**INVEST IN MICRO AND VERY SMALL BUSINESSES**

The U.S. is home to 25.5 million very small or micro-businesses with five or fewer employees. That’s **88%** of the nation’s businesses. They employ 31 million people. To stimulate job creation policy makers must understand that 1) all start-ups create jobs and 2) recognition of and help for very small businesses need to be part of the conversation.

Micro Enterprise Development Organizations provide training and services to a wide variety of entrepreneurs: the unemployed, new immigrants, women, minorities, and lower income individuals. For these businesses to succeed, they need business management tools and skills, they need business networks and support systems, and they need access to capital.

Increases in the CDFI Fund and SBA Microloan program have increased the ability for small businesses to access capital. However, **‘access to capital’ must include business training and credit assistance.**

A nonprofit lender serving the rural north part of the state returned $750,000 to their investor that would have been loaned to small businesses, because there was no pipeline of loan-ready businesses waiting for cash.

 *“We have money to lend, but struggle to find loan-ready borrowers,” says Emily Gasner, Executive Director of Working Solutions, a microlender who underwrites loans under $50,000. “Besides loans, ‘access to capital’ has to include the funds and programs that enable business owners to be loan ready, like have cash flow statements and a well thought out business plan that demonstrates a viable business model. We also need to support the businesses after they receive the loan with business advising services.”*

*“In my 25 years of experience, the first step to success for these locally grown and start-up micro-businesses is business assistance: training and mentoring for new entrepreneurs,” says Claudia Viek, CEO of CAMEO. “Then the businesses are ready to get a loan and grow.”*

King Tire in King City needed two years of assistance before qualifying for a $1 million SBA loan so that he could expand his tire store to include a car wash and hire 11 employees in a very depressed area of the state.

Microentrepreneurs that have gone through training programs and receive technical assistance from CAMEO members have an 80% success rate. They create two jobs in addition to their own on average over 3-5 years.

**This chart demonstrates that an investment in micro enterprise yields high public returns in terms of job creation, economic growth and revitalization.**

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|  | **Micro Enterprise Development Organizations (MDO)**(from aeoworks.org) | **Venture Capitalists** (from NVCA.org) |
| **Number of Organizations** | 696 | 492 |
| **Businesses Assisted** | 221,000 | 2,749 |
| **Money Invested** | $90 million=loan volume; $500 million=approx. budgets of MDOs\* | $22 billion VC invested |
| **GDP Receipts / Percentage GDP** | $2.4 trillion / 17% | $3.1 trillion / 21% |
| **Employment** | 31 million | 12 million |
| **Investment per job** | $19 | $1,833 |

\*This is an estimate. The average budget of California’s MDO’s was $581,000 in 2010. Multiple that by 700 and round up = $500 million. This is a very optimistic view of MDO budgets.

**What can be done**

Advocate for increases in existing government funding for business technical assistance, such as in the SBA PRIME program, all USDA business development programs, and DOL Workforce funds.

Banks that grant funds to business and credit technical assistance programs should receive the same CRA investment credits as they do when they make capital investments.

Encourage banks to make lines of credit more available to small and micro-businesses.   If banks won’t lend to small businesses, then support expansion of non-bank lenders like credit unions and community development finance institutions that do help micro-businesses.

In addition, small and micro-businesses depend more on lines of credit than large loans. Lines of credit help medium and small businesses spend only what is needed for payroll and inventory.  Owners can pay down the line of credit as money is earned. Yet banks are not extending lines of credit even as home equity that historically secured lines of credit, has fallen.