS Clients	€ 4,820	€ 5,514	€ 2,898	€ (6,600)	€ -
Savings in benefits - Additional Hired Employees	€ 1,587	€ -	€ -	€ -	€ 264
<b>TOTAL INDIRECT IMPACT - ANNUAL SAVINGS ON GUIDANCE POLICIES AND ADMINISTRATIVE COST</b>	€ 999	€ 1,010	€ -	€ (1,683)	€ 53
Savings guidance policies and administrative costs - MS clients	€ 684	€ 1,010	€ -	€ (1,683)	€ -
Savings guidance policies and administrative costs - Additional hired Employees	€ 316	€ -	€ -	€ -	€ 53
<b>TOTAL SAVINGS IN UNEMPLOYMENT AND INTEGRATION REVENUES BENEFITS</b>	€ 7,406	€ 6,523	€ 2,898	€ (8,283)	€ 317

## **2. Additional revenues in social contribution and taxes**

## Detailed Analysis (EUR/CUSTOMER) – Additional revenues

**Entrepreneurs have spill over effects.**

**Those who didn't succeed pay less VAT.**

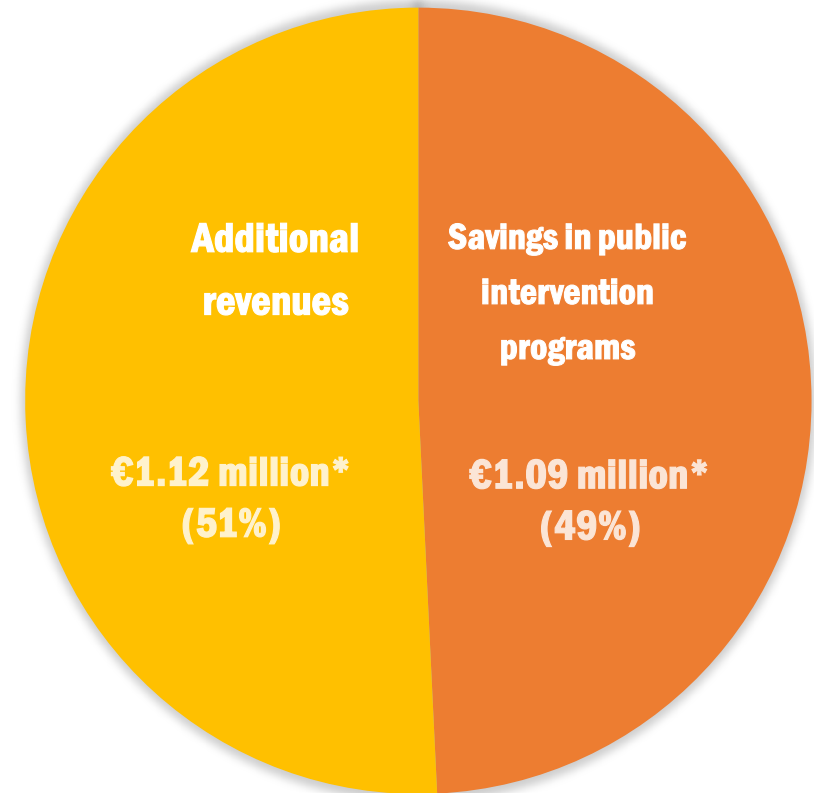
Category	Job market Insertion effect (EUR/CUSTOMER)		Job lost Effect (EUR/CUSTOMER)		Continuity Effect (EUR/CUSTOMER)
	No formal job ↓ Entrepreneur	No formal job ↓ Employee of other company	No formal job ↓ No formal job	Formal job ↓ No formal job	Formal job ↓ Formal job
<b>TOTAL ADDITIONAL SOCIAL CONTRIBUTIONS COLLECTED</b>	€ 5,086	€ 912	€ -	€ (3,089)	€ 1,186
Additional social contributions paid by MS clients	€ 1,808	€ 912	€ -	€ (3,089)	*
Additional social contributions paid by MS clients as employers	€ 2,015	€ -	€ -	€ -	€ 774
Additional social contributions paid by the new additional hired employees	€ 1,263	€ -	€ -	€ -	€ 412
<b>ADDITIONAL PERSONAL INCOME TAX COLLECTED</b>	€ 1,678	€ 1,079	€ -	€ (4,692)	€ 173
Increase in personal tax paid by MS clients	€ 839	€ 1,079	€ -	€ (4,692)	*
Increase in personal tax paid by new additional hired employees	€ 839	€ -	€ -	€ -	€ 173
<b>ADDITIONAL CORPORATE INCOME TAX COLLECTED</b>	€ 1,844	€ -	€ -	€ -	€ 1,702
<b>ADDITIONAL INDIRECT TAXES (VAT) COLLECTED</b>	€ (9)	€ 674	€ (925)	€ (3,411)	€ 1,172
<b>TOTAL ADDITIONAL REVENUES IN SOCIAL CONTRIBUTIONS AND TAXES</b>	€ 8,599	€ 2,666	€ (925)	€ (11,192)	€ 4,233

## MicroStart has contributed to:

- ✓ **Create new businesses,**
- ✓ **Insert unemployed or inactive people into the formal job market,**
- ✓ **Enhance business formality, and**
- ✓ **Improve people's welfare.**



**Total annual benefits: € 2.21 million**





# Key takeaways

## 1. MicroStart works **as an engine for value creation**.

It provides opportunities to the people excluded from the traditional banking to start or develop their businesses. It is a vehicle for people to stop being unemployed, to be independent from the government's social help and to create their own jobs.

## 2. When a person becomes an entrepreneur, he creates **positive spillover effects**.

By hiring people who were unemployed/inactive, it creates further additional benefits to the government and the society as a whole.

## 3. To become an entrepreneur requires **taking risks**:

Unemployed/inactive people may lose their social benefits and not succeed as expected. This might discourage the creation of new businesses and increase the informal activities.

➔ **The government should provide incentives to enhance the creation of formal micro-companies.** For example: the government could establish a gradual decrease of the social benefits for new entrepreneurs.

# Thank you

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