RURAL ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT: OPPORTUNITY, FUNDING, KNOWLEDGE & SUPPORT

Small businesses are a significant asset to North Carolina’s rural small towns. It took longer for our rural small businesses to recover from the 2008 Great Recession than their urban counterparts, and two major hurricanes and the recession caused by the COVID-19 pandemic threatens our rural small business sector once again. For rural North Carolina to thrive, we have to take every effort possible to support our small businesses, their employees, and the communities they serve. The NC Rural Center’s lending subsidiary, Thread Capital, in partnership with other community development financial institutions (CDFI) across the state, is playing its part to address critical financing needs to keep small businesses up and running through the NC COVID-19 Rapid Recovery Loan Program.

However, much more needs to be done to meet the needs of our state’s entrepreneurs and small business owners. The underlying systemic issues impacting the plights of our small business sector require fiscally sound policy solutions.

In North Carolina, businesses with less than 50 employees make up 95 percent of business entities with more than one employee/proprietor. These very small firms account for 44 percent of all employment in North Carolina. Most of these firms are in food and accommodation, retail, and entertainment/recreation sectors.

Between 2005 and 2015

- 4,289 fewer establishments with less than ten employees.

For rural N.C. small firms with less than $1 million in revenue:

- 61% decline in small business lending for a decline of more than $1.6 billion

Average loan size

- $58,552 in 2005
- $39,428 in 2015

Bank branch reductions in rural North Carolina

- 165

In 2012, of the rural firms with paid employees:

- 16% female-owned
- 79% white-owned
- 8% owned by people of color
- 14% listed as non-classified (re: race/ethnicity category)
RECOMMENDED ACTIONS

• Adopt a statewide small business agenda that fully addresses the needs of entrepreneurs and small businesses, with special attention on underserved areas, and businesses owned by people of color, veterans and women. The NC Rural Center is beginning a new initiative to secure more supportive state policy for emerging entrepreneurs and to create an engagement process that consistently links entrepreneurs and small business owners to policy leaders. Beginning in the summer of 2020, we aim to tailor the Kauffman Foundation’s national policy platform, America’s New Business Plan. This plan has four pillars:

  > Opportunity: A level playing field with less red tape
  > Funding: Equal access to the right kind of capital everywhere
  > Knowledge: The know-how to start a business
  > Support: The ability for all to take risks

• Promote responsible practice in the non-bank small-business lending sector to create greater transparency and fairness for potential borrowers.

• Balance state economic development efforts with an added emphasis on supporting entrepreneurs and retaining existing firms.

• Address regulatory barriers that hinder entrepreneurs from starting and growing businesses.

• Increase funding and coordination of technical assistance for rural communities nurturing small business development and downtown revitalization.

• Support long-term disaster recovery and resiliency through improving small business support and strategic planning.

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