

Ripple Effect

The Macroeconomic Impact of Small Business Lending

A case study of Accion Opportunity Fund's
small business lending from 2016 to 2023

May 2024
Fourth Edition

**ACCION
OPPORTUNITY
FUND**



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A Message from Luz Urrutia, CEO



With the growth of online lending, small business owners have more options and resources to start and grow their businesses than ever before. However, with more options comes more risk. While there are some responsible online lenders, there are many that are preying on small businesses, offering quick approval in exchange for often unsavory and non-transparent terms with little regulation surrounding these lenders. As highlighted in research from the [Federal Reserve](#), the prevalence of exorbitant rates and opaque terms in online lending disproportionately affects small businesses run by women and people of color.

At Accion Opportunity Fund (AOF), we remain steadfast in our commitment to equitable and responsible access to financial resources. As a non-profit, U.S. Treasury-certified Community Development Financial Institution (CDFI) we're able to leverage government funds and philanthropic dollars to provide affordable capital to more women, people of color, and low-income entrepreneurs who are often underserved in the financial system. We fully disclose our pricing, terms, and conditions, and will often work with borrowers if they have difficulty paying. We continually invest in our underwriting methodology to try and approve more of the customers that traditional lenders turn away. We tackle inequity at the systemic level—advocating for more equitable and transparent policies for small business owners across the country.

Ripple Effect: The Macroeconomic Impact of Small Business Lending underscores the urgent need for mission-driven CDFIs like us. Not only for the benefit of the borrower, but also for their communities and our economy. As detailed in this study, on average, for every \$1 invested in a small business, more than \$2 is generated annually in new taxes, spending, and wages across California, Georgia, Florida, New York, and Texas. We are sincerely grateful to [The California Endowment](#) for their philanthropic investment in supporting this research.

It is our hope that this research sparks a collective effort by philanthropic partners and policymakers to invest in CDFIs whose mission is to empower under-invested and under-networked entrepreneurs. As showcased in Ripple Effect, doing so is a smart, evergreen investment in our small businesses and communities.

Together, we can forge a path towards inclusive economic prosperity, where every small business can thrive.

A handwritten signature in black ink, reading "Luz Urrutia". The signature is fluid and cursive.

Luz Urrutia,
CEO, Accion Opportunity Fund

Introduction

Since the last edition of this report in 2016, the small business landscape, and the broader U.S. economy, have undergone substantial changes. The commercial lending marketplace has transformed, with more online financing options available to small business owners than ever before. The United States experienced its highest rate of GDP growth in history. On the other hand, the economic crisis caused by the COVID-19 pandemic resulted in historic levels of small business closures, supply chain stoppages, and inflation. Yet the rate of new small business creation has increased substantially since 2020, especially among people of color.

Since our founding in 1993, Accion Opportunity Fund (AOF) has sought to meet entrepreneurs where they are—whether in launch, growth, or maturity mode. We expanded our lending footprint beyond our home state of California to include 44 states beginning in 2017. To supplement this expansion, we built a robust network of resources to include one-on-one business coaching, group webinars and courses, and an extensive online resource library.

To date, we have provided over 30,000 small business loans, totaling \$833 million, and served over 4 million entrepreneurs through our digital resources. Over 90% of AOF's borrowers identify as women, people of color, or low- to moderate-income.

The benefits of a small business loan extend far beyond the individual borrower. As a small business owner invests their loan capital in inventory, equipment, payroll, and more, the initial capital injection creates downstream impacts in the local economy in the form of new wages, new spending, and new tax revenues.

This report aggregates these activities and calculates the “Ripple Effect,” or macroeconomic impact, of AOF's lending in California, Florida, Georgia, New York, and Texas—our largest lending markets—over the past eight years.

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Executive Summary

When an entrepreneur borrows capital to invest in their business, the economic impact of that loan can span years. Small business lending creates an “evergreen” effect, as the initial investment flows through businesses to support suppliers, employees, and customers, creating a virtuous cycle of economic activity as well as returns to small business owners and their families.

More than 90% of Accion Opportunity Fund borrowers are still in business 1-2 years after receiving a loan. Small business owners hire employees from their local communities and source inventory and equipment locally, reinforcing the ripple effect of our lending and establishing these small businesses as crucial to the economic vitality of their communities.

TXP’s economic model found that between 2016 and 2023, AOF’s small business loans (16,533 in total) have generated a measurable “Ripple Effect,” or macroeconomic impact, across its largest lending states: California, Florida, Georgia, New York, and Texas.

On average, AOF’s lending in these five states generates \$2.05 in additional annual economic activity within each state’s economy—meaning that for every dollar we invest in a small business, more than \$2 is spurred annually in the form of new taxes, new spending, and new wages in these states.

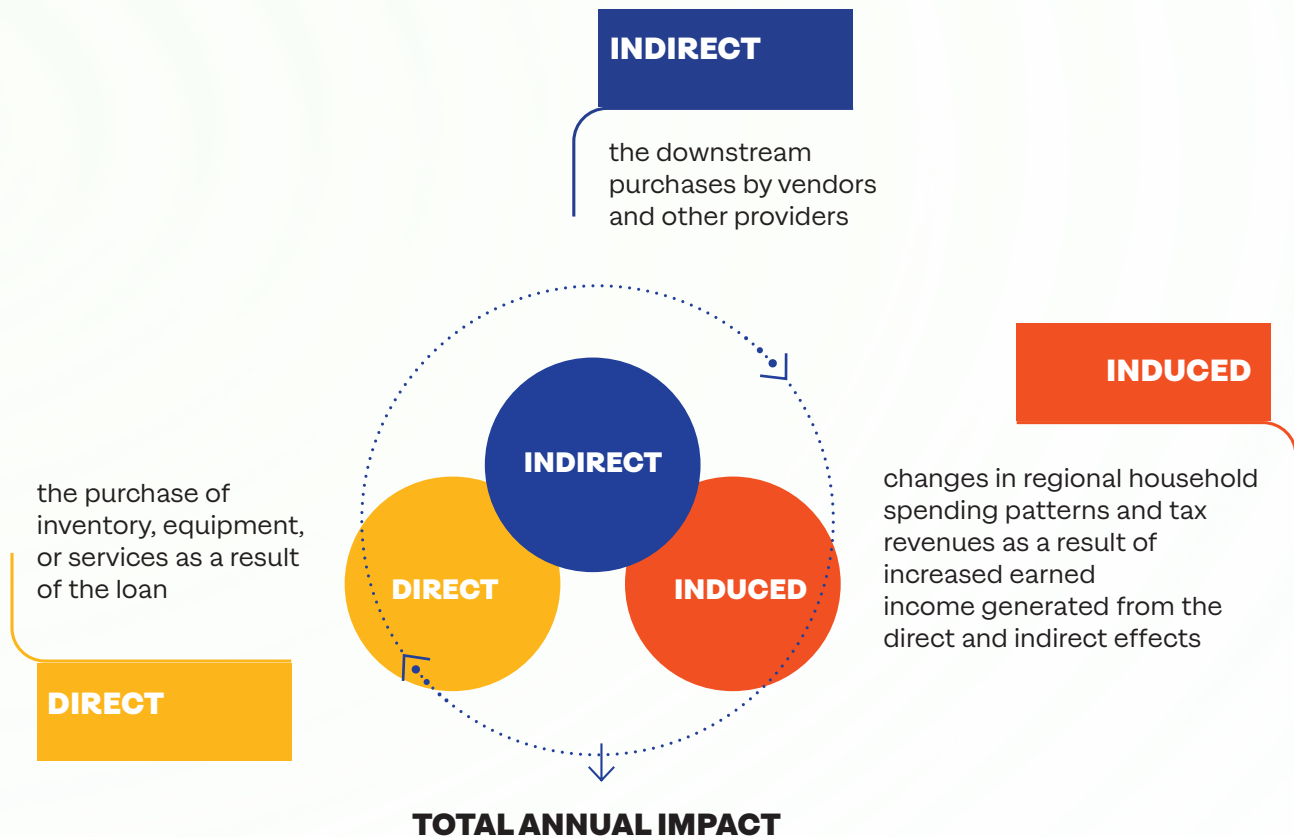
STATE	\$ PER DOLLAR INVESTED BY ACCION OPPORTUNITY FUND	TOTAL ANNUAL ECONOMIC ACTIVITY GENERATED
 CALIFORNIA	Almost \$2 (\$1.96) for every dollar AOF invests	\$1.1 BILLION
 FLORIDA	\$2.01 for every dollar AOF invests	\$45.8 MILLION
 GEORGIA	\$2.17 for every dollar AOF invests	\$21.5 MILLION
 NEW YORK	Almost \$2 (\$1.77) for every dollar AOF invests	\$44.9 MILLION
 TEXAS	\$2.36 for every dollar AOF invests	\$39.4 MILLION

Methodology and Definitions of Terms

TXP, an economic analysis and public policy consulting firm, created a customized econometric model using an input-output analysis to measure the macroeconomic impact of AOF's lending state by state. The data set included 16,533 small business loans made in California, Florida, Georgia, New York, and Texas by AOF between January 2016 and December 2023.*

To start, TXP used the total volume of AOF loans in each state within this timeframe as a measure of the initial annual injection into that state's economy. TXP then calculated the anticipated total economic impacts of these loans, using the industry and location of each business and a system of regional input-output multipliers developed by the U.S. Department of Commerce's Bureau of Economic Analysis called [RIMS II](#). RIMS II multipliers are used in economic impact studies to estimate the total impact of a project—or in this case, a small business loan—on a region.

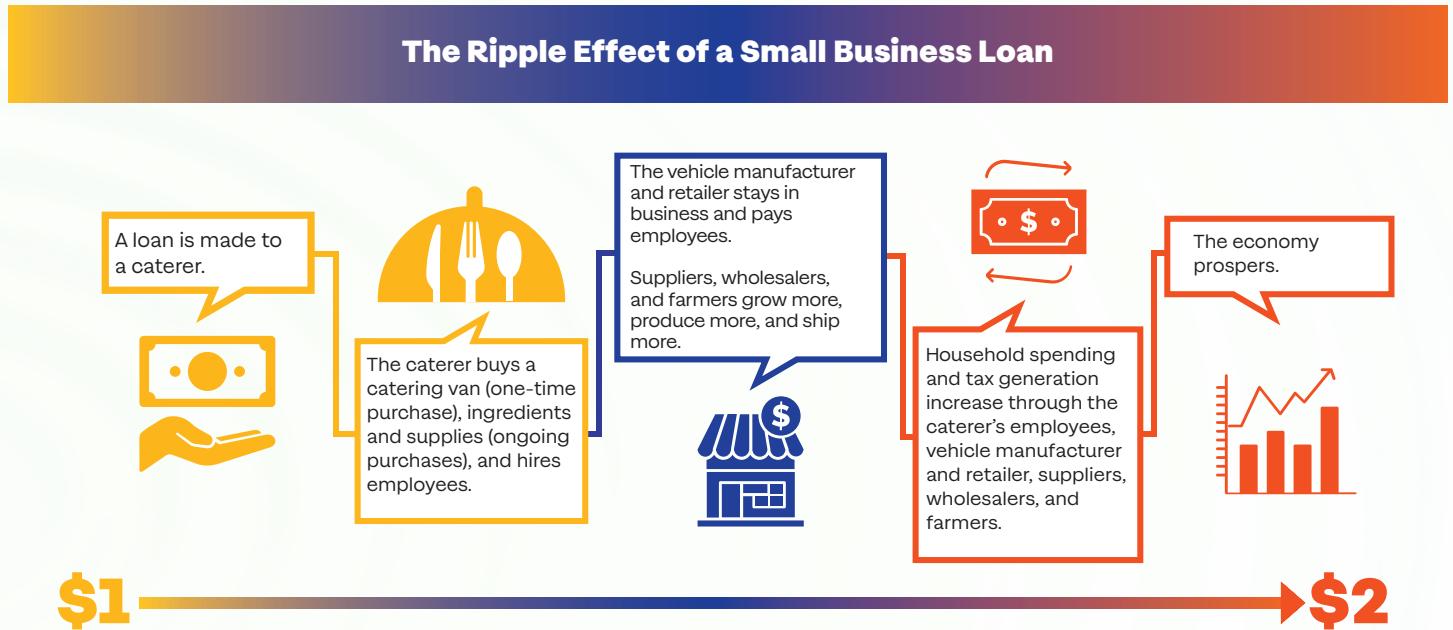
The analysis takes into consideration three types of expenditure effects:



*Paycheck Protection Program (PPP) loans (COVID relief loans that were backed and forgiven by the federal government in 2020 and 2021) were not part of this analysis, due to their unique short-term purpose of mitigating the effects of an economic crisis.

How a loan ripples through the economy

When AOF makes a small business loan, the initial investment creates a ripple effect as it flows from the borrower into the economy through direct, indirect, and induced activities. These impacts vary from state to state and from industry to industry based on local economic conditions and policies.



Definitions of Terms

Loans Funded: Total number or dollar amount of loans disbursed by AOF to a small business.

Metropolitan Statistical Area (MSA): A geographic region with at least one urban area of 50,000 or more people that shares strong economic ties.

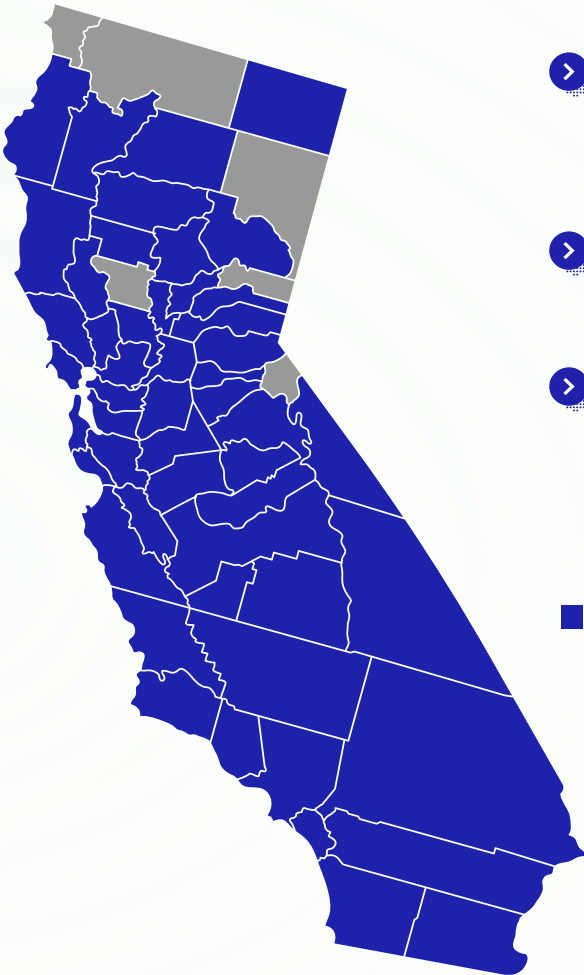
New Jobs Created: The number of new full-time and part-time jobs created in a local or state economy annually as a result of AOF's lending.

New Annual Wage Earnings: New employee wages and net earnings of sole proprietors and partnerships generated annually as a result of AOF's lending.

New Annual Economic Activity: Sum of the new direct, indirect, and induced activities (taxes, spending, and wages) produced annually within a specific MSA or state as a result of AOF's lending.

California

Every AOF loan flows through California businesses to spur new wages, new spending, and new tax revenues across our economy.



Between 2016 and 2023:

- > **AOF disbursed \$551,270,925 in loans, generating nearly \$1.1 billion in ongoing annual economic output. This means that for every \$1 lent, AOF loans generate approximately \$2 (\$1.96) in new annual economic activity.**
- > New annual wages earned amount to \$318.1 million. For every \$1 lent, about 58¢ in additional wage earnings are generated annually through downstream economic activity.
- > AOF’s lending generates almost \$36.7 million in aggregate tax revenue every year for the State of California.

Counties where AOF has made loans

*This table shows new downstream economic impacts spurred by AOF lending. It does not include the economic activity generated by businesses prior to receiving a loan.

Impact by Region*

Region/MSA	Loans Funded	% of CA Loan Volume	New Jobs Created Across Industries	New Annual Wage Earnings	New Annual Economic Activity
Los Angeles/Orange County	\$149,585,603	27%	1,685	\$92,592,575	\$314,323,023
Inland Empire (Riverside/San Bernardino)	\$67,865,337	12%	647	\$35,633,139	\$124,085,779
Fresno	\$62,834,754	11%	498	\$28,998,919	\$100,774,347
San Francisco/Oakland	\$54,922,647	10%	561	\$27,781,552	\$97,307,067
Stockton	\$50,741,004	9%	341	\$19,366,113	\$81,578,333
Sacramento	\$35,079,055	6%	415	\$24,304,367	\$77,690,420
San Jose/Silicon Valley	\$30,711,619	6%	419	\$21,042,206	\$64,856,361
Bakersfield	\$23,276,280	4%	275	\$16,100,525	\$51,969,706
Rest of California	\$76,254,626	14%	954	\$52,289,248	\$165,280,546
TOTAL	\$551,270,925	100%	5,795	\$318,108,644	\$1,077,865,583

1995-2015 vs 2016-2023

Since 2016, AOF has greatly expanded its lending in our home state of California, leading to commensurate increases in annual economic activity in each region, with lending in the Los Angeles/Orange County and Inland Empire MSAs at the forefront of this growth.

AOF's annual loan volume in Los Angeles and Orange Counties nearly doubled in the period of 2016-2023, from \$11.6 million to \$21.4 million. AOF began lending in the Greater Los Angeles region in 2012. In the Riverside-San Bernardino MSA (known locally as the Inland Empire), our average annual lending volume increased drastically as well, from \$3.5 million annually from 2012-2015 to \$9.7 million annually between 2016-2023.

In addition, we have expanded our lending efforts in the Central Valley considerably in the last eight years. As newer markets, we were unable to offer corresponding regional analyses in our last report. Today, we are proud to have issued \$136.9 million in loans in the Stockton, Fresno, and Bakersfield regions, spurring \$234.3 million in annual economic activity—representing close to a quarter of our loans in the state and more than one-fifth (22%) of the annual economic activity generated by our lending in California.

Impact by Industry

The top three industries in which AOF lends in California are Transportation and Warehousing, Food Services and Accommodations, and Retail Trade. Loans made in one industry impact other industries as well. The new annual jobs, wage earnings, and economic activity columns below represent the aggregate impact across *all industries*.

For example, the economic activity generated in the Transportation sector is the result of loans made to Transportation, Food, Retail, and other industries combined.

Business Industry	Loans Funded
Transportation and Warehousing	\$352,964,532
Food Services and Accommodations	\$65,007,939
Retail	\$31,304,080
Other Industries	\$104,326,402
TOTAL	\$553,602,953

Business Industry	New Jobs Created Across CA Economy	New Annual Wage Earnings	New Annual Economic Activity
Transportation and Warehousing	3,239	\$193,662,619	\$678,037,077
Food Services and Accommodations	918	\$38,191,745	\$128,494,846
Retail	392	\$16,763,952	\$55,713,654
Other Industries	1,246	\$69,490,329	\$215,620,006
TOTAL	5,795	\$318,108,645	\$1,077,865,583

Alicia, Alicia's Tamales Los Mayas

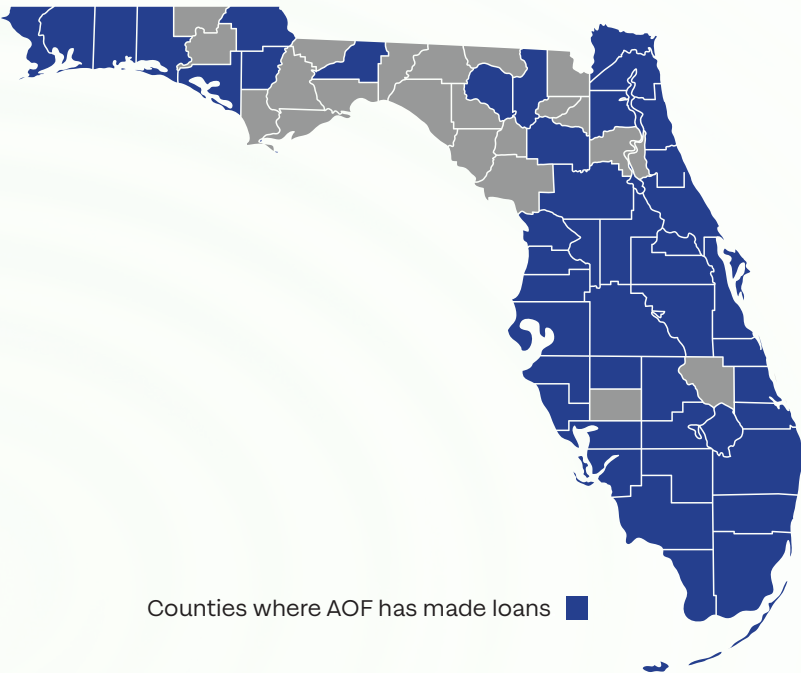
Hayward, California

As a child, Alicia learned how to make tamales from her mother and grandmother. After immigrating to the U.S. in 2000, Alicia began making hundreds of tamales weekly, selling them door-to-door to make extra money. Demand soon skyrocketed, and Alicia found that she needed additional resources. With the help of AOF in 2014, she purchased her first delivery van for approximately \$15,000. Since then, Alicia has become a repeat borrower with AOF. Today, [Alicia's Tamales Los Mayas](#) is producing thousands of tamales a month in a 6,000 square foot commercial space and counts Williams Sonoma and Alaska Airlines as just some of their clientele.



Florida

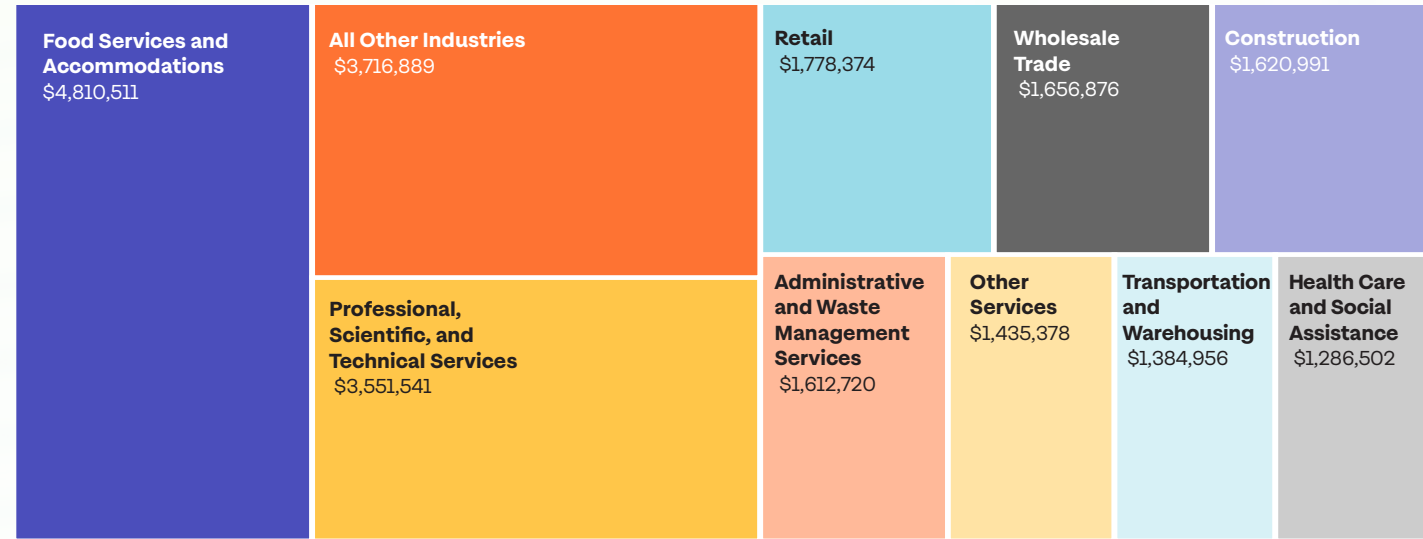
Every AOF loan flows through Florida businesses to spur new wages, new spending, and new tax revenues across our economy.



Between 2017 and 2023:

- We provided \$22,854,738 in loans, which generates \$45.8 million in annual economic activity. This means that for every \$1 lent, AOF loans generate \$2.01 in new annual economic activity in Florida.
- New annual wages earned amount to \$15.9 million. For every \$1 lent, 70¢ in additional wage earnings are created annually through downstream economic activity.
- AOF’s lending generates almost \$1.1 million in aggregate tax revenue every year for the State of Florida.

The top industries in which AOF lends in Florida are listed below.



AOF loans generate the following in new annual jobs, wage earnings, and economic activity throughout the state.

Loans Funded	New Jobs Created Across FL Economy	New Annual Wage Earnings	New Annual State Tax Revenue	New Annual Economic Activity
\$22,854,738	364	\$15,891,214	\$1,076,548	\$45,845,344

Carlos, Meat Town Distributors

Doral, Florida

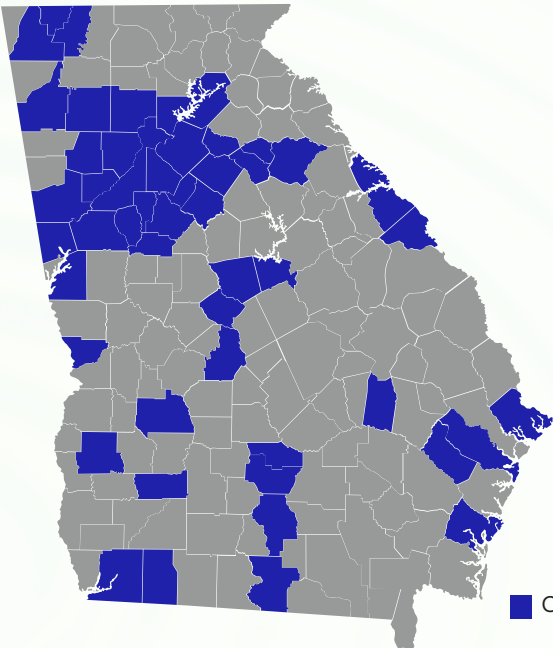
[Meat Town](#) is a butcher and distributor of all types of meats, from Japanese wagyu beef to Venezuelan blood sausage, in Miami-Dade County. Owner Carlos has embraced technology and social media when it comes to his business. Not only does he advertise on Instagram and Facebook, but he also offers his products through UberEats. In 2024, AOF provided Carlos and his business with a \$150,000 loan.

“We think that the impact that [AOF] will make in our business is very positive because we are able to invest in inventory for the business.”



Georgia

Every AOF loan flows through Georgia businesses to spur new wages, new spending, and new tax revenues across our economy.

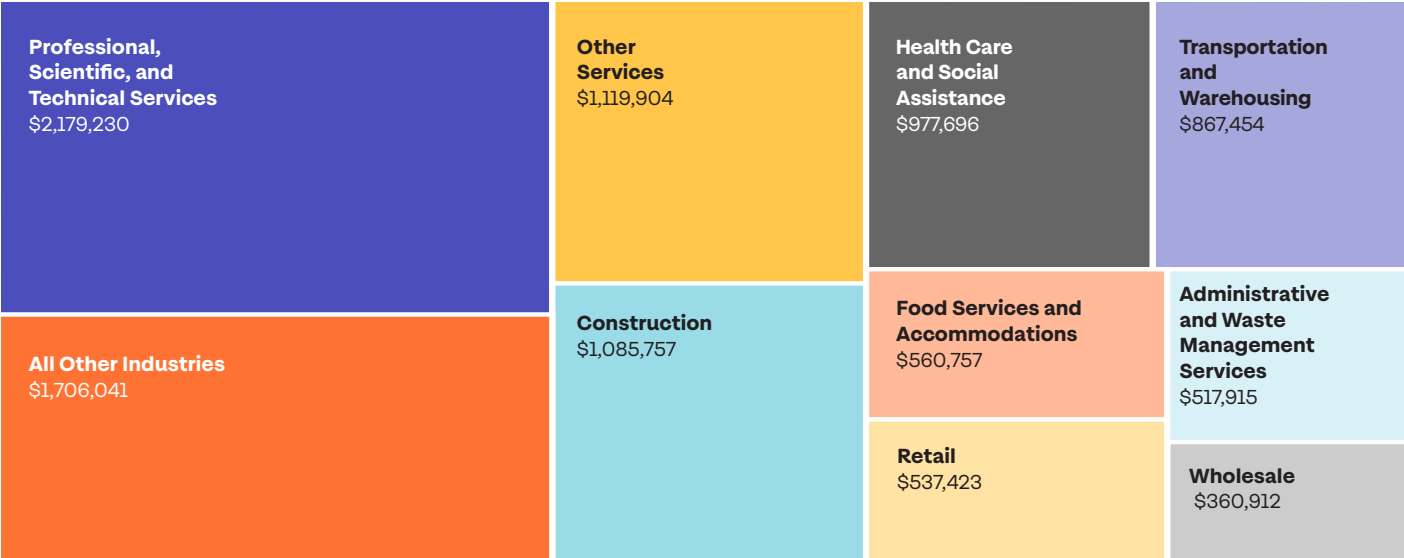


Between 2017 and 2023:

- > **We provided \$9,913,089 in loans, which generates \$21.5 million in annual economic activity. This means that for every \$1 lent, AOF loans generate \$2.17 in new annual economic activity in Georgia.**
- > New annual wages earned amount to \$7.4 million. For every \$1 lent, 75¢ in additional wage earnings are created annually through downstream economic activity.
- > AOF’s lending generates nearly half a million (\$498,000) in aggregate tax revenue every year for the State of Georgia.

■ Counties where AOF has made loans

The top industries in which AOF lends in Georgia are listed below.



AOF loans generate the following in new annual jobs, wage earnings, and economic activity throughout the state.

Loans Funded	New Jobs Created Across GA Economy	New Annual Wage Earnings	New Annual State Tax Revenue	New Annual Economic Activity
\$9,913,089	161	\$7,385,662	\$498,040	\$21,487,203

Brittney, Project Chick Planner

Atlanta, GA

Brittney founded Project Chick Planner in 2021, a hip hop-themed planner and office supply company based in Atlanta. Beyond their '90s and early 2000s nostalgia, the planners are unique in that they encourage individuals to organize and plan by project, rather than by date. In 2023, Brittney received a \$10,000 loan from AOF to help with marketing—the first time she has received financing for her business.

“I have not received any funding thus far in my business despite several pitch competitions and competitive cohort programs. The business development is nice, but I am beyond needing a business plan or pitch deck. Financial assistance is pivotal to my next steps.”

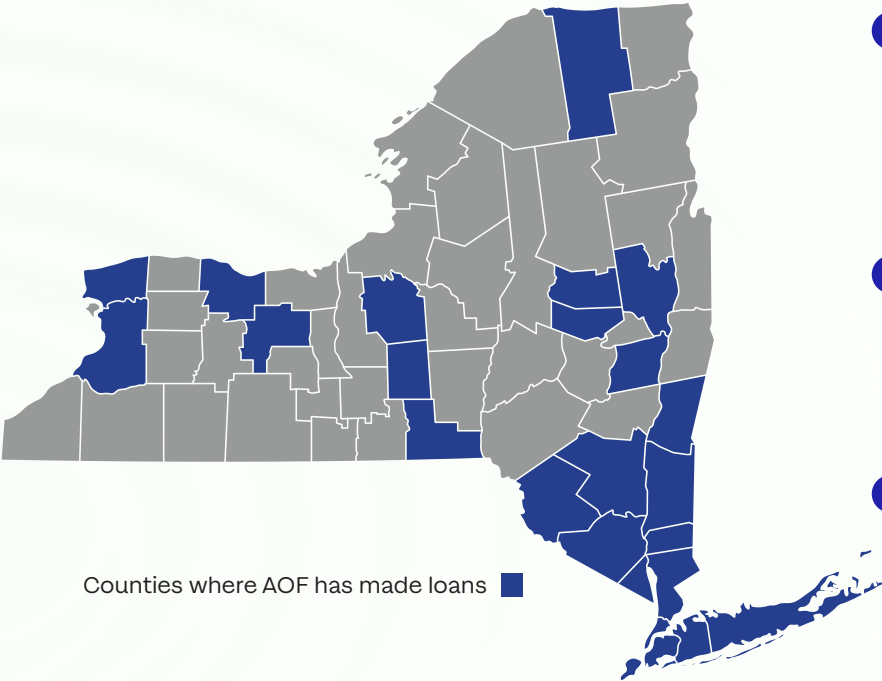


New York

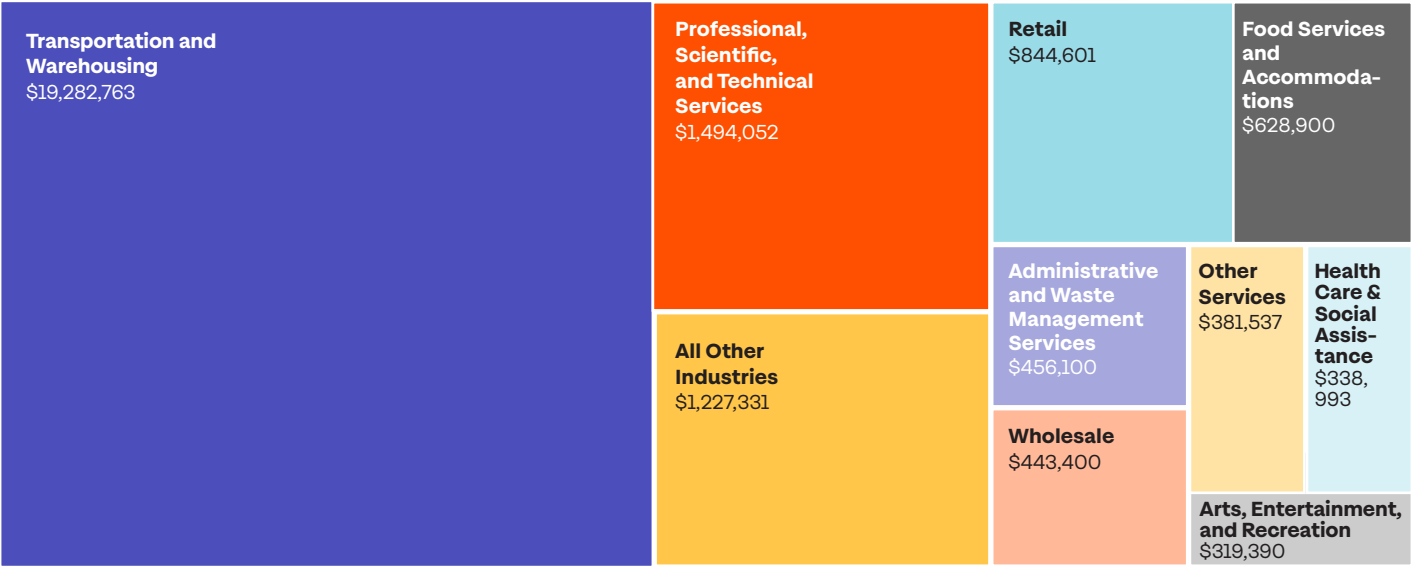
Every AOF loan flows through New York businesses to spur new wages, new spending, and new tax revenues across our economy.

Between 2017 and 2023:

- > We provided \$25,417,068 in loans, generating \$44.9 million in annual economic activity. This means that for every \$1 lent, AOF loans generate an additional \$1.77 in new annual economic activity in New York.
- > New annual wages earned amount to \$13.5 million. For every \$1 lent, 53¢ in additional wage earnings are created annually through downstream economic activity.
- > AOF’s lending generates almost \$1.1 million in aggregate tax revenue every year for the State of New York.



The top industries in which AOF lends in New York are listed below.



AOF loans generate the following in new annual jobs, wage earnings, and economic activity throughout the state.

Loans Funded	New Jobs Created Across NY Economy	New Annual Wage Earnings	New Annual State Tax Revenue	New Annual Economic Activity
\$25,417,068	243	\$13,457,445	\$1,071,933	\$44,890,627

Stacy, Curl & Co.

New York City, New York

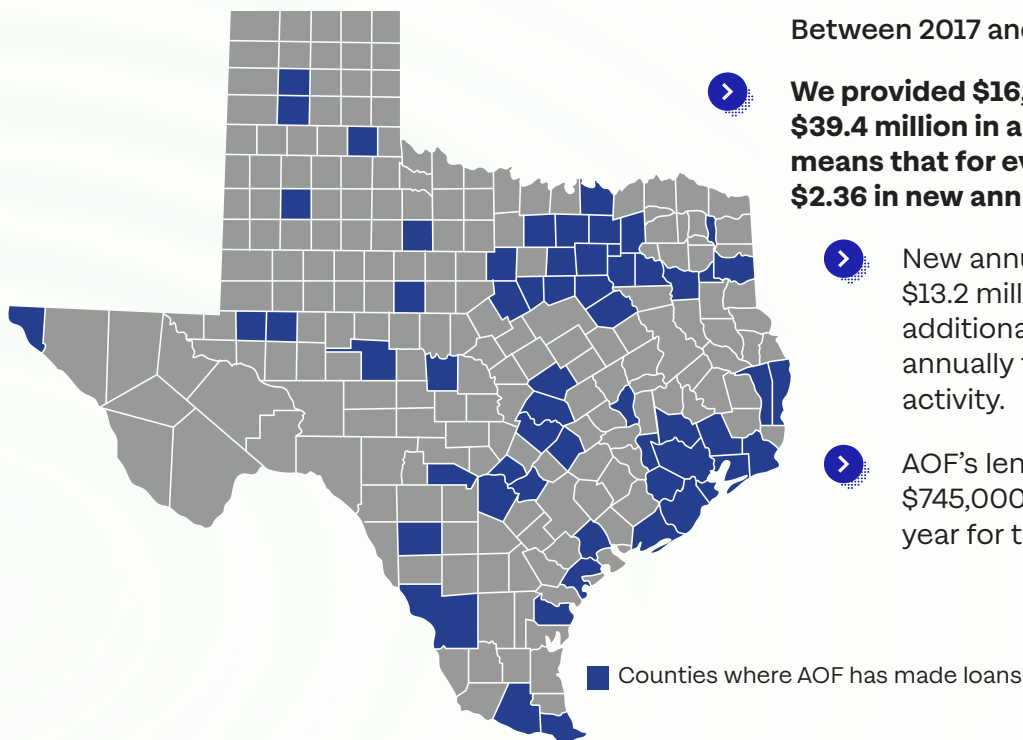
Stacy was always drawn to the sanctuary of Black beauty salons and the creativity she could express as a hair stylist. As a teenager, she worked at a hair salon owned by a family friend after school and during the weekends. After working in the music industry and as a legal assistant for fifteen years, Stacy returned to her love of hair design and opened her own salon, [Curl & Co.](#), in 2014. She used her \$5,000 AOF loan to help pay operating expenses, including rent and inventory purchases.

“Every injection of capital into my business helps,” Stacy said. “The [AOF] loan was an opportunity to increase clientele and awareness, and support people investing in self-care and hair love.”



Texas

Every AOF loan flows through Texas businesses to spur new wages, new spending, and new tax revenues across our economy.

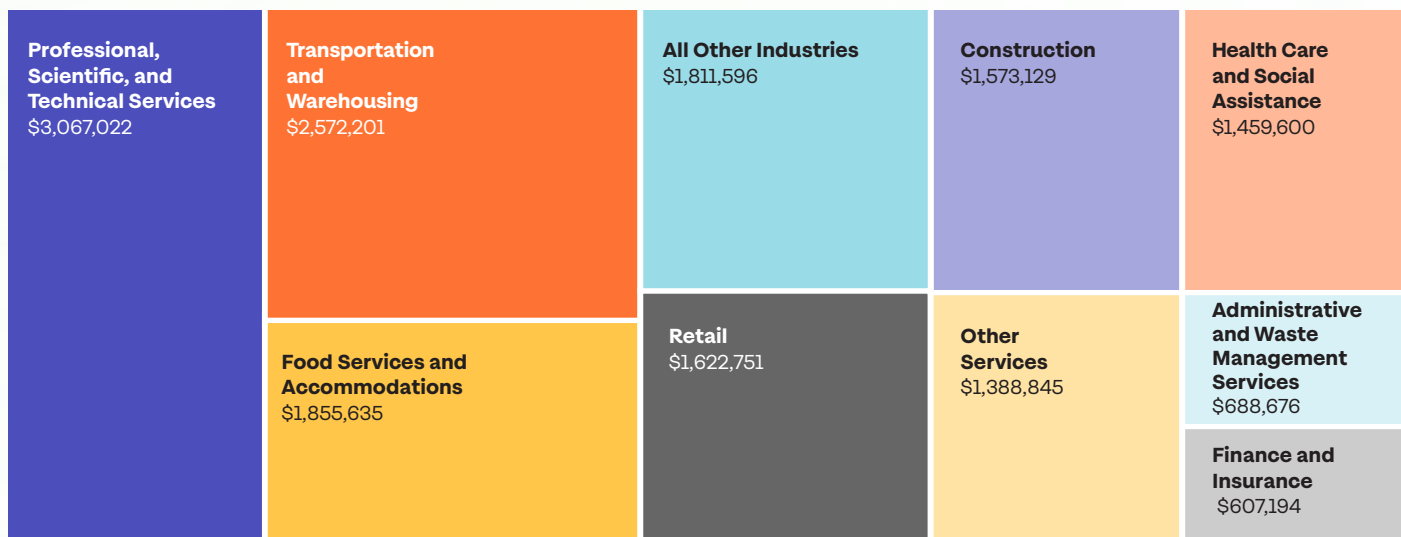


Between 2017 and 2023:

We provided \$16,646,649 in loans, generating \$39.4 million in annual economic activity. This means that for every \$1 lent, AOF loans generate \$2.36 in new annual economic activity in Texas.

- New annual wages earned amount to \$13.2 million. For every \$1 lent, 79¢ in additional wage earnings are created annually through downstream economic activity.
- AOF's lending generates more than \$745,000 in aggregate tax revenue every year for the State of Texas.

The top industries in which AOF lends in Texas are listed below.



AOF loans generate the following in new annual jobs, wage earnings, and economic activity throughout the state.

Loans Funded	New Jobs Created Across TX Economy	New Annual Wage Earnings	New Annual State Tax Revenue	New Annual Economic Activity
\$16,646,649	275	\$13,160,755	\$745,141	\$39,351,037

Juan, Chefunction

San Antonio, Texas

Juan came to AOF in January 2024 looking for a loan to help with marketing and equipment for his catering company in San Antonio. We were able to approve Juan's application and he received \$10,000.

"The funds helped me to generate more employment and purchase equipment needed to continue to expand the company. Marketing is necessary and quite costly, and this helped me to be in the eyes of many customers."



Acknowledgements

This research has been generously supported by [The California Endowment](#), whose philanthropy has enabled Accion Opportunity Fund to advance its vision for greater equity for women, immigrants, and people of color, and to better understand the widespread impact of investing in historically underserved communities.

The Research and Policy team at Accion Opportunity Fund would like to thank the individuals and organizations that contributed to this report. Thank you to our internal Data and Fundraising teams for generating the data, helping publicize the report and its findings, and so much more. We are appreciative of all the shared teamwork.

We are also immensely thankful for our external partners. Thank you to [TXP, Inc.](#), our research partner through the years. Without your expertise and analyses, we would not have been able to author this series and explore the macroeconomic impact of our lending.

About Accion Opportunity Fund

Accion Opportunity Fund works to create an inclusive, healthy financial system that supports the nation's small business owners by connecting entrepreneurs to affordable capital, educational resources, coaching, and networks.

Through innovative partnerships and outreach strategies, we reach entrepreneurs of color, women entrepreneurs, and low- to moderate-income entrepreneurs, who often lack access to the financial services to build and grow their businesses.

In addition, we actively advocate on behalf of small businesses at the local, state, and federal levels to ensure all small businesses have access to quality financial services and the protections they deserve when borrowing funds.

aofund.org



**We help small
businesses
thrive.**