

Western Women's Business Center (WWBC)

FY2021 Strategic Partnership Grants

Carolina Small Business Development Fund

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Application Form

INSTRUCTIONS

As part of the FY2021 Strategic Partnership Grants program, Buncombe County requests proposals for community-based projects working toward outcomes in alignment with Strategic Plan focus areas.

Please refer to the Grant Guidelines published on the Strategic Partnership Grants website at buncombecounty.org/grants for complete information about the grant program, including: Purpose; Funding; Eligibility; Timeline; Grant writing workshop; Review process; Awards; and more.

Applications are due by 5:00 on February 14, 2020.

BASIC INFORMATION

BASIC INFORMATION – Before completing the application, please tell us a little about the request.

Project Name*

Western Women's Business Center (WWBC)

Strategy*

Recognizing that some projects will use more than one strategy, select the strategy that most closely applies to this project:

- Environmental Stewardship - High quality air, water, farmland and renewable energy for future generations
- Educated & Capable Community - A county where all people thrive and demonstrate resilience throughout their lives
- Vibrant Economy - A robust and sustainable economy that builds on homegrown industries/talent and provides economic mobility for all
- Resident Well-Being - A county where residents are safe, healthy, and engaged in their community

Vibrant Economy

Funding Request*

How much funding is this project requesting for FY2021?

\$100,000.00

Grant Guidelines*

Have you read and understand the information presented in the FY2021 Grant Guidelines Strategic Partnership Grants?

Click here for the Grant Guidelines.

If no, please contact County staff to request assistance: Rachael Nygaard, (828) 250-6536 or rachael.nygaard@buncombecounty.org.

Yes

Nonprofit Status*

Upload proof of nonprofit status, such as IRS Determination Letter or documentation from the North Carolina Secretary of State. If this documentation is not available, briefly state the reason.

IRS Letter 501c3.pdf

Board of Directors*

Upload a current list of your organization's Board of Directors. If your organization does not have a board of directors, briefly state the reason.

CSBDF 2019-20 BOD Contact Info Revised Jan 2020-docx.docx

APPLICATION

APPLICATION QUESTIONS – Responses to these questions will be scored by the grant committee. Each question is worth 10% of the final score.

Organization*

Tell us about your organization. What is your mission? Highlight two or three key facts and accomplishments that best define your organization.

Carolina Small Business Development Fund is a statewide nonprofit and Community Development Financial Institution (CDFI) that fosters economic development in underserved communities by providing capital, business services, and research supporting small businesses. A program of CSBDF, the Western Women's Business Center's (WWBC) provides high quality technical assistance and programs that reduce barriers and serve as a catalyst to the success of entrepreneurs in 25 counties of Western NC, with headquarters and primary services in Buncombe County. Through business development services, including one-on-one coaching, workshops and access to capital, we provide resources and support that are proven to help women and people of color start and grow businesses in our region.

Since opening in 2014, the WWBC has served 4,253 clients through group seminars and workshops. It has also served more than 645 unique businesses through one-on-one coaching, totaling 1,430 hours of

assistance. The WWBC has also expanded access to capital through 119 CSBDF small business loans totaling \$10.3 million, which clients report helped create or retain 364 jobs in the region. In Buncombe County, the Latino program (launched in 2016) has served 95 Latino clients through 774 hours of individual assistance, drawn 668 workshop attendees, and held 28 workshops in Spanish.

In our fifth year as an SBA-funded Women's Business Center, the WWBC continues to implement the scope of our work without compromise. Since opening our doors, we have grown our partnerships, offered a greater breadth of trainings and seminars, and increased our capacity for one-on-one counseling. Even with this growth, we are committed to continue to ensure quality services while meeting the high volume goals set for FY 2021. The WWBC will continue to provide core courses, specialized training, and one-on-one counseling and TA tailored to meet the unique needs of diverse small business entrepreneurs throughout Buncombe County.

Need for the Project*

What is the main issue this project is established to address? What data or qualitative factors/stories are available to show that need?

Our project is aligned with Buncombe County's vision to create "a robust and sustainable economy that builds on homegrown industries/talent and provides economic mobility for all". Our projects create opportunities for women, people of color, and low-to-moderate income entrepreneurs and we address several barriers to business success that these clients face.

In Buncombe County, there are disparities in the number of businesses owned by women and people of color, as shown in "The Economic Leakage Study of the Asheville MSA", published by the WNC New Economy Coalition, of which the WWBC is a member. This report documents that access to capital is the biggest issue for people of color working to start businesses and that help navigating the system, mentorship, and networking are key to supporting business success.

Latino entrepreneurs also face many barriers to starting and growing their small business. Research shows challenges for this population include limited credit history, lack of assets and/or owner equity, insufficient knowledge of business management practices, and persistent language barriers. The Latino Program fulfills this need through the use of bilingual and bicultural staff that provide comprehensive counseling and pathways to secure financing. This is the only program in North Carolina which offers bilingual support for both technical assistance and lending.

Census data also shows disparities in women's business ownership in our region. As of 2012 in Buncombe County, women own only 22% of firms with paid employees. Scholarship has shown that the challenges women face in this area extend far beyond simply starting a business. Women face numerous structural barriers that prevent them from fully engaging small business social networks in the same manner as male entrepreneurs. The WWBC designs meaningful education, training, and networking opportunities that meet the needs of women and people of color who are entrepreneurs in our region.

Project*

Explain the project and how it will work. Include the overall purpose and any models or evidence-based practices that will be included. What specific activities and milestones are included in the project plan?

With a grant from Buncombe County, we plan to continue serving small businesses with our proven one-on-one coaching and workshops tailored to the needs of local entrepreneurs. Our Deep Dive Labs and "Building Your Business" Study Halls have increased the quality and depth of the topics offered to our clients over the last year, and expanded their opportunities for one-on-one technical assistance. This individual relationship building and mentoring increases our clients' success as business owners and helps them be

better prepared to pay off their loans. This paves the way for clients to demonstrate “bankability” to other sources of capital. We have continued to offer core classes on QuickBooks, Marketing, Rocket BizPlans, and Lending for your Business.

The project supports people of color through African American Business Association and the Latino Program. Through the AABA, we hold one-on-one coaching and monthly training programs tailored to the priorities of low-income and African American entrepreneurs, supporting business starts and expansions, job creation, and access to capital. The AABA workshop is based on participant goals and includes training curriculum, presentations, and working sessions around these priorities: business finance, business planning, asset building, marketing, business acumen, networking, and innovation. Our annual WWBC conference also creates networking opportunities and social capital for over 300 attendees. The Deep Dive Labs and Study Halls, core workshops are offered at our headquarters at AB Tech Small Business Center in Candler. Our AABA workshop is held at the Edington Center, accessible by public transit. The Latino Program promotes small business creation in the Latino community through 1:1 coaching, group training, and access to capital. Client engagement through the Latino Program focuses on building credit, promoting financial literacy, creating business plans, and providing information on licenses and permit requirements.

People Served*

How many people will be served by this project? Describe the people served, including demographics such as geography, income, race & ethnicity, age, etc.

Overall, we project that in FY 2021 we will serve 350 unique clients through business development training, one-on-one coaching, and networking events. This includes participants in WWBC business development workshops in Asheville, such as our African American Business Association held at the Edington Center, which maintains approximately 20 participants each month. This also includes WWBC core courses at the AB Tech Small Business Center in Candler, which includes at least one course offering per week and generally maintains 10-20 participants. The WWBC also serves approximately 100 individuals each year through one-on-one coaching and technical assistance in Buncombe County. For the Latino Program, this includes projections to serve 20 through one-on-one technical assistance and 50 through workshops, including 2 workshops/networking events in Spanish in FY21.

The focus of our programs is creating opportunities and reducing barriers for low and moderate-income entrepreneurs with an emphasis on people of color, women, artists, and veterans. In FY20 to-date, 23% of the WWBC seminar attendees were people of color, 84% were women, and 4% were veterans.

Results*

What results do you hope to achieve with this project? Be specific about how much impact the project will have in line with Commissioner focus areas.

We know that small businesses are most likely to succeed with a comprehensive, relationship-based approach where we can both be supporters and cheerleaders for success. Part of putting that into action is the use of technical assistance that allows women and other underserved populations to reach their small business dreams. Through this programming, we aim to foster an environment for business development in Buncombe County that is vibrant, diverse, and inclusive.

From the 350 individuals receiving training and technical assistance through our programs, we expect that our project will result in these outcomes: 6 business starts, 20 full-time equivalent jobs created or retained, and 10 small businesses accessing capital to support their ventures.

In broader economic terms, not only does our work support individual talent and mobility, but input-output modeling suggests it also promotes economic development. On average, each small business assisted

by CSBDF statewide has been estimated to support \$224,383 in payroll earnings, 4.8 full-time equivalent employees, and \$20,755 in new tax revenues in the span of one year. We have attached supporting documentation for your consideration, with an analysis of our organization's economic impact.

Evaluation*

How will you know you have succeeded? Explain the project evaluation process, including specific measures that will be tracked.

Our vision is a strong and diverse community of entrepreneurs and small business owners in Buncombe County who are sustainable and successful because of coaching, counseling, and access to capital.

Our success is measured through program participation from our target demographics and outcome measures including business starts and expansions, job creation and retention, and access to capital. We track data from all one-on-one coaching and workshops in our CenterIC database, which includes demographic information, client feedback and services provided, including hours of technical assistance. Our case management in Center IC allows us to follow track and develop relationships with our clients for each interaction. This also allows us to run reports on our impact. We review our key performance indicators for all grants quarterly, which allows our staff to determine if we are meeting our requirements and if not to adjust. We also maintain evaluations for each program we facilitate soliciting information from our clients.

CSBDF also measures programmatic activity and success by collecting data on clients who receive loans. Lending clients are asked to provide demographic, financial, and business ownership data at the time of application. Borrowers are also asked to estimate how many jobs loan capital might enable them to create or retain. For two years following loan approval, lending clients are asked to update their job-related estimates through an annual survey. These data points enable us to more accurately measure the extent to which it is reaching North Carolina's underserved small business community.

Collaboration*

List any formal and/or supportive partners. Describe their roles in the project. How will they make it stronger?

The Western Women's Business Center partner with business service providers in Western North Carolina through Spark Tank, where we aim to advance a cohesive, inclusive, and efficient means of fostering entrepreneurship. Other members include the AB Tech Small Business Center, SBTDC, SCORE, Mountain BizWorks, and the City of Asheville Office of Business Inclusion. We also partner with the Small Business Center and SBTDC to host our annual Western Women's Business Conference. Through Opportunity Asheville, we partner with Mountain BizWorks and Eagle Market Street CDC to provide business education, coaching, and access to capital for low-to-moderate income entrepreneurs, with a focus on people of color. The WWBC offers the African American Business Association as part of this partnership as well.

Latino business owners are reached through referral partners including University of North Carolina UNCA, Hola Carolina, Asheville Chamber of Commerce, The Mexican Consulate, Mountain BizWorks, Nuestro Centro, First Bank, Wells Fargo, Self-Help Credit Union, State Farm, Biltmore Farm Hotel, Buncombe County Literacy Council, and the YMCA.

Carolina Small Business Development Fund is also a partner of Mountain Community Capital Fund, along with the City of Asheville, Buncombe County, Self-Help Ventures Fund ("Self-Help"), and Mountain BizWorks. The Mountain Community Capital Fund (MCCF) aims to provide financing to small business enterprises within the City of Asheville and Buncombe County, especially entrepreneurs of color and borrowers with low-incomes.

Budget*

Download a copy of the budget form [HERE](#). Complete the form, and upload it using the button below.

Explain how grant funds will be used, specifically what type of expenses will be covered by County funds. Describe other sources of revenue, including type of funding, source, restrictions and status.

FY21_SPGrant_Budget_Form 2-14-20.xlsx

Funds from this grant will support training and conference costs that are vital mechanisms for reaching our audience, as well as building their social networks and capital that is vital for their success as entrepreneurs.

Grant funds will also support WWBC personnel, including the WWBC Director, WWBC Associate Director, and Client Intake Specialist. It will also be used to support time spent from the Latino Program Director in Buncombe County, and other contract professionals involved in the program. Funds will also cover travel costs that allow our staff to meet clients where they are, and deliver technical assistance in rural parts of the county. It will also allow us to reach a diverse population through advertisement to the Latino community in local spanish-language media outlets.

Our other sources of revenue include ticket sales from our annual conference (scholarships are provided to lower-income clients on an at-need basis), and our program is also supported by annual grants from the Small Business Administration (SBA), and the City of Asheville CDBG program.

Other County Funding*

List all other Buncombe County funding that is provided to your organization. For each item, list the project being funded, amount of funding, source (grant, departmental contract, etc.) and whether funding is to be renewed for FY2021.

We have not received other funding from Buncombe County outside of the Strategic Partnerships Grant to support our business development programs.

Sustainability*

How will the project continue to succeed after the funding of the grant? Explain your plan for making this an ongoing effort.

We continue to secure multiple sources of funding and build sustainability into our model. Each year, we receive grants to make business development services available to entrepreneurs in Western NC. Currently, the WWBC is supported by Buncombe County, the City of Asheville, and the Small Business Administration. Our Annual Western Women's Business Conference is drawing support beyond our region and is supported by individual and corporate sponsorships. In 2021, we plan to apply for additional funding from the SBA, ARC, and the City of Asheville (CDBG). CSBDF also continues to support WWBC's programming and seek recurring and new sources of funding.

OPTIONAL INFORMATION

OPTIONAL INFORMATION – This information will not impact grant scoring but will be helpful to the committee.

Partial Funding

If the project were to be offered a grant for partial funding, what factors would need to be considered?

Resource Support

Beyond this grant request, how can Buncombe County support your organization with this project and in strengthening your work?

Other

Is there anything else that you want the committee to know?

CSBDF Supporting Documents.pdf

The WWBC and CSBDF are committed to evidence-based programming. We have attached details regarding the economic impact of lending activities, cited in the application, to provide additional information. The attachment also includes a brief on social capital and entrepreneurial networks by CSBDF's research program. The brief highlights the evidence basis for why the proposed activities will generate social capital in ways that promote sustainable economic development within the county.

File Attachment Summary

Applicant File Uploads

- IRS Letter 501c3.pdf
- CSBDF 2019-20 BOD Contact Info Revised Jan 2020-docx.docx
- FY21_SPGrant_Budget_Form 2-14-20.xlsx
- CSBDF Supporting Documents.pdf



P.O. Box 2508
Cincinnati OH 45201

In reply refer to: 0248364843
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CAROLINA SMALL BUSINESS DEVELOPMENT
FUND
3128 HIGHWOODS BLVD STE 170
RALEIGH NC 27604



012147

Employer ID Number: 58-1903219
Form 990 required: Yes

Dear Taxpayer:

This is in response to your request dated Nov. 02, 2016, regarding your tax-exempt status.

We issued you a determination letter in November 1990, recognizing you as tax-exempt under Internal Revenue Code (IRC) Section 501(c)(3).

Our records also indicate you're not a private foundation as defined under IRC Section 509(a) because you're described in IRC Sections 509(a)(1) and 170(b)(1)(A)(vi).

Donors can deduct contributions they make to you as provided in IRC Section 170. You're also qualified to receive tax deductible bequests, legacies, devises, transfers, or gifts under IRC Sections 2055, 2106, and 2522.

In the heading of this letter, we indicated whether you must file an annual information return. If a return is required, you must file Form 990, 990-EZ, 990-N, or 990-PF by the 15th day of the fifth month after the end of your annual accounting period. IRC Section 6033(j) provides that, if you don't file a required annual information return or notice for three consecutive years, your exempt status will be automatically revoked on the filing due date of the third required return or notice.

For tax forms, instructions, and publications, visit www.irs.gov or call 1-800-TAX-FORM (1-800-829-3676).

If you have questions, call 1-877-829-5500 between 8 a.m. and 5 p.m., local time, Monday through Friday (Alaska and Hawaii follow Pacific Time).

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CAROLINA SMALL BUSINESS DEVELOPMENT
FUND
3128 HIGHWOODS BLVD STE 170
RALEIGH NC 27604

Sincerely yours,

Doris P. Kenwright

Doris Kenwright, Operation Mgr.
Accounts Management Operations 1



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Eligibility Term Ends '21

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Eligibility Term Ends '24

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Eligibility Term Ends '23

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Strategic Partnership Grants Proposed FY2021 Project Budget (July 1, 2020 - June 30, 2021)

Organization Name:	Carolina Small Business Development Fund
Project Name:	Western Women's Business Center
Grant Amount Requested:	

FY2021 Proposed Project Revenue	Amount	Committed or Pending?
Proposed Buncombe County Strategic Partnerships Grant	\$ 100,000	Pending
Federal Government Funding	\$ 150,000	Pending
CSBDF Portion	\$ 50,000	Pending
List other sources:		
List other sources:		
List other sources:		
List other sources:		
List other sources:		
Total	\$ 300,000	

FY2021 Proposed Project Expenses	Proposed Grant	Other Funds	Total	Notes
Personnel	\$ 52,589	\$ 126,239	\$ 178,828	
Training	\$ 2,800	\$ 5,200	\$ 8,000	
Travel	\$ 6,000	\$ 10,000	\$ 16,000	
Supplies / Materials	\$ 6,000	\$ 5,000	\$ 11,000	
Meetings (Food, Interpreting, Child Care, etc.)			\$ -	
Equipment / Furniture	\$ 4,500	\$ 5,000	\$ 9,500	
Printing / Marketing	\$ 2,800	\$ 3,000	\$ 5,800	
Licensing / Memberships / Dues / Subscriptions		\$ -	\$ -	
Client Support		\$ -	\$ -	
Contracts	\$ 10,000	\$ 16,872	\$ 26,872	
Professional Services (Legal, Accounting, etc.)	\$ 6,561	\$ 3,439	\$ 10,000	
Insurance and Bonds		\$ 2,000	\$ 2,000	
Building Maintenance (Rent, Utilities, Repairs, etc.)	\$ 8,750	\$ 16,250	\$ 25,000	
Telephone		\$ 7,000	\$ 7,000	
List other costs:			\$ -	
List other costs:			\$ -	
List other costs:			\$ -	
Total			\$ 300,000	

Overall Organization Budget	Amount	Notes
FY2019 Actual Year-End Revenue	\$ 472,118	
FY2019 Actual Year-End Expenses	\$ 472,118	
FY2020 Adopted Budget Amount	\$ 390,960	
FY2021 Proposed Budget Amount	\$ 300,000	



Carolina
Small Business
DEVELOPMENT FUND



RESEARCH AND POLICY ANALYSIS PROGRAM ON ECONOMIC & COMMUNITY DEVELOPMENT

We are Dreamcatchers.

Carolina Small Business Development Fund (CSBDF) works to promote community and economic development throughout the region. Our work is inspired and driven by those we serve: aspiring and existing small business owners. By helping entrepreneurs reach their business ownership dreams, we seek to grow and support the engine of local economic growth. CSBDF's model of operations has three prongs: affordable financing, comprehensive technical assistance, and evidence-based policy research. With multiple offices located throughout the state in both urban and rural areas, we offer an accessible pathway for small business success.

As a community development financial institution (CDFI), CSBDF's primary goal is to help grow North Carolina's economy. The use of evidence-based evaluation principles guide CSBDF's organizational mission to be an effective and efficient development institution. In that spirit, we provide the enclosed report on the economic impact of CSBDF's small business loan clients for the fiscal year 2019 period. This document outlines 1) why support of smaller firms is important for the state's sustained growth and (2) how entrepreneurs assisted by CSBDF are contributing to North Carolina's prosperity.



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ECONOMIC IMPACT ANALYSIS



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Role of Small Firms in Development

There is a great deal of evidence that fostering small business creation and expansion is vital to building a prosperous economy (Lichtenstein and Lyons 2010). Research has long suggested small businesses are the primary fuel for private sector job creation and income growth (Astrachan and Shanker 2003; Aquilina, Klump, and Pietrobelli 2006; Birch 1981; Neumark, Zhang, and Wall 2006). Across both rural (Olfert and Partridge 2010) and urban (Sutton 2010) areas, efforts to promote small firm innovation and entrepreneurship are strongly correlated with economic growth (Z. J. Acs et al. 2018). Communities with large numbers of small businesses are strongly associated with future job growth compared to communities with less firm size diversity (Shaffer 2006). States with robust small business communities enjoy an array of positive outcomes like higher productivity growth, higher gross state product growth, lower wage inflation, and lower unemployment (Robbins et al. 2000).

Beyond economic impact, small businesses also offer a sundry array of non-economic benefits (Z. Acs 1999). At the community level small businesses in many industries help contribute to a sense of place identity. These Main Street firms give a sense of neighborhood character, which has been shown to bolster local quality of life (Mehta 2011; Talen and Jeong 2019). Small firms also help build social capital (Tötterman and Sten 2005), which has been associated with a wide variety of socioeconomic benefits (Flora and Flora 1993). For their employees and owners, smaller firms also offer an array of non-pecuniary benefits like job autonomy and schedule flexibility (Lans, Blok, and Gulikers 2015; Pugsley and Hurst 2011; Storey et al. 2010)

Despite the evidence showing that small firms are integral to economic development, small business owners and aspiring entrepreneurs face many challenges. They frequently lack access to affordable capital, a problem which affects both startups and expanding businesses (Lichtenstein and Lyons 2006). Entrepreneurs from underserved communities – including veterans, minorities, low-income individuals, women, and those in rural places – often face additional barriers (Bates 1995; Harris, Grubb, and Hebert 2005; Immergluck and Smith 2003; Kerrick et al. 2014). When entrepreneurs from these demographics seek business financing, they frequently encounter disproportionately high rejection rates (Bates and Robb 2016). Even if they receive a loan, the terms are often very adverse – including extremely high interest rates (Coleman 2000).

One of CSBDF's goals as an economic development institution is to provide an alternative to small firms who might otherwise be unable to access credit on favorable terms. We do this because a large amount of evidence suggests this type of assistance has outsized impacts. For example, some data show the provision of affordable financing may increase business hiring by up to 40% (Bradshaw 2002).



Economic Impact Methodology

The economic model used for this analysis is an Input-Output (IO) framework designed by Economic Modeling Specialists Inc. (EMSI) (Miller and Blair 2009; Robison, Nadreau, and Crapuchettes 2015). The EMSI IO draws from multi-regional social account matrices (MR-SAM) (Hewings and Jensen 1987; Loveridge 2004). Use of models to measure economic impact is a complex exercise, but some literature suggests this technique is more conservative than other forms of modeling. For example, research shows that IO models tend to estimate lower economic multipliers than other forms of analysis (Kim and Miller 2017). Thus, the projections provided here are less likely to overstate impact. The IO model measures 4 levels of activity, which are briefly summarized below:

FOUR LEVELS OF ECONOMIC IMPACT

Level	Explanation
Initial	A firm's initial economic activity. This includes hiring, construction, building renovation, buying equipment, and/or inventory purchases.
Direct	First level of inter-industry economic activity. This is the impact of events like sales of merchandise directly to consumers or supplying other firms.
Indirect	Second level ripple effects. For example, when a small business buys inventory and the manufacturer of the inventory must increase orders of materials from its suppliers to meet demand.
Induced	Tertiary ripple effects that come from economic changes of initial, direct, and indirect activities. Examples include employees of firms who receive increased earnings due to these activities.

Like all economic impact models, the IO technique relies on a variety of assumptions regarding both the quality of its inputs and the nature of transactions within an industry (Bess and Ambargis 2011).¹ The inputs for this analysis are CSBDF's lending activity for fiscal year 2019, covering the period from July 2018 to June 2019. This includes a total of 58 loans for over \$8.5 million dollars. When clients receive a CSBDF loan, they are asked to estimate how many employees they expect to hire over the next two years. Employees in this context refers only to non-contractor payroll jobs. Data for each client's full-time, part-time, and seasonal projected job creation is translated into

¹ To estimate impact the IO model draws from a mix of proprietary and public data sources including the Census Bureau, Bureau of Economic Analysis, and the North Carolina Department of Commerce.



full-time equivalence for the IO model's inputs.² The industry-specific job figures used in the model are provided in the appendix.

The effectiveness of credit access as an economic development strategy relies on lending to businesses that will repay the debt (Stanton 2017). When entities receive loans which they cannot easily repay, lending programs can inflict harm on the business and the local community. This could cause job loss. All recipients of CSBDF loans are surveyed after initial fund disbursement. Businesses with reported job contraction over time (e.g. 5 full-time employees in year 1 and 2 full-time employees in year 2) are included in the data set as a net job loss. While this subtracts from overall economic impact, CSBDF's commitment to data accuracy means the model must consider job losses.

Finally, the IO models do not account for any "retained" jobs - or those jobs that a small business will keep in part due to CSBDF's lending intervention. The type of economic impact created by retained jobs is hard to measure. It is difficult for firm owners to accurately assess the extent to which their employment levels would have changed, if not for the receipt of a CSBDF small business loan. Reflective of our conservative approach to stating economic impact, the inputs to the IO model only include actual and projected new hiring.

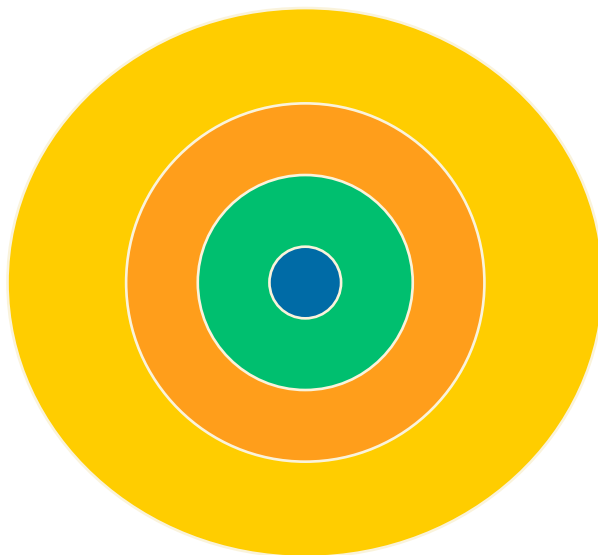
² One full-time equivalent job is equal to an employee working 35 hours per week throughout the calendar year.



Findings and Analysis

When small businesses are created or expand, their contribution to the economy is multi-layered. Consider for example a new restaurant that plans to add 5 full-time equivalent staff and construct a building for \$250,000. Clearly the new staff and new building has an impact through its initial job creation and capital investment. But there are also at least 3 other measurable layers of ripple effects: *direct*, *indirect*, and *induced*. These effects are like a dropping a rock in a lake – the initial action causes a cascade of water that impacts a large area. These 4 layers of impact – the initial investment/hiring plus 3 ripples – are depicted below.

ECONOMIC IMPACT RIPPLE EFFECTS



- 1. Initial Economic Activity**
Full-Time Hiring, Construction
- 2. Direct Inter-Industry Effects**
Retail Sales, Supplier Purchases
- 3. Indirect Secondary Ripples**
Supplier Demand Changes
- 4. Induced Tertiary Ripples**
Additional Economic Changes

Using the IO model for North Carolina, we estimate that CSBDF's lending activities over one year for earnings, net job creation, and tax revenues. *Earnings* is a measure of how much assisted small businesses will create in income and other forms of compensation, both for their direct employees and the businesses they interact with. *Net job creation* includes the sum of all jobs added and lost due over the year due to the economic activity of loan beneficiaries. Finally, *tax revenues* are an estimate of how much income flowed to government entities as a result of firm activities. The results show:

ONE YEAR ECONOMIC IMPACT

\$13,014,215 Increase in Earnings	277 Net Job Creation	\$1,203,808 Additional Tax Revenues
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From June 2018 to July 2019, small businesses who received loans from CSBDF helped generate over \$13M in total payroll earnings across North Carolina. Those earnings supported 277 total jobs with average wages of \$46,931. As a point of reference, individual earnings for full-time year-round North Carolina residents during the same time period was \$42,356 (American Community Survey 2018).³ And across all businesses assisted, over \$1.2M in government revenue was generated from payroll, sales, and production taxes.

CHANGE IN AGGREGATE EARNINGS

\$6,703,608 Initial Earnings 1.00 Multiplier	\$1,710,296 Direct Earnings 0.28 Multiplier	\$760,300 Indirect Earnings 0.11 Multiplier	\$3,840,011 Induced Earnings 0.57 Multiplier
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The above figure displays earnings impact across four levels of impact. CSBDF's lending clients injected \$6.7M of earnings into North Carolina's economy through employment earnings (this includes remuneration to the business owner, if they received compensation from the operation of the firm). An additional \$6.3M of payroll impact comes from other businesses that are supported by CSBDF's lending clients. Put more simply: for every \$1.00 in earnings created by small businesses supported by CSBDF lending in this timeframe, an additional \$0.94 of earnings is generated across the state's economy. Of the \$0.94 in earnings, \$0.28 is from direct effects, \$0.11 is from indirect effects, and \$0.57 is from induced effects.

CHANGE IN NET JOB CREATION

148 Initial Jobs 1.00 Multiplier	30 Direct Jobs 0.20 Multiplier	15 Indirect Jobs 0.10 Multiplier	85 Induced Jobs 0.57 Multiplier
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Across the 58 loans issued by Carolina Small Business during the year, small business owners indicated they would hire about 2.6 full-time employees on average. The economic impact of the 148 initial jobs these firms created helped support 130 other full-time equivalent positions. Most small businesses tend to create jobs in sectors that we might expect – food service, retail, accommodations, and other areas representing Main Street North Carolina. But the data also shows the ripple effect of job creation happening across industries like manufacturing, construction, and professional services. The tables below also provide additional data on job creation by occupation and demographic group.

³ Caution should be taken when interpreting this, as these figures are not strictly an apples-to-apples comparison. Census data cited are median earnings individual earnings, while the model data are mean (simple average) earnings. It is not possible for the model to calculate median earnings per job supported.



NET JOB CREATION BY INDUSTRY SECTOR

Industry (2-Digit NAICS)	Job Change
Manufacturing	57
Accommodation and Food Services	48
Health Care and Social Assistance	25
Other Services (except Public Administration)	25
Retail Trade	21
Construction	17
Administrative and Support Services	17
Real Estate and Rental and Leasing	15
Professional, Scientific, and Technical Services	11
Wholesale Trade	8
Educational Services	6
Arts, Entertainment, and Recreation	6
Finance and Insurance	6
Government	5
Transportation and Warehousing	5
Management of Companies and Enterprises	2
Information	2
Agriculture, Forestry, Fishing and Hunting	1

NET JOB CREATION DEMOGRAPHICS

Age Group	Gender	Job Change
14-18 Years	Female	5
	Male	4
19-21 Years	Female	7
	Male	6
22-24 Years	Female	7
	Male	8
25-34 Years	Female	22
	Male	30
35-44 Years	Female	25
	Male	30
45-54 Years	Female	24
	Male	38
55-64 Years	Female	20
	Male	29
65+ Years	Female	9
	Male	14



NET JOB CREATION BY OCCUPATION

SOC Code	Occupation Description	Job Change
11	Management	15
13	Business and Financial Operations	8
15	Computer and Mathematical	3
17	Architecture and Engineering	3
19	Life, Physical, and Social Science	1
21	Community and Social Service	5
23	Legal	1
25	Education, Training, and Library	6
27	Arts, Design, Entertainment, Etc.	7
29	Healthcare Practitioners	8
31	Healthcare Support	5
33	Protective Service	2
35	Food Preparation/Serving Related	40
37	Building / Grounds Cleaning Etc.	9
39	Personal Care and Service	21
41	Sales and Related	31
43	Office and Administrative Support	24
47	Construction and Extraction	12
49	Installation, Maintenance, Etc.	10
51	Production	51
53	Transportation and Materials	17

Finally, we consider the IO model's values for tax revenue changes. When small businesses thrive, they generate tax revenues that flow to all levels of government. Small businesses help create tax revenues through their payroll, collecting sales tax, and by paying taxes on production and services. The IO model estimates that the tax contribution of new lending clients is about \$1.2M each year. The vast bulk of new tax revenue (83%) benefits local (city/county) and state government.

CHANGE IN TAX REVENUES

\$534,510
Increase in Local Taxes

\$448,915
Increase in State Taxes

\$220,383
Increase in Federal Taxes



Conclusions and Implications

The data show the 58 loans issued by Carolina Small Business over 1 year significantly contributed to North Carolina's economic development. **On average, each small business assisted helped support \$224,383 in payroll earnings, 4.8 full-time equivalent employees, and \$20,755 in new tax revenues.** Our analysis is not meant to present a total picture of CSBDF's impacts – as noted, the IO model used tends to use conservative multipliers. Additionally, it does not consider the impact of job retention or the variety of non-economic benefits that come with a vibrant small business community. But even with those limitations in mind, the research suggests that small businesses who receive financing from Carolina Small Business have a large and positive impact on the state's economy.



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Appendix

LENDING CLIENT INPUTS FOR I-O MODEL

NAICS	Industry Description	Job Change
236118	Residential Remodelers	6.0
238990	All Other Specialty Trade Contractors	6.7
315210	Cut and Sew Apparel Contractors	1.0
325130	Synthetic Dye and Pigment Manufacturing	2.0
331511	Iron Foundries	6.0
336211	Motor Vehicle Body Manufacturing	38.0
423210	Furniture Merchant Wholesalers	1.0
425120	Wholesale Trade Agents and Brokers	2.0
445292	Confectionery and Nut Stores	3.3
445299	All Other Specialty Food Stores	2.1
446120	Cosmetics, Beauty Supplies, and Perfume Stores	0.1
448190	Other Clothing Stores	2.7
485113	Bus and Other Motor Vehicle Transit Systems	-0.9
531210	Offices of Real Estate Agents and Brokers	4.6
531311	Residential Property Managers	1.0
541990	All Other Professional, Scientific, and Technical Services	2.0
561730	Landscaping Services	1.1
562111	Solid Waste Collection	2.0
562119	Other Waste Collection	1.6
611692	Automobile Driving Schools	1.0
611699	All Other Miscellaneous Schools and Instruction	2.0
621111	Offices of Physicians	1.1
621330	Offices of Mental Health Practitioners	-0.1
621420	Outpatient Mental Health and Substance Abuse Centers	8.6
713940	Fitness and Recreational Sports Centers	2.7
721191	Bed-and-Breakfast Inns	0.4
722330	Mobile Food Services	6.6
722511	Full-Service Restaurants	19.5
722513	Limited-Service Restaurants	12.8
722515	Snack and Nonalcoholic Beverage Bars	-4.4
811420	Reupholstery and Furniture Repair	0.4
812112	Beauty Salons	12.0
812990	All Other Personal Services	2.9

Note: Job changes represent the count of total full-time equivalent positions by NAICS.



About the Research Program

This product has been created as part of Carolina Small Business Development Fund's ongoing commitment to provide innovative and objective research on issues of preeminent concern for policy leaders, academic thought leaders, development practitioners, and small firm entrepreneurs.

To learn more about this area of our work, or sign up for our research newsletter, please visit carolinasmallbusiness.org/research.

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Carolina
Small Business
DEVELOPMENT FUND



RESEARCH AND POLICY
ANALYSIS PROGRAM
ON ECONOMIC AND
COMMUNITY DEVELOPMENT

Harnessing Social Capital for Community & Economic Development

RESEARCH SPOTLIGHT

The promotion of small firm social networks is key for community and economic development. Scholars like Robert Putnam were among the first to note a strong correlation between economic growth and communities with large densities of civil and social networks.ⁱ Network interactions between individuals and firms build trust, which leads to reciprocal positive economic outcomes. This phenomena – called social capital – has been well demonstrated in the scholarly literature.ⁱⁱ Broadly speaking, social capital refers to the networks embedded within organizations that facilitate trust and norms to improve the efficiency of society via coordinated action.ⁱⁱⁱ At a macroeconomic level, social capital has been shown to be of particular interest for community development because it promotes networks that *lower* income inequality and fosters *sustainable* growth.^{iv}

The mechanisms through which social capital promotes community development are complex. Existing research suggests social capital promotes the growth of community networks, and thus leads to better economic outcomes, in three ways^v:

1. **Increasing Trust Levels:** Areas with high levels of social capital allow better facilitation of trust and business knowledge between community members.
2. **Lower Transaction Costs:** Increasing social capital levels allows community members to engage in entrepreneurial efforts because high trust levels lower economic costs.
3. **Enables Collective Action:** The reinforcing nature of social capital enables collective economic action at the local level, especially in underserved communities.

Scholars have long suggested that the foundation of economic distress in disadvantaged neighborhoods is weak social capital networks. Without strong networks, such communities often face negative outcomes including increases in crime, net migration outflows, fewer social facilities, lower health standards, and even a degraded physical environment.^{vi}

Though the promotion of social capital networks has positive economic implications at all levels, there is a large amount of evidence that it is particularly effective for small firm transactions. For example, some research shows high levels of social capital boost microfinance activity.^{vii} Scholars have even shown entrepreneurial networks created by social capital are key for the success of other types of economic development projects.^{viii} Small business owners who engage in social capital generating activities are both more innovative and likely to be more economically successful than those who do not engage in such activities.^{ix}

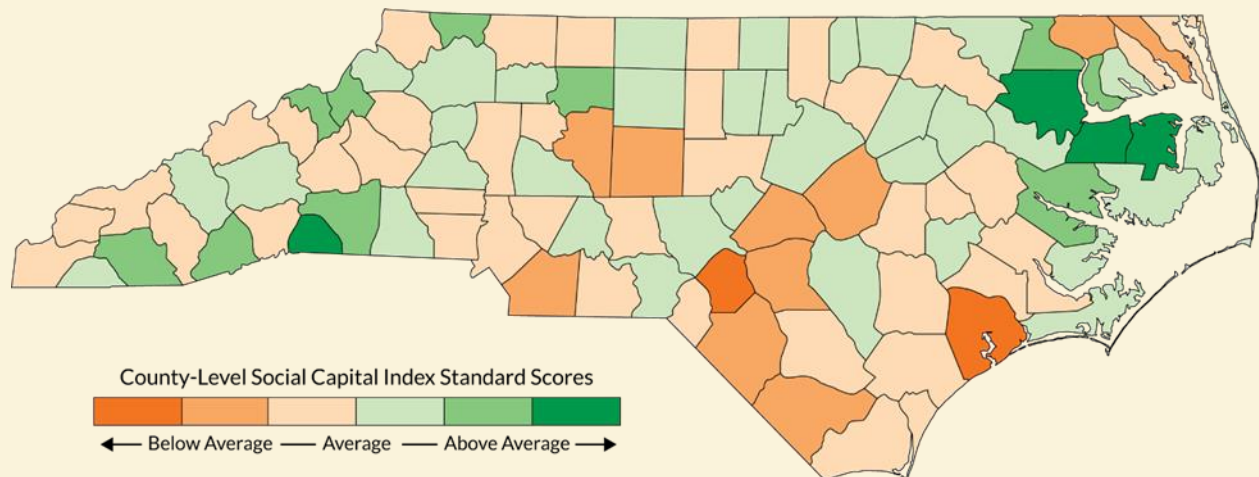


Community Institutions as Social Capital Creators

The lending and technical assistance activities of community development organizations can help generate social capital in the communities they serve. It is important to note that many of the services offered by these organizations strive to target underserved entrepreneurs – including women, minorities, and veterans – which are populations that face structural barriers to small business success. In a social capital context, the effect of building networks across underserved populations has been shown to be highly effective in generating positive economic outcomes. Research has shown the most powerful types of network activity involve what scholars term bridging capital, which occurs when entrepreneurs reach outside of their existing networks and interface with other entrepreneurs or firms that are not normally within their social sphere.^x Thus, the network promoting activities engaged in by community and economic developers are likely to be efficient in the production of bonding capital. The production of bonding social capital is critically important in underserved communities because it has strong associations with equitable and sustainable economic growth.^{xi}

Measuring North Carolina's Social Capital Levels

Research shows social capital is important for community development, but it can be a practical challenge to quantify the concept. How do we define how much social capital is in a region? Though much theory highlights the importance of trust-building networks for economic development, expressing social capital through a number is complex. One way to illustrate how social capital levels vary across place is the use of indices. Social capital indexes combine a variety of different metrics on organizational social interactions within a community. The below map uses a popular social capital measure developed by scholars at Pennsylvania State University.^{xii} The index takes into account the density of social-capital generating organizations in a county (religious, civic, social, political, professional, labor, sports) and also includes proxy variables to measure the level of trust in a community (census response rates, voter turnout).



The above map displays the Pennsylvania State University social capital index for North Carolina's counties.^{xiii} Counties are color-coded by their relative levels of social capital to the state average, with greener colors indicating relatively more social capital. Interestingly, county-level



social capital levels in the North Carolina do not necessary correlate with other more traditional measures of economic success. For example, metropolitan counties in the Raleigh-Durham-Chapel Hill triangle have relatively average to slightly above average social capital stocks. Additionally, it is interesting to note that there is not a correlation between how rural a community is and its social capital levels.^{xiv} North Carolina is home to communities that have wide variation in their social capital levels, but some communities have more robust networks than others:

Above Average Social Capital

Rank	County	SC Score
#1	Polk	2.94
#2	Bertie	2.47
#3	Washington	2.09
#4	Tyrrell	2.08
#5	Transylvania	1.83
#6	Avery	1.82
#7	Forsyth	1.73
#8	Alleghany	1.63
#9	Macon	1.49
#10	Chowan	1.36

Below Average Social Capital

Rank	County	SC Score
#100	Onslow	-2.96
#99	Hoke	-2.74
#98	Harnett	-1.82
#97	Cumberland	-1.65
#96	Robeson	-1.51
#95	Union	-1.25
#94	Gates	-1.16
#93	Camden	-1.09
#92	Columbus	-1.08
#91	Johnston	1.03

Why Leverage Social Capital?

Overall, the data suggest an opportunity for community and economic developers on both ends of the spectrum. Areas with high social capital can be primed for immediate growth and development by harnessing existing business networks. Approaching community development in a social capital context represents an affordable and fast-working strategy for such regions. Based on the findings of other research, developers in areas with high levels of social capital should strongly consider partnerships with community institutions to tap into existing entrepreneurship and small firm networks.^{xv}

On the other end of the spectrum, there are many methods to strengthen and improve business networks in areas with relatively low social capital levels. Communities with lower social capital offer opportunities for growth when public and non-profit organizations that can find ways to raise trust levels and integrate entrepreneurs into business networks with bridging social capital. Methods to improve social capital from a community development context include using business assistance organizations to promote networking opportunities between existing small firms and aspiring entrepreneurs.^{xvi}

About This Report

This report is part of Carolina Small Business Development Fund’s Research Spotlight program. The goal of the program is to provide succinct analyses of emergent issues related to community and economic development. For more information about this topic, please contact Jamie McCall at jmccall@carolinasmallbusiness.org.



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ⁱ See Putnam, 1993; 2000.

ⁱⁱ See Bjornskov, 2012; Casey & Christ 2005; Eagle, Macy & Claxton, 2010; Guiso, Sapienzo, & Zingales, 2004; Iyer, Sriva, Kitson, & Toh, 2005; Squazzoni, 2009; Temple & Johnson, 1998; Westlund & Adam, 2010.

ⁱⁱⁱ This definition is similar to how the term was defined by Putnam (1993, 167).

^{iv} See Leigh & Blakely, 2013; Malizia & Feser, 1999; Hoyman, McCall, Brennan, & Paarlberg, 2016.

^v See Callois and Aubert, 2007.

^{vi} See Kay, 2004.

^{vii} See Sanval, 2009.

^{viii} See Flora, Shap, Flora, & Newlon, 1997.

^{ix} See Kilkenny, Nalbarte, & Besser, 1999; Molina-Morales & Martínez-Fernández, 2010.

^x This is opposed to bonding capital, when entrepreneurs engage in social activities only within their pre-existing networks. See Knudsen, Florida & Rousseau, 2005; Patulny & Svendsen, 2007; Woolcock & Narayan, 2000.

^{xi} See Coffe & Geys, 2007; Woolcock 1998.

^{xii} See Rupasingha, Goetz, & Freshwater, 2006 (with updates).

^{xiii} Raw scores normalized by transforming the index values into a standardized z-score.

^{xiv} A difference of means test demonstrates social capital levels between the state's rural and urban areas are not statistically significant at $p < 0.05$.

^{xv} See Cooke & Willis, 1999.

^{xvi} See Stam, Arzlanian, & Elfring, 2014.