

# Strategies for Small Business Development in Rural Communities

## Overview of the Nebraska based Rural Enterprise Assistance Project

“An Entrepreneur is a person who takes risks. A great Entrepreneur is a person who takes calculated risks.”



# What is Microenterprise?

- Business with five or fewer employees.
- Microenterprise development programs provide business development services to startup and existing small businesses.
- Programs generally focus on underserved populations. Some focus on a specific target population.
- Origins of U.S. Microenterprise programming has close connection to 2006 Nobel Peace Prize winner Dr. Muhammad Yunus – Grameen Bank

# Background of REAP

- Business development strategy designed to help small businesses in rural communities.
- Full service – dual delivery system – Statewide rural microenterprise program.
- Program of the Center for Rural Affairs.
- Studies show need and importance of self-employment.
  - 70% of job growth in the 1990's resulted from microenterprise.
  - 85% of businesses are micro. (factoring in non-employers)
  - Over 90% of businesses in rural counties are micro.
- REAP was started in 1990.
- Fills 4 gaps – Credit, Education, Networking, & Technical Assistance.

# Importance of Rural Entrepreneurship

## Why is Entrepreneurship important in rural Nebraska?

- Nebraska continues to have a very large population spread over 500 rural communities. In this landscape, self-employment plays a significant larger economic and social role than in the urban landscape.
- In rural Nebraska (considering the 70 most rural counties) the primary employment source is self-employment and the dominant business type is microenterprises (5 or fewer employees).

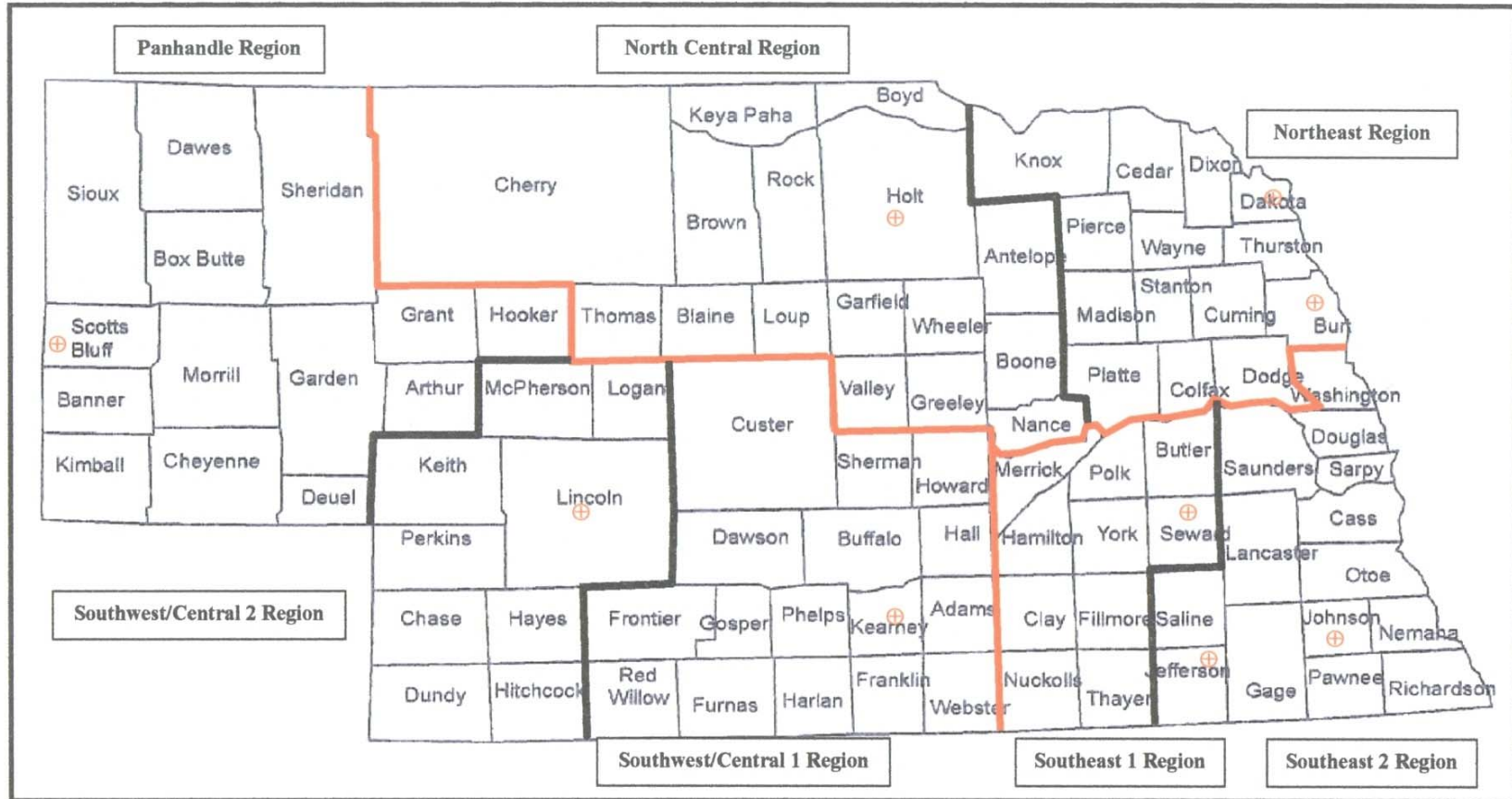
# Importance of Rural Entrepreneurship

- All the evidence points towards local, self-employment being the most advantageous for rural communities.
- Finding ways to help and promote local entrepreneurs is key to the overall economic future of our rural areas.
- Programs like REAP help in this process, but the local community must be the major participant.
- The survival of rural areas is dependent upon a stable and growing small business sector. Everything else will flow from this success.

# REAP Delivery Model

- Full Service - Dual Delivery System
  - Offer both group and individual services.
  - Unique program operates without walls.
- “Circuit Rider” Approach
  - REAP Staff located in each region of Nebraska.
  - Services provided at entrepreneurs location.
- Statewide-Rural coverage.
- REAP Program also operates:
  - REAP Women’s Business Center
  - REAP Hispanic Business Center

# Rural Enterprise Assistance Project (REAP) - by Regions



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The Rural Enterprise Assistance Project is a program of the Center for Rural Affairs, Lyons, NE 68038 - [www.cfra.org/reap](http://www.cfra.org/reap) 1/12/09



# REAP Fills Four Key Gaps

- ✓ **Credit**
- ✓ **Education**
- ✓ **Networking**
- ✓ **Technical Assistance**





# Credit – (Micro Loan Fund Access)

- Direct Loan
  - Participants eligible for loans up to \$35,000.
- Rapid Loan
  - Loans up to \$5,000
- Peer Group Loan
  - Peer group loans used exclusively by REAP 1990-99.
  - Was very effective, but very costly and time intensive delivery method.
- Quick Grow Loan
  - Exclusive loan product for GROW Nebraska clients.
- REAP Online Lending System
  - Online loan application located at [www.cfra.org/reap](http://www.cfra.org/reap).
- Loan Packaging
  - All REAP clients can receive loan packaging assistance as needed.

# Uses & Types of Loans

## **Types of Business**

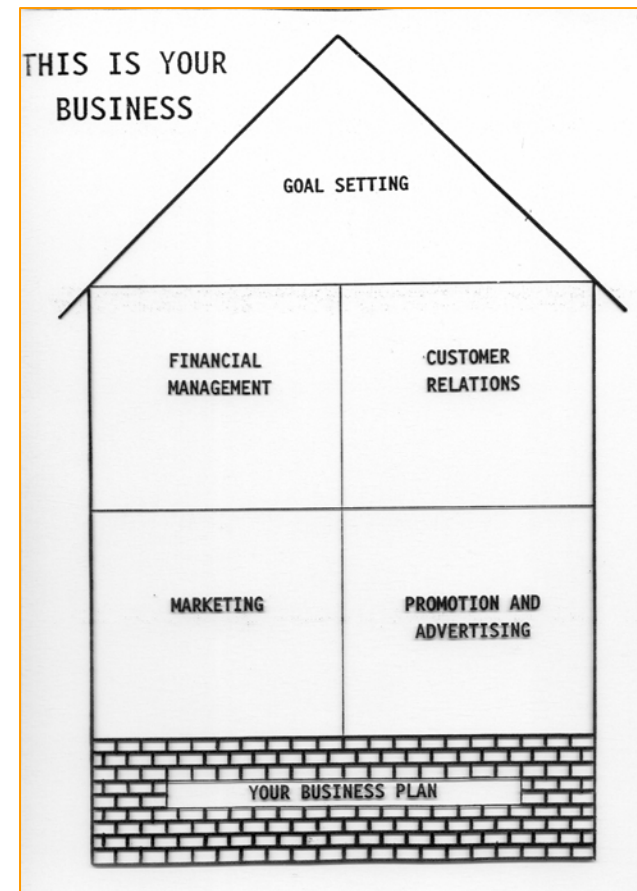
- ✓ Runs the gamut of Service & Retail Businesses
- ✓ Transportation Businesses
- ✓ Crafters & Artisans
- ✓ Some smaller manufacturers

## **Uses**

- ✓ Equipment, Inventory, Working Capital, etc.
- ✓ Can't be used for down payment purposes or the purchase of real estate.

# Education

- Small Business Management training
- eCommerce training
- training topics at group meetings.
- Regional workshops
- Specialized training
- Annual MarketPlace Conference



# Networking

- Partnership established between REAP & local community.
- Formation of Association or Roundtable.
- Access to benefits & services:
  - REAP Business Update
  - Online member directory
  - Many other resources

# Technical Assistance

- REAP staff available for one-on-one technical assistance (counseling) assistance.
  - Business planning assistance.
  - Trouble shooting
  - Cash flow and budget assistance
  - Loan packaging assistance
  - Access and knowledge of all available service providers, loan funds, etc.

## **REAP**

### **Rural Enterprise Assistance Project**

**Full Service Micro Program**

**Statewide-Rural Nebraska Coverage**

- **Lending**

- Direct Lending Program
- Peer Lending Program
- Quick Grow Express Loans
- REAP Rapid Loans
- Online Lending System

- **Education**

- REAP WBC trainings

- **Networking**

- Associations – Roundtables
- On-line Member Directory

- **Technical Assistance**

- One-on-one TA & Loan Packaging

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### **REAP Women's Business Center (WBC)**

- Business Plan training
- eCommerce training
- Other business management training /networking events
- Women & Co Equity Awards
- Access to REAP Services

### **REAP Hispanic Business Center (HBC)**

- Access to REAP Services for Hispanic entrepreneurs

# REAP Quick Facts

## Efforts for CY 2008:

- Total Clients Counseled: 355 (20% Hispanic)
- Total Clients Trained: 1,815 (28% Hispanic)
- Total REAP Loans: 51 totaling \$491,691
- Total Leverage Loans: 20 totaling \$589,150
- Business Plans Completed: 238
- Referrals Received: 135
- Jobs Created/Retained: 339.5
- Over 70% of clients are below LMI

# Examples – Success Stories



- Sandra Gutiérrez
- Bilingual Consulting Services – South Sioux City
- Received Business Plan Assistance, REAP Loan, Boost Award, Roundtable member.
- Business is growing



# Examples – Success Stories



- Larry Harbour
- LB Custom Chrome & Detail LLC – Broken Bow
- Received Business Plan assistance, loan packaging assistance.
- 2008 CFRA Entrepreneur Award winner.
- Business is growing.

# Examples – Success Stories



- Brad & Gina Babb
- Sandhills Glass & Garage Doors – Ord
- Received Business Plan Assistance, REAP Loan, Loan packaging assistance.
- Business is growing

# Suggestions

- Build strong collaborative relationships with microenterprise development programs.
- Consider forming a small business roundtable group.
- Consider offering financial literacy training and “ABC’s” of starting a business workshop.
- Consider offering a business plan basics training.
- In many cases, micro programs will need to expand their focus to include working with larger numbers of TANF participants.
  - Requires extensive hand-holding through the process.
  - Expanded and specialized programming.
  - Expanded and unique lending opportunities.

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