Entrepreneurial Financing and Economic Development

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Why Small Business Development?

• Connection with innovation
• Fit with existing clusters
• Filling market gaps
• Long term retention
Small Business Financing

Share of Small Business Financing Dollars for Startup Firms

- Business loan, 17%
- Owner/family equity, 36%
- Credit line, 5%
- Other, 6%
- Business credit card, 3%
- Personal credit card, 4%
- Outsider equity, 8%
- Personal loan, 12%
- Owner/family loan, 9%

Note: Firms started in 2004 and about one-tenth did not use capital to start.
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by Kauffman Firm Survey
Small Business Financing

• Self-financing (Equity)
• Venture Capital (Equity)
  – Small amounts available & hard to get
  – V.C.s often want 5-year exit plan
• Bank Loans (Debt)
  – SBA, SBIR (Guaranteed by U.S. Government)
    • Limited amounts available
    • Must meet specific requirements (e.g., good credit)
Share of Bank Assets by Bank Size

Largest 20 banks, 57%

Mid-sized banks, 11%

Small banks, 11%

Other large banks, 21%

Source: FDIC Corp. Data, 3rd quarter 2009
Share of Small Business Lending by Bank Size

- Small banks, 34%
- Largest 20 banks, 28%
- Mid-sized banks, 20%
- Other large banks, 22%

Source: FDIC Corp. Data, 3rd quarter 2009
Small Business Share of All Commercial Loans

Source: FDIC Corp. Data, 3rd quarter 2009
Small Business Share of All Commercial Loans

Mid-sized Banks

33%

Source: FDIC Corp. Data, 3rd quarter 2009
Small Business Share of All Commercial Loans

Largest 20 Banks

18%

Source: FDIC Corp. Data, 3rd quarter 2009
Other Financing Alternatives

• Community Banks: Southern Bancorp
  – Nonprofit
  – Make loans that are smaller than for-profit banks can make
  – May have somewhat lower interest rate
  – Lends for other development purposes
Other Financing Alternatives

• Community Banks: Accion Arkansas
  – Extension of Accion Texas
  – Strictly small business and microenterprise lender
  – Competitive and fixed interest rates
  – Hands-on business training and small business development tools
  – Credit history and risk determine loan amount and interest rate
Other Financing Alternatives

• Kiva
  – Started in 2005 partnering with microfinance institutions to administer loans globally
  – Uses crowdsourcing of loans
  – Works with borrowers in Kenya, Afghanistan, South Sudan
  – Expands to include Philippines, Micronesia, Eastern Europe
  – Kiva Zip started in 2011 in U.S., comes to Arkansas
Victor, Cafeto and a 0%, $5,000 loan

**Personal Story**

My name is Victor. I am soon to become business owner with my partner Abel, in the opening of the first coffee shop in our new neighborhood. We want to create a warm and inviting atmosphere where people can come and enjoy a great cup of coffee along with some delicious pastries and sandwiches. However, we need a loan to finance the construction and decoration of the shop. The loan amount is $5,000 and it is being provided by a 0% interest rate. The repayment term is 12 months with monthly payments.

**Disbursement Type:** PayPal

**Interest Rate:** 0%

**Repayment Term:** 12 months

**Grace Period:** N/A

**Currency Exchange Loss:** N/A

- **Listed:** Nov 29, 2011
- **Disbursed:** Dec 21, 2011
- **Paying Back:** Dec 22, 2011
- **Ended:** Nov 27, 2012

**About Cafeto Coffee Shop**

- **Industry:** Restaurant / Caterers
- **Years in Operation:** New Business
- **Follow:**

**Institute for Economic Advancement College of Business**
Victor’s ‘trustee’, MEDA

Why are you interested in becoming a Trustee?

As an Asset Building Organization and within our Business Development Program is priority to support our clients to find resources to be able to launch their businesses. Aside from being Loan packaging one of the services that we provide we are always looking for sources of funding for our clients. Also, with the new lending policies, options for start up business are limited or unavailable we are always looking for more flexible financing options for this new business.
Victor’s ‘crowd’ of lenders
Lenders expressing support, and even becoming customers.
Hello to all my lenders! I just wanted to say a huge thank you to all of you for lending me this money and allowing me to launch Cafeto! We opened in December, so we have now been running for 6 months. Business is doing great! Customer numbers are strong and growing, and people in the neighborhood are very excited about Cafeto. Also, we have hired 5 people, so we have created 5 jobs!

Last Sunday, Papa Bear and the Mowglis (a music band in the neighborhood) came to the coffee shop to play a free show! It was fantastic! They said that this coffee shop has brought life to the neighborhood.

Come and see us for yourselves at 111 Richland Avenue, San Francisco.

A few weeks ago I came to the Kiva head office to a party, where I told people about my story, and how this loan helped me launch Cafeto. And now I am always telling my friends about Kiva Zip, and how this loan helped me with my business. I have now endorsed another good friend of mine (Ernesto) for a loan, and this morning I started endorsing another friend, Rocio. Watch out for her loan appearing on the Kiva Zip website in the next few days!

Thank you to all of you for trusting me and helping me pursue my American dream!

Jun 9, 2012
Hi Everyone,

Just an update on Victor and his shop. When I first uploaded Victor’s story the picture showed pretty much him on his space. I just recently visited him and the place is full of inventory, new equipment and customers. Sales are keeping steady growth which is great. Now that he is close to fully pay back his loan, I want to thank all the people that supported him. We are very happy as an organization to have believed in his potential. KIVA was not the first door we knocked on but only KIVA was willing to provide financing. Thank you KIVA and thank you Jonny for supporting entrepreneurs.

Oct 23, 2012
Lenders can connect on Yelp or Facebook

Victor
Cafeto Coffee Shop
San Francisco, CA

OVERVIEW  ENDORSEMENT  REPAYMENTS  LENDERS  CONVERSATIONS

Personal Story

My name is Victor. I am soon to become business owner with my partner Abel. In the opening...
Victor then endorsed his friend Rocio for a loan.

Rocio
Rocio's House Cleaning Services
San Francisco, CA

Personal Story
(Translated by the Kiva Zip team)

My name is Rocio Hernandez. I am a single mother and I am from Tierra Blanca, Veracruz, Mexico - a small town very different from San Francisco. I've been in the US for 9 years. I came here to give my children better opportunities and a better future. When I first got here my sister helped me get a job and housing. With my energy and desire to succeed I was able to save money to bring my children to the US. I have three children, Eduardo is 19 years old and he's studying English and working. Paulina is 18 and she is in high school and she wants to continue studying and Marcos is 12, also studying.

My goal is to have my own house cleaning business to help my kids study and progress.
Victor is now 100% repaid...

Victor
Cafeto Coffee Shop
San Francisco, CA

A loan of $5,000 helps me to finish construction and decoration of my coffee shop.

100% repaid

Disbursement Type: PayPal
Interest Rate: 0%
Repayment Term: 12 months
Monthly payments
Grace Period: N/A
Currency Exchange Loss: N/A
Listed: Nov 29, 2011
Disbursed: Dec 21, 2011
Paying Back: Dec 22, 2011
Ended: Nov 27, 2012

About Cafeto Coffee Shop
Industry: Restaurant / Caterers
Years in Operation: New Business
Follow:

My name is Victor. I am soon to become business owner with my partner Abel, in the opening
What’s Happening in Arkansas

• Kiva Unveiled March 15, 2013
  – 34 borrowers
  – 23 trustees
  – $236,000 requested

• To date: 23 loans (67%) fully funded!
For More Information

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