



## Report

# Examining the Unique Opportunities and Challenges Facing Rural Small Businesses

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## ABSTRACT

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### ISSUE

Entrepreneurship represents enormous potential for stimulating economic activity, creating jobs and increasing wealth in rural communities. This is especially critical given the slower rate of recovery rural areas have experienced following the Great Recession. Despite the potential of rural entrepreneurship in transforming local communities, insufficient research has been conducted to understand the needs and challenges of business owners in rural areas. More information is needed to better understand how to support rural entrepreneurs and their communities.

### GOAL

Offer insight for policymakers, philanthropic organizations and economic development organizations who wish to foster rural small business development and provide recommendations to prioritize policies, funding and programs that will support and strengthen rural small businesses and promote more economic growth.

### METHODS

The results and recommendations are based on a national survey of 530 rural small business owners through a non-probability, online panel sample and qualitative feedback gathered through 21 informal “focus group” style discussions with small business owners and stakeholders led by Small Business Majority staff.

### FINDINGS

Across the focus group discussions, roundtables and poll results, several key findings emerged. What we learned is that small businesses play a key role in all facets of life within rural communities. They are civically active and in tune with the strengths and weaknesses of their communities. While they see many benefits to operating in their local communities, they face unique barriers as rural small business owners, including a lack of awareness of resources available to them and challenges accessing local business support programs when they are aware of them. Rural small business owners also face challenges in accessing financing options, and they struggle to find and retain a talented workforce. Additionally, their more remote locations lead to challenges accessing broadband, healthcare providers and goods and services.

### RECOMMENDATIONS

Small business assistance providers, philanthropic institutions and policymakers at the federal, state and local level should pursue targeted solutions to increase support for rural small business owners. Those who wish to support small businesses in rural areas should prioritize the following: 1) Promoting and increasing small business assistance in rural areas; 2) Increasing small business lending options and investments in rural entrepreneurs; 3) Improving affordability and access to healthcare in rural areas; 4) Investing in rural infrastructure and access to broadband; and 5) Improving opportunities for rural small business owners to attract and retain a skilled workforce.

## INTRODUCTION: EXAMINING THE UNIQUE OPPORTUNITIES AND CHALLENGES FACING RURAL SMALL BUSINESSES

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Entrepreneurship is a proven pathway for Americans from all walks of life to build income, independence and financial security for themselves, their families, their employees and their communities. Rural entrepreneurs start businesses at higher rates than their urban counterparts and have higher five-year business survival rates, and these businesses play a particularly vital role in rural America, creating roughly two-thirds of new jobs and supporting the economic and social wellbeing of their communities.<sup>1</sup> Nationwide, multiple surveys conducted by Civic Economics have found small business owners generate more local economic benefit than larger corporations in their cities, a fact that holds true for rural entrepreneurs as well.<sup>2</sup>

Despite the importance of local businesses to rural communities, little research has been done to try to understand the unique strengths and challenges faced by rural small business owners. Understanding how to better stimulate and support rural entrepreneurship can help policymakers, philanthropic organizations and economic development organizations implement new policies and programs that would promote more economic growth. Rural communities have struggled to recover economically from the Great Recession, lagging behind their urban and suburban counterparts. Indeed, a 2016 report from the U.S. Department of Agriculture found that while the national unemployment rate has returned to pre-recession levels, it is still well below pre-2008 levels in rural areas.<sup>3</sup> Stimulating rural entrepreneurial activity could help reverse these trends and create more economic opportunity for rural residents.

To better understand the state of rural small businesses, Small Business Majority conducted a three-pronged research project to explore the unique needs and challenges of small business owners in rural communities (for the purposes of this study, small businesses were defined as fewer than 100 employees, although most participants' businesses were much smaller). We held focus groups with small business owners in rural communities in Georgia, Mississippi, New Mexico and Texas, and we held roundtable discussions with key community stakeholders including Small Business Development Centers (SBDCs), chambers of commerce, economic development organizations and local officials within these rural small business ecosystems. We supplemented these qualitative findings with a national poll of rural (defined by U.S. Census codes) small business owners across America.<sup>4</sup> Our general knowledge of small business owners nationwide helped us in identifying which findings were unique to rural small business owners.

What we learned from our polling and discussions with rural small business owners and other community stakeholders is small businesses play an important role in all facets of life within rural communities. Small business owners in rural towns are civically active and their successes and challenges are very aligned with the strengths and weaknesses of their communities. While these entrepreneurs represent great potential, they often face different challenges than those in metropolitan areas, including geographic isolation, spotty broadband services, ailing infrastructure, a reluctance among major companies, banks and healthcare providers to serve the area, difficulties in hiring and retaining qualified workers and barriers in accessing capital to build their businesses. Still, they see themselves as the backbone of the community, invest heavily in their towns and are interested in shaping local and state policy.

This report outlines key opportunities and challenges facing small business owners in rural communities and offers recommendations for policymakers, business support organizations and community leaders to better support rural entrepreneurs and help their local economies thrive.

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<sup>1</sup> <http://theconversation.com/six-charts-that-illustrate-the-divide-between-rural-and-urban-america-72934>

<sup>2</sup> <http://www.civiceconomics.com/indie-impact.html>

<sup>3</sup> <https://www.ers.usda.gov/publications/pub-details/?pubid=80893>

<sup>4</sup> All poll respondents lived in U.S. Census rural-designated areas, as identified by Census Federal Information Processing Standard Publication (FIPS) codes.

## FINDINGS

### SNAPSHOT OF RURAL SMALL BUSINESS OWNERS

In general, rural small business owners are not that different from their urban counterparts: most start their businesses because they want to be their own boss and have experience in a particular industry, and business owners in all parts of the nation face challenges in accessing capital, affordable healthcare and a skilled workforce. However, due to their more remote business locations, rural entrepreneurs often encounter unique opportunities and challenges. The research we conducted shows rural small business owners stand out from the general small business population in several ways, as we discuss below.

#### Rural small business owners start businesses to create economic opportunity and fulfill a sense of civic pride

Small business owners who participated in the focus groups cited numerous reasons for starting their own business, but several common themes emerged. Specific to rural entrepreneurs, several participants noted that jobs available in their area do not allow for people to get ahead, and starting a business was a way for them to build wealth for their family. One participant noted that following the Great Recession, jobs were particularly scarce in their area and many people started businesses because it was the only job they could find.

Other motivations for rural entrepreneurs to start their businesses echoed sentiments of business owners nationwide. While a few participants noted they took over their business from a previous owner, a larger number indicated they started their own business because they wanted to be their own boss and have the flexibility that comes with running their own business, a common theme among all entrepreneurs. Overall, focus group participants reported they are experienced within their particular field and felt confident in their ability to start a new enterprise, which also emphasizes a common motivation of small business owners nationwide.

To conduct this research, we collected feedback in three ways:

1. Focus group style discussions with small business owners
2. Roundtables with small business stakeholders
3. National polling of rural small business owners

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*“Business ownership is the only real way to transfer wealth to your family...I wanted the latitude to plant my flag and do it my own way as an entrepreneur.”*

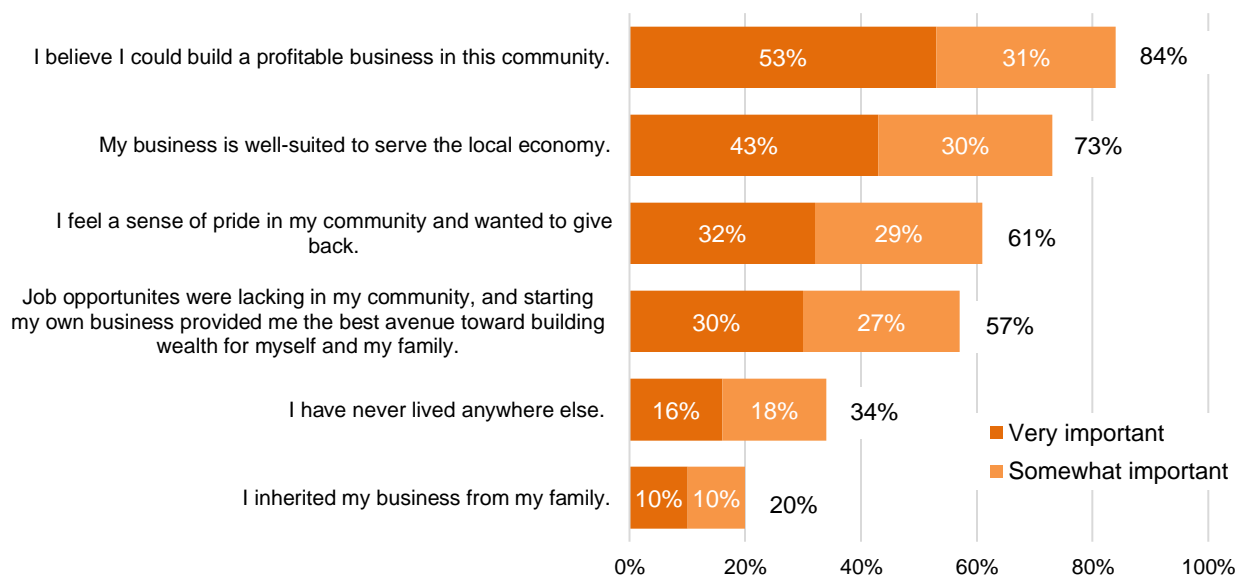
*-Small business owner in Baxley, Ga.*

”

Results from the poll support these anecdotal motivations for starting a business, including some of the motivations unique to rural entrepreneurs. Survey respondents were provided a list of reasons someone might start a business in their own community and were asked to rate how important these reasons were to them when they started their business (See Figure 1). Top responses for starting a business in their community that were distinct of rural small business owners, based on Small Business Majority’s knowledge of the small business community at large, included having a sense of pride in their hometown (61%) and a lack of existing job opportunities to build wealth (57%). Other responses included many factors that drive non-rural entrepreneurs as well, including feeling they had a profitable business idea (84%) and that their business was well suited to serve the local economy (73%).

**Figure 1: Rural small business owners start businesses to build wealth and due to a sense of civic pride**

Below are reasons someone might start a business in their own community. For each reason, please indicate how important (very important, somewhat important, just a little important, not important at all or don't know) each reason is to why you started your business in your community. Reminder that in this survey, when "your community" is referenced it means the community your business is located in.

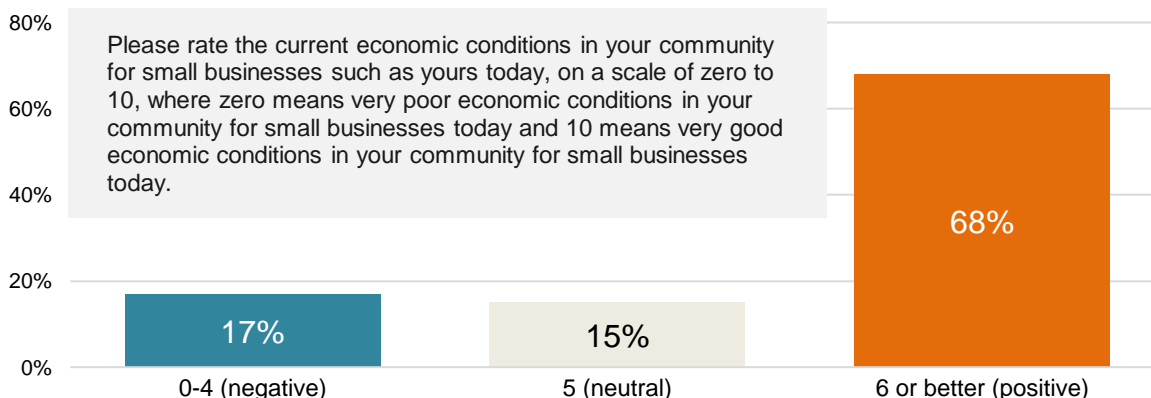


**Rural small business owners are optimistic about economic conditions**

Almost all poll respondents (88%) felt their community’s natural beauty and outdoor activities make it an attractive place to live and work; however, almost three-fourths (73%) agreed that a lack of economic opportunity forces people to search for a more plentiful economic environment.

Despite this, the rural small business owners surveyed said they believe their communities’ economic conditions are generally positive. The poll also asked respondents to rate the current economic conditions for small businesses like theirs in their community today on a scale of zero to ten (see Figure 2). Sixty-eight percent rated their local economy as a 6 or better, indicating a generally positive economic outlook among these business owners. A majority of respondents (56%) said the current economic climate in their community is better than the economic climate of five years ago, while nearly 3 in 10 (29%) felt conditions are about the same and 15% said conditions have worsened.

**Figure 2: Rural small business owners are optimistic about economic conditions**

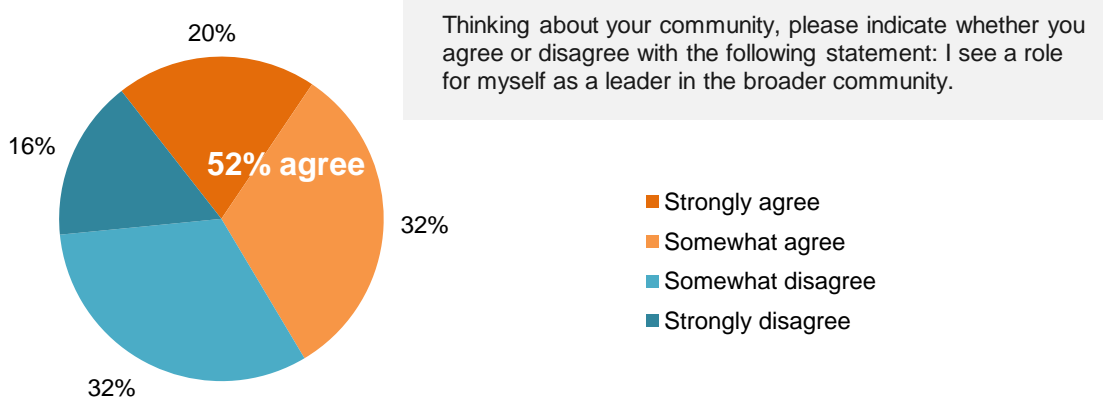


Naturally, most business owners go into business to earn a living and make a profit; rural entrepreneurs are no exception. However, small business owners also pursue entrepreneurship in their communities out of a sense of civic duty and to play a role in their towns' economic development. Rural entrepreneurs see small business ownership as a way to build wealth in a somewhat challenging economic environment but are optimistic about the economic future of their communities.

### Rural entrepreneurs see a strong role for business in strengthening their communities

Small business owners overall were proud of their business and its potential to play a positive role in their community. More than half of poll respondents (52%) said they see a role for themselves as a leader in their broader community (See Figure 3) and 48% see themselves as a local leader in the business community.

**Figure 3: Rural small business owners see themselves as a leader in their communities**



The small business owner focus groups provided additional support for these findings. For example, a medical professional in Roswell, N.M. noted that before she had a private practice, she could move anywhere, but after opening her own office, she felt more invested in her community. The business owner felt this investment in her community is good for her business, helping with employee retention. Additionally, small business owners said they believe their businesses are the backbone of local communities and that they can positively impact their neighborhoods.

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*“An advantage of being a rural small business owner is that I have more contact with local leadership than I would in a bigger city. I can pick up the phone and call someone if I have a problem.”*

*-Small business owner in Georgia*

”

Participants said they try to give back to their communities substantially through local groups, neighborhood associations and churches. They felt they have the opportunity to influence decisions by being a part of these organizations, where they often come into direct contact with local leadership. Small business owners also reported having more overall contact with local leadership and that they are local leaders themselves, acting as a sounding board for the community and voicing concerns to local leadership on their community's behalf. Small business owners said they want their community to grow and that they feel it's up to them and other small businesses to make that happen.



## Rural entrepreneurs rely heavily on informal networks, and struggle to utilize traditional small business support systems

Small business owners in the focus groups were asked about their membership in local business organizations and how they connect with other local business owners in their community. Responses revealed that networking within the local community is key to the success of rural small businesses. Small business owners utilize trade associations (including regional affiliates of national associations), local chambers of commerce, rotary clubs and co-ops. Small business owners also discussed an increasing use of social media to connect with others, with one noting that their local community Facebook group page is “where things get done.” Some participants felt they don’t have sufficient networking options, however, and some discussed barriers to accessing networking opportunities, such as high fees associated with memberships.

“

*“As a start-up, there are countless organizations and groups that want you to join, but they’re all expensive just to network—sometimes \$500 or more every year, which is not reasonable. Start-ups have to be mindful of who they first connect with.”*

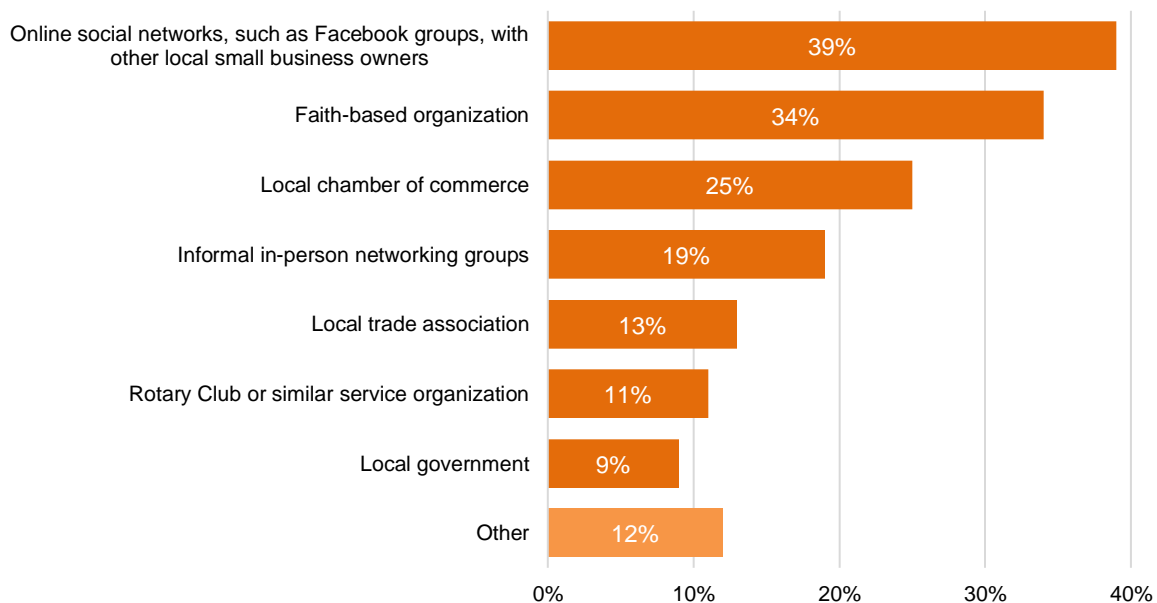
*-Small business owner in Starkville, Miss.*

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The poll also asked rural small business owners about their participation in local organizations. The most common activity was being involved in an online social network like a Facebook group with other local small business owners (39%), followed with being involved with a faith-based organization (34%) and a local chamber of commerce (25%) (See Figure 4). Millennial small business owners (31%) are more likely than Generation X or baby boomer small business owners to participate in multiple roles in their community. Those with higher incomes, more employees or older businesses are also more likely to say they are involved in multiple roles in their community.

**Figure 4: Rural small business owners participate in their communities in a variety of ways**

Are you involved in any of the following community-based organizations? Please select all that apply.



Poll respondents were asked to choose up to three external factors that help them to maintain or grow their business in their community. The most cited factors included support from family and friends (44%), a robust local market for their goods or services (40%) and support from the community (37%). The poll revealed some generational differences. While younger, newer business owners surveyed (millennial and Generation X entrepreneurs) also rely heavily on the support of their family and friends, they are more likely than their baby boomer counterparts to say they rely on the support of their community as a secondary factor. Similarly, data revealed reliance on family and friends is higher among business owners of color.

Rural entrepreneurs crave a larger involvement from their government to foster a healthy environment for their business with opportunity, resources and collaboration, but 64% of respondents agreed that there is a lack of regional coordination between their local government and other stakeholders, and 75% said they believe such coordination is very important for their business growth. Small business owners in rural communities clearly need additional support to find opportunities outside of local chambers of commerce to identify events, resources and other networking opportunities.

## KEY BARRIERS RURAL ENTREPRENEURS FACE

While rural small business owners are involved in their community and desire to play a positive role in their area's growth, they must overcome unique challenges to start and grow their businesses and achieve success.

### Overview of top challenges for rural small business owners

Many of the benefits of business ownership also speak to its top challenges. After all, small business owners may be their own boss but typically “wear all the hats.” When entrepreneurs start their business, they might know their field or specialty well, but they often need to learn how to run a business, how to hire and manage employees, how to navigate benefits and basic business skills and requirements, including regulations, licensing and finding start-up capital.

“

*I don't have a partner, so I leave a TA [technical assistance] session with a list of things to do. I have to stop my normal daily tasks and try to do something new that I'm not an expert at. Everything just keeps sitting on my list of things to do. As a small business owner, you have to do it all.*

-Small business owner in Anthony, Texas

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Rural small business owners were asked during focus group discussions about their top challenges (See Figure 5). Access to capital was frequently cited as a particular challenge, with many noting they first turned to friends and family because getting a traditional bank loan or a U.S. Small Business Administration-backed (SBA) loan is difficult without a proven track record (*see below for more details on challenges related to accessing capital*). While access to capital is a common problem for all entrepreneurs, the challenge is heightened in rural areas with fewer banking options. For example, the difficulty of finding start-up funds led one small business owner in Georgia to say it can often be easier to start a franchise than an independent small business, due to the support from a corporate structure.

Other specific business challenges mentioned include finding reliable and capable employees within a limited job pool, understanding how to market their business, increasing consumer demand and challenges from competition. Again, while these challenges are faced by all entrepreneurs, they exhibit unique features in rural areas. Foreign competition was a particular challenge for small business owners interviewed operating along the Texas-New Mexico-Mexico border, as they noted services are often

significantly cheaper in Mexico. For example, one small business owner said it's difficult for them to charge \$15 for a haircut when customers can cross the border to Mexico and get one for \$3.

Another issue discussed was the overall cost of doing business in more remote areas. Several participants explained how costly it is to be far from resources, meaning they have to order merchandise and products online and sometimes big companies don't want to deliver to their areas. In some cases, the cost of such deliveries was prohibitive, and small business owners lost valuable time driving to pick up supplies from distant locations. Rural locations also lead to scarce access to broadband and healthcare providers.

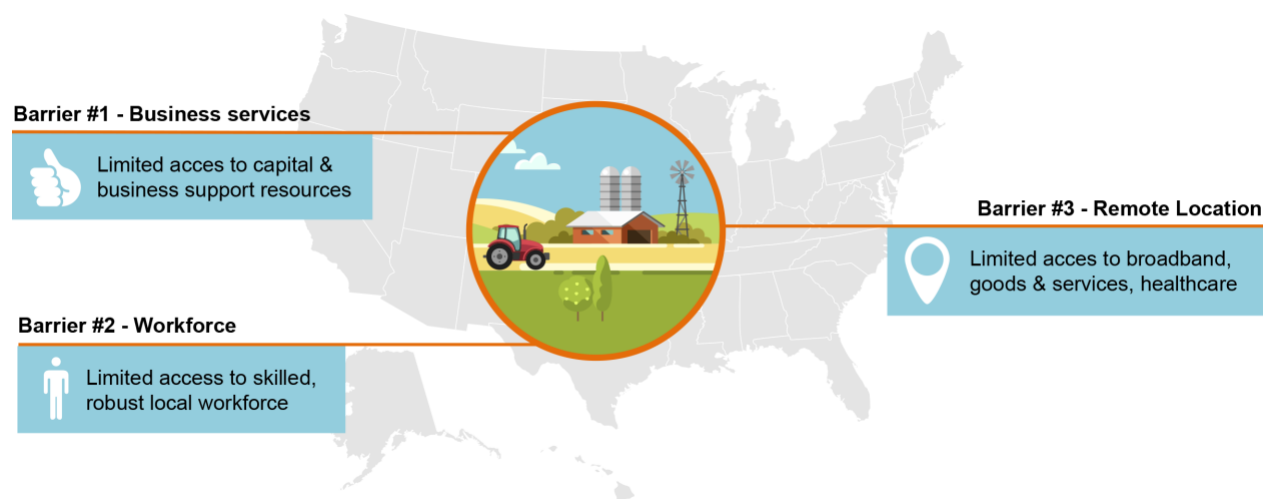
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*“The price of ingredients is so expensive because we are so remote. We have only one delivery option, and for one-third of that price, we can drive to El Paso, go to Costco and get a hotel.”*

*-Small business owner in Marfa, Texas*

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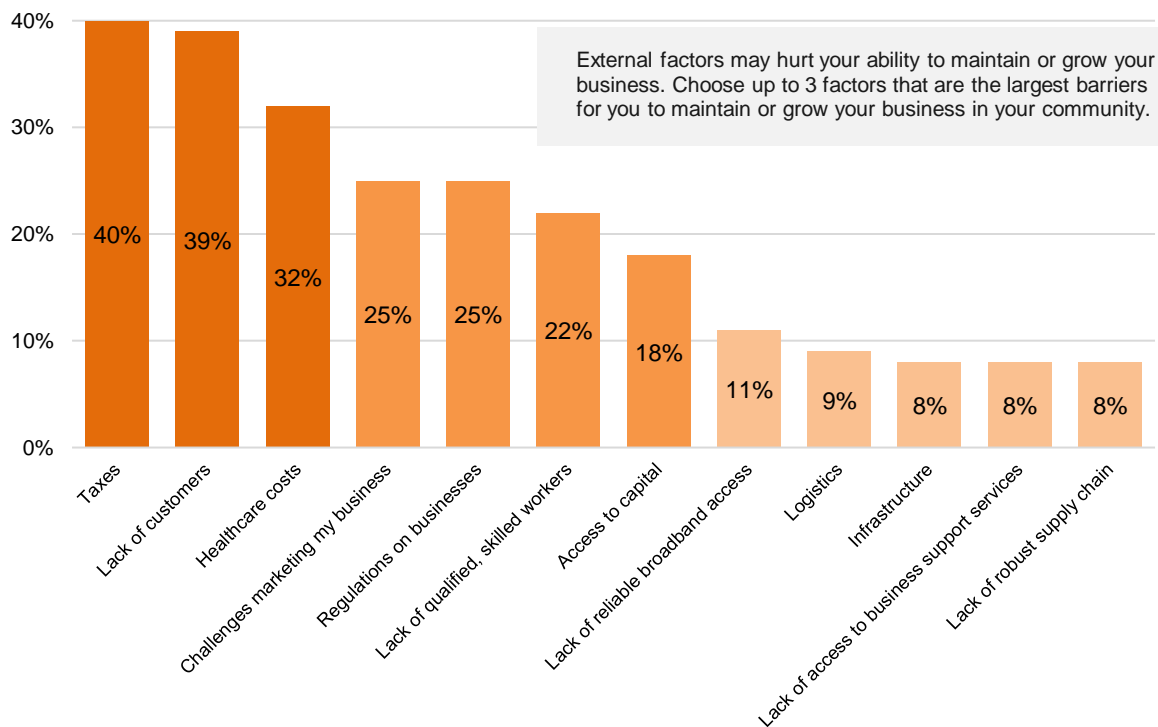
**Figure 5: Top challenges facing rural small business owners as identified by focus group participants**



Feedback from the community stakeholder roundtables echoed these concerns. Stakeholders noted the small business owners they work with express challenges like a limited skilled workforce pool, particularly a lack of workers with “soft skills” like time management, answering phones, customer service, counting out change and basic communication skills. They also noted that rural small business owners deal with a lack of access to parts and supplies, broadband access, lack of facilitators and mentors, poor financial literacy and lack of funding for programs that serve rural areas.

The poll provides additional data on what small business owners believe are the top issues facing their businesses (See Figure 6). Based on what we heard in the discussions with small business owners and stakeholders, we developed a list of factors that might hurt business owners' ability to maintain or grow their business and asked poll respondents to choose their top three barriers. The top three barriers identified were taxes, lack of customers and healthcare costs. Lack of qualified, skilled workers, access to capital and lack of reliable broadband access—topics that were identified by roundtable participants as major issues—were rated as top barriers by a significant but smaller group of respondents. It's important to note that the focus groups asked small business owners to name barriers in an open-ended manner, while the poll presented specific options and asked respondents to rank their top three issues. The poll was also a national sample of rural small business owners, while the focus groups and roundtables were concentrated in four states in the South and along the Mexico border. The difference in these methodologies produced poll results that varied somewhat from the qualitative feedback we received, although there was overlap as well.

**Figure 6: Top challenges facing rural small business owners as identified by poll respondents**

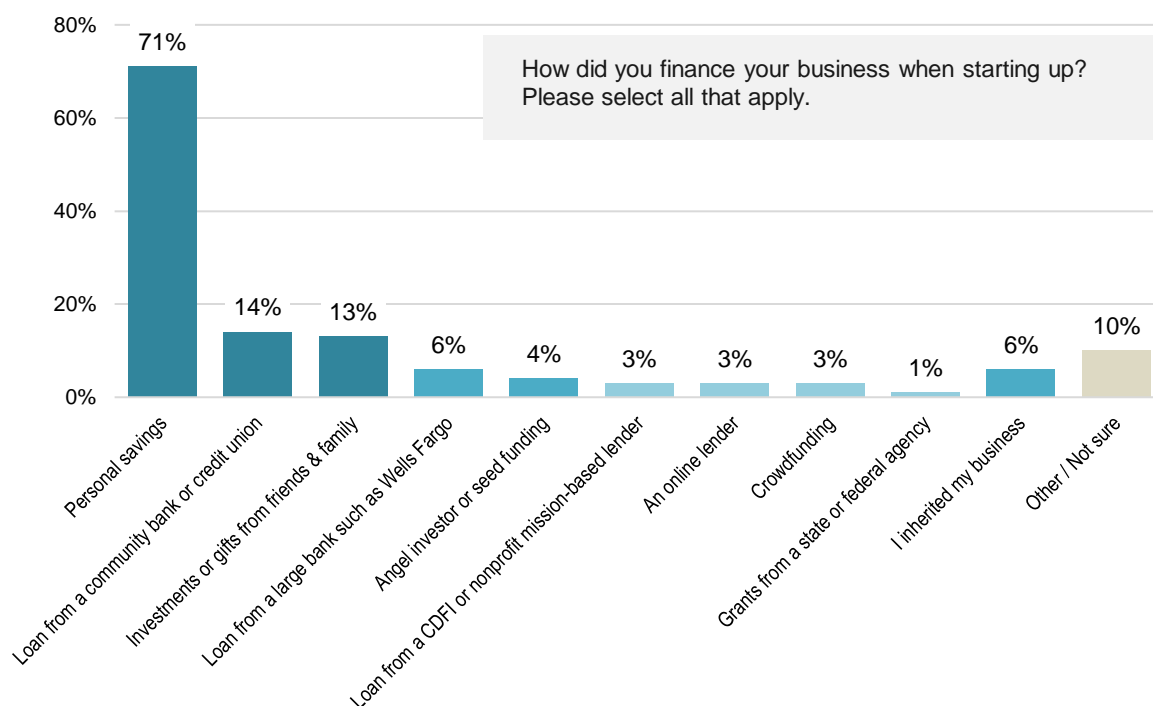


Rural small business owners face an array of challenges, many of which are specific to their location in less-populated communities. Many of these challenges are discussed in further detail in the following sections.

### **Access to capital is uniquely challenging for rural entrepreneurs; most rely heavily on personal savings**

Small business owners in general, and rural small business owners in particular, face significant hurdles in accessing capital. While almost all of the participants in the focus groups and stakeholder roundtables identified this as a major challenge for rural small business owners, the poll results indicated it was more of a moderate issue for rural entrepreneurs. Roughly 1 in 5 rural small business owners surveyed in our poll rated access to capital as one of the top three challenges to maintaining or growing their business in their community. When asked directly how much of a problem it is to access capital to maintain and grow their business, 4 in 10 poll respondents reported it is a problem for them. Newer business owners (those who have been in business for less than three years) were more likely to report that access to capital is a problem for them, with 58% responding that this is a problem in maintaining and growing their business.

Poll respondents were also asked about the types of capital they used to start and grow their business (See Figure 7). Most poll respondents relied on personal savings to start their business—71% reported funding their business this way. Just 14% received a loan from a community bank or credit union, and only 6% received a loan from a large bank such as Wells Fargo. Thirteen percent of rural small business owners received investments or gifts from friends or family.

**Figure 7: Rural small business owners turn to personal savings to fund business**

Looking more closely at the data, small business owners who reported holding multiple roles in their community (25%), those with more than five employees (23%) and those who have owned their business for more than a decade (20%) relied more on loans from community banks than younger businesses (8%) and businesses with 5 and fewer employees (11%). This suggests that more established businesses are more likely to utilize a community bank for funding.

The poll provided additional context for the challenges small business owners face in accessing capital. Among poll respondents, more than 1 in 3 small business owners (35%) have sought a commercial loan since starting their business. Of those who have applied for a loan, 42% reported being denied. These respondents were asked why they were denied a loan, and top reasons included high amounts of existing debt (47%), lack of sufficient business revenue (41%), lack of collateral (32%), poor credit score (30%), not enough credit history (27%) and lack of business plan or projections (10%). Younger businesses (less than three years of operation) were rejected at higher rates, with 88% of those who have tried to get a loan being denied.

Feedback from stakeholder roundtable participants likewise identified this as a major challenge and offered insight into the specific obstacles rural entrepreneurs face in securing funding. Participants discussed at length issues like poor credit, lack of collateral, lack of trusted lenders in their areas and high interest rates. Several noted that many larger banks and even SBA-affiliated lenders are usually not viable options for their small business because they require significant financial statements and a proven track record and take much longer to disburse funds. Echoing the poll findings, younger entrepreneurs especially struggled to get financing without established credit.

“

*“It’s a challenge to seek money for expansion—if we had more funding, we could double the number of employees we put to work.”*

*—Small business owner in Starkville, Miss.*

”

Poll respondents were asked to rate the top two difficulties they face when accessing capital for their business. The top two reasons were that there are too few local banks willing to lend to businesses like theirs, which 20% of respondents chose as a top problem, and that there are too few local banks willing to lend to *new* businesses, chosen by 19% of respondents. Other top challenges chosen included difficulty qualifying for SBA-backed loans or bank loans (14%), a lack of grants for startup businesses (11%) and a lack of angel investors or seed funds to finance new startups (11%).

The focus groups also provided feedback on small business attitudes toward certain lending options. Entrepreneurs reported much more positive experiences with community banks than large commercial banks. Respondents added that loans from community banks have lower fees and are easier to pursue than loans from larger banks, but many still felt that community banks are not fulfilling the full funding needs of rural communities. Participants also discussed online lending, noting they often receive aggressive marketing from such companies to encourage them to seek online financing. However, small business owners said these lenders seem untrustworthy and often offer high fees, making them wary of these options.

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*“We could not have started without our community bank... the big banks just didn’t understand what we needed.”*

*-Small business owner in Roswell, N.M.*

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These findings clearly illustrate that rural small business owners do find accessing capital to be a top challenge, and they need more funding options in their area to help close this gap.

### **Rural entrepreneurs need more information and assistance in navigating access to capital; identify variety of solutions**

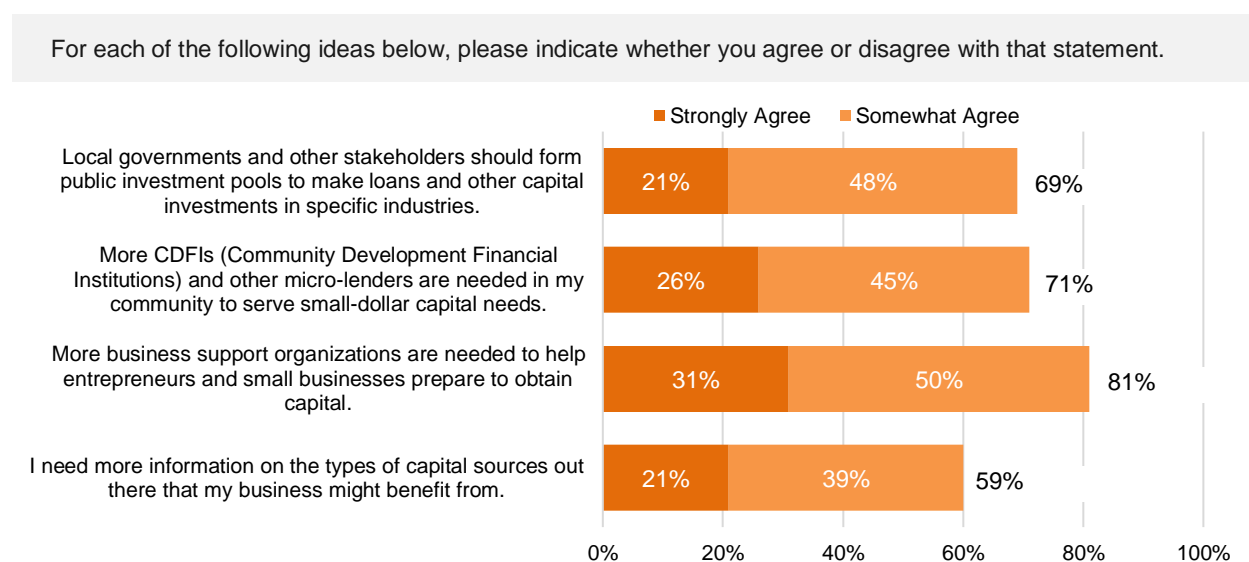
Our research illustrated that small business owners need more funding options for their business, but equally important is their need for education and information on the funding options already available to them. Results from the poll, small business focus groups and stakeholder roundtables identified some discrepancies regarding awareness of local technical assistance providers and education around small business financing. According to the poll, 73% of respondents reported they are very or somewhat confident they know all the loan and capital options available in their community. However, a significant majority of 59% also agreed they need more information on the types of capital sources out there that their business might benefit from.

Similarly, many focus group participants said there is not enough clear information or sufficient resources to help them navigate the process of finding a loan or getting their business off the ground. For example, one small business owner noted there is no simple place to go and find financing options, and that trying to understand those options can be very confusing. Another cited the lack of small business investment companies (SBICs) in their state (Mississippi) as a barrier. Many participants also reported a lack of available mentors to help navigate the process or discuss best practices.

It's clear that small business owners in rural areas need more guidance and assistance to help them navigate responsible lending options and more education about the resources available in their communities. Community stakeholders were generally aware of a wide variety of state and local programs to provide resources to small business owners around funding, but did feel there is a lack of awareness of these programs among the rural entrepreneurs they serve. One participant in Texas said he has had extreme difficulty in getting people to accept SBA-backed loans because of a local perception that these loans are government handouts. Many stakeholders also expressed concern about a lack of financial literacy among their local entrepreneurs.

Poll respondents were also asked to provide feedback on potential solutions to increase capital in their areas and address challenges they face in accessing capital, including accessing business support programs (See Figure 8). Eighty-one percent agreed more business support organizations are needed to help entrepreneurs and small businesses prepare to obtain capital. An additional 71% agreed more CDFIs and other micro-lenders are needed in their community to serve small-dollar capital needs. Almost 7 in 10 respondents (69%) felt local governments and other stakeholders should form public investment pools to make loans and other capital investments in specific industries.

**Figure 8: Rural small business owners call for increased financing solutions to strengthen small business**



The survey data revealed rural small business owners with experience seeking loans are somewhat more enthusiastic about the need for further information than their counterparts who have not sought loans. About a third of respondents have sought commercial loans, and almost two-thirds of this group (64%) agreed they need more information on the types of capital sources businesses can benefit from, a slight increase compared to those who have not sought a loan (56%). Business owners who have sought loans are also more supportive of CDFIs (79%) and the local government (74%) becoming more involved in capital needs and investments of local small businesses than respondents who have not sought a loan.

The roundtables with community stakeholders made it clear much support does exist for rural small business owners to help them find funding options for their business. Yet, focus groups and polling data from rural small business owners revealed a serious information gap about the availability of these resources and a noted desire among rural small business owners for more information about and guidance navigating through the different options that exist.

### Rural employers struggle greatly to maintain a qualified workforce

One of the most common challenges we heard from focus group participants is how difficult it is to recruit and retain qualified employees. Across all focus groups, employers stressed that good employees are difficult to find and small business owners said they are willing to go above and beyond to retain talented employees. Small employers said they often offer incentives such as anniversary bonuses that grow over time or a commission-based pay structure. However, many participants felt they can't compete for more educated or experienced employees. One said their state is a "great exporter of college-educated talent," with many graduates looking outside of their small-town communities for good-paying jobs. The poll found more evidence to support these beliefs, with 73% of respondents saying a lack of economic opportunity forces people to leave their community.

We also heard from participants who said many of the available younger employees in their areas do not have the basic qualifications needed for jobs and that they lack the drive of older employees. They felt

these individuals frequently lack “soft skills” and have a poor work ethic. Many rural small business owners discussed how these employees have less motivation and, in certain areas like Baxley, Georgia, struggle with opioid use.

Community stakeholders echoed these concerns, noting a lack of qualified workers and a need for more workforce development training in both soft skills and trade skills. They agreed with the small business owner feedback that the more talented and trained youth are likely to leave for larger cities, and there is both a need to keep more talent in rural communities and a real challenge in getting remaining workers into certification programs. Stakeholders also noted that some small businesses they work with don’t always understand how to seek qualified staff, how to create a positive work environment or how to train employees, and could use more education and support in this area.

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*“A lot of times the applicants come in real good, you know, saying ‘I can do this, I can do that.’ And then when it comes down to it, all they want to do is sit behind the counter and play on their phones.”*

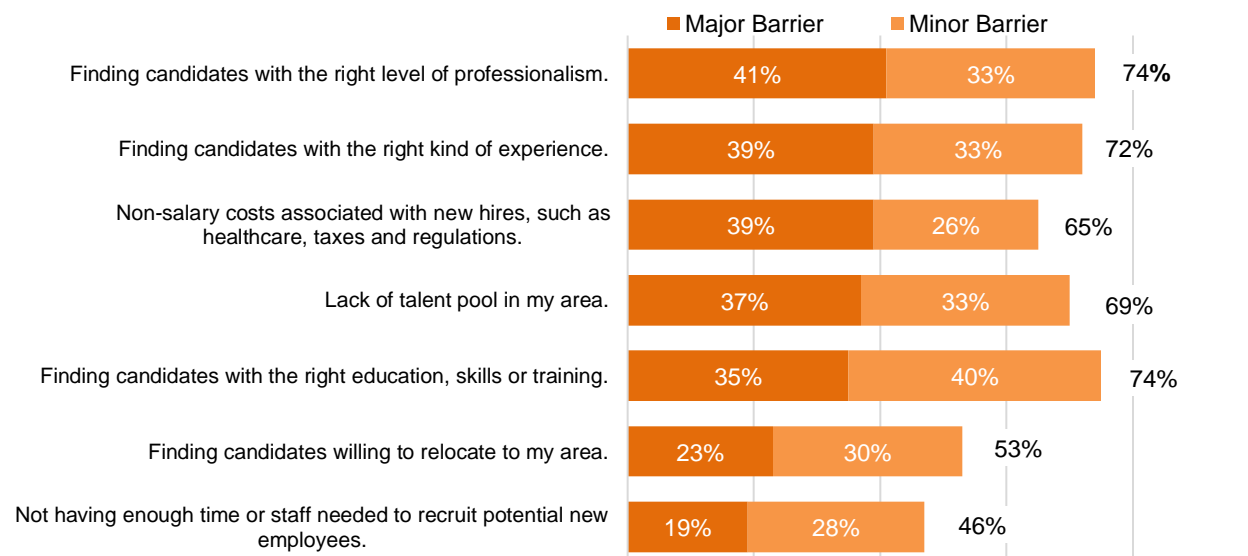
*-Small business owner in Harlingen, Texas*

”

Results from the poll provided additional support for these anecdotal challenges. Roughly 1 in 4 rural small business owners surveyed (26%) said they have been trying to hire more employees but are unable to find qualified workers. The respondents were asked to rate the top barriers to hiring new employees (See Figure 9). The top responses included difficulty in finding candidates with the right level of professionalism and finding candidates with the right education, skills or training, both of which 74% agreed was a barrier. Other top barriers include finding candidates with the right kind of experience (72%) and a lack of talent pool in their area (69%). Relocation of new employees was a particular issue for younger small business owners and professional service businesses compared to each of their counterparts, with nearly two-thirds of both naming it as a barrier to hiring new employees.

**Figure 9: Rural small business owners struggle to find top talent**

For each of the statements below, please indicate if you find it a barrier to hiring new employees. Choose from whether these factors were a major barrier, minor barrier, not much of a barrier or not at all a barrier.





Respondents were also asked to rate barriers to retaining *current* employees. Seven in 10 respondents felt their ability to offer a comprehensive benefits package to employees is a barrier to retention. Other answers included employees finding other jobs with more opportunities for advancement (61%), being unable to afford to pay employees enough to keep them (56%), employees relocating to urban areas (52%) and employers having no time for professional development and training for employees (50%). However, 9 in 10 small business owners reported providing some level of on-the-job training to their employees.

Rural small business owners identified proactive solutions for workforce training issues in their communities during our focus group sessions. In areas with nearby educational institutions, business owners said they would like to have the opportunity to work with these institutions to align their workforce needs with educational programs, so they could take advantage of the labor supply of graduates. They felt there is a missed opportunity to keep more educated students in these towns. The poll found similar results, with two-thirds of respondents (67%) saying that local universities and community colleges in their community need more programs to provide vocational training specifically designed around the jobs available in that area. Yet only 1 in 3 (34%) have collaborated with other small businesses and local education institutions to create standards for skills training. Local educational institutions could be doing more to provide this kind of worker training, but small business owners may need to play a more proactive role in asking for programs that fit their workforce needs.

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*“We need to put training in place for technical people. We have no plumbers, no HVAC technicians, no skilled laborers or tradesmen, no hospitality [workers]. The only plumber we had stopped doing that and went to work for the Border Patrol.”*

*-Small business owner in Marfa, Texas*

”

Communities near the border of Texas and Mexico face specific challenges, such as language barriers. Some participants said they are working to improve their Spanish language skills in order to improve their hiring. Some employers also cited the costs associated with workers’ compensation insurance and lower labor costs in Mexico as competitive challenges for their business.

Workforce training and retention is undoubtedly a serious issue for rural small business owners, who have fewer resources to compete for the limited number of qualified employees in their areas. Regional stakeholders and rural small business owners must work together to design programs that address these skills and retention gaps.

### **Healthcare costs and lack of providers are a significant concern of rural entrepreneurs**

Small business owners and their employees nationwide routinely struggle with access to health coverage, and small business owners in all areas consistently rank the cost of healthcare as one of their biggest concerns. This new data indicates this challenge is especially acute for rural small businesses.

The poll found 7 in 10 poll respondents agreed that the ability to offer a comprehensive benefits package to employees was a barrier to retaining current employees. What’s more, almost 1 in 3 rural small business owners (32%) rated healthcare costs as one of the top issues facing their business. This sentiment was further emphasized in the feedback we received in our small business owner focus groups. In the Clint, Texas focus group, for example, every single participant said they go without insurance and instead pay for their care out of pocket.

The remoteness of many of these communities means they also have very limited access to healthcare, with most focus group participants reporting they have to travel at least 30 minutes to access emergency care or routine services. This causes many problems for small businesses—many discussed how difficult it is to incentivize employees to work in an area without medical care, and a lack of options impacts their healthcare costs. Even in communities with higher rates of providers, participants said they are unhappy

with their limited options and with customer service from insurance companies. Others noted that they can't get professionals like surgeons to come and stay—even if they bring in international practitioners through visa incentives, those people come and then leave after a few years.

This lack of providers means small business owners and their employees in rural communities must often travel quite far for basic medical care. A Clint small business owner noted that if he needs to seek medical care, he has to drive 20 miles to get it, which often requires him to close his shop if his wife isn't able to watch it while he's gone. What's more, our poll found only 42% of respondents felt the local healthcare sector does a good job of engaging businesses like theirs to improve the health of their community.

Despite a lack of local providers, small business owners noted that small businesses can play a role in promoting healthy communities. Small business owners understand that having healthy employees increases efficiency, which helps their bottom line, and that there is a cost to doing business without a healthy community. Additionally, participants noted that investors are more interested in communities that are healthier.

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*“Having healthier people is more cost effective for a community—less ER expenses mean more folks are able to go out and about and buy goods.”*

*-Small business owner in Baxley, Ga.*

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Small business owners had specific ideas for ways to promote healthier communities. For example, participants in Mississippi and Georgia said they want to see more sidewalks, walking trails and bike trails to support healthier communities while making their areas a more attractive place to live and work. Some noted that access to bike trails are of particular interest to international employees and investors. Additionally, they felt that creating more trails would not only promote healthier living, but could also connect more small towns, spurring economic activity throughout their regions.

### **Taxes concern rural entrepreneurs, desire additional tax relief**

Participants in the small business owner focus groups were asked to provide feedback on the availability of and experience with local or federal tax incentives to help their small business. While asked specifically about incentive programs like tax credits for hiring veterans or operating in underserved areas, many responses instead focused on the burden of local, state and federal taxes for small businesses, which many said are too high. As previously noted, this sentiment was reflected in the poll.

Generally, we found skepticism among focus group participants about incentive programs, with many saying they are hard to utilize and often not worth the amount of time needed to receive them. There was mixed awareness about available incentives for small business, and a general feeling that it is much easier for big businesses to navigate tax incentives. Participants also did not feel that state or federal policymakers were aware of small business tax burdens, and that overall, tax policy is not working for their small businesses.

These sentiments were echoed by the stakeholders participating in community roundtables, who added that many of the small businesses they work with don't seem to know tax incentives exist, especially since many small business owners do their own accounting. They noted that applying for tax incentives is fairly complex, and there are few local facilitators available to help small business owners navigate the tax process. Stakeholders indicated there is a huge disconnect between the programs and funds available and small business owners' ability to apply for these funds.

Despite mixed feelings about existing incentives, small business owners called for increasing tax programs to help businesses revitalize rural downtown areas. One participant said that new businesses in their area are building outside of town, rather than in the downtown corridor, and the community and businesses

are both missing an opportunity there. In general, small business owners would like for there to be more incentives that are easier for small businesses to utilize to revive these areas.

### **Lack of broadband and physical infrastructure is hindering rural small businesses**

Participants in the rural small business owner focus groups noted a number of infrastructure needs that constrain their small businesses. Chief among these is the availability of reliable broadband. One small business owner noted that cell service is “spotty at best,” and there is little chance that telecommunications companies will invest in better service with so few potential customers. One small business owner in Roswell, N.M., whose business relies on access to electronic medical records (EMR), had to abandon their internet contract, losing hundreds of dollars, because service was too spotty and instead find a different EMR system accessible via cell service instead. Additionally, roughly 1 in 10 poll respondents (11%) rated lack of reliable broadband as one of the top three challenges facing their business.

Stakeholders participating in roundtable discussions also reported that lack of reliable broadband is a major challenge for the small businesses in their areas. Participants from groups like local chambers of commerce or economic development entities noted that broadband access is a major barrier to recruiting out-of-state or international firms to their rural communities. These leaders have tried to bring in more competition and improve the quality of rural broadband, but these efforts meet resistance. One community stakeholder also said lack of access to reliable internet in residential areas prohibits the ability of individuals to take on freelance or independent work out of their homes. Multiple people added that lack of access to high-speed quality internet hurts efforts from technical assistance providers to establish programs for local entrepreneurs.

“

*“Internet access is extremely unique in regard to business transactions. It opens up the world to economic-based jobs and that is a job funded by customers outside of the state. So if I’m selling products outside of the state, that’s money flowing into New Mexico. That brings money into my rural community, and they say for every economic-based job, it creates 1.5 to 2 base jobs. You have to have that influx.”*

*-Small business owner in Alamogordo, N.M.*

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Other small business owners noted issues with physical infrastructure, such as water systems, roads and bridges, which in many cases are beyond repair and cause challenges for transportation. Similarly, 8% of poll respondents felt physical infrastructure like quality of local roads, bridges and highways (or lack thereof) is one of the top challenges facing their business. Focus group participants reported that even when roads are in better condition, the distance from resources can cause long wait times for repairs or deliveries. This can affect prices they pay for goods and services, making it difficult for them to keep their costs down and their business open. What’s more, many of the communities would need significant infrastructure development to support more growth, with one participant noting that the local aquifer can’t support growth beyond 75,000 residents.

### **RURAL ENTREPRENEURS’ ATTITUDES TOWARD EXISTING SUPPORT SYSTEMS**

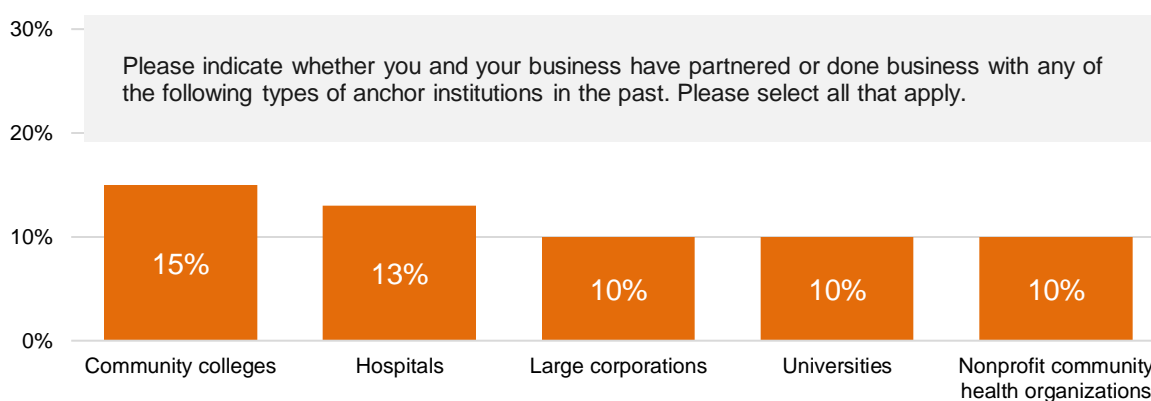
Rural small businesses exist within a broader ecosystem of enabling actors and stakeholders, and understanding this dynamic is important to identify challenges and solutions to support rural entrepreneurs. Many programs exist to benefit rural small business owners; however, availability can be inconsistent in rural regions, and when they are available, entrepreneurs are often unaware of them. Understanding small business owners’ attitudes regarding the effectiveness of business support programs and anchor institutions can help improve the quality and success of existing programs, and direct future programs to best meet the needs of rural entrepreneurs.

### Small business interaction with anchor institutions could be increased

There is a lack of information on how rural entrepreneurs interact with local anchor institutions like hospitals, universities and community colleges, larger companies and others. Our polling indicated that rural small business interaction with such institutions is hindered by a relative lack of such institutions in their areas (See Figure 10). When asked about more traditional anchor institutions, 57% of poll respondents reported having a hospital in their area, 44% have community colleges, 27% have universities, 25% have large corporations and 23% have nonprofit community health organizations. However, it's important to note that nearly 1 in 4 (23%) reported having none of these anchor institutions available locally.

Survey respondents were asked how much they partner or do business with local anchor institutions. Partnering with local community colleges and hospitals were the most common activities, followed by limited involvement with large corporations, universities and nonprofit community organizations.

**Figure 10: Rural small business owners work with anchor institutions is limited**



Small business owner focus groups provided more context for the relationship between local anchor institutions and rural small business owners. There was mixed feedback from the business owners on their experiences with anchor institutions. Many said they did not see larger businesses in their area as supportive or as an opportunity for their own business. One small business owner noted that she tried to work with Walmart to market her business, but she had the “door shut” on her efforts to work with them in the community. Many participants said it’s easier for them to work with other small businesses, and they see the local small business community as a real support network. Similarly, one community stakeholder reported many small business owners feel programs offered by anchor institutions like universities aren’t aligned with Main Street small business needs.

“

*“It’s much easier to do business with other small businesses. You have to work through the whole chain with big business even if they love your product.”*

*-Small business owner in Milledgeville, Ga.*

”

However, some did cite positive stories of working with larger businesses, but noted these relationships took more time to develop and need “water to grow” in order to benefit their business. Certain institutions, like local colleges and medical facilities, are reportedly much more helpful to small businesses than other local institutions. For example, one small business owner noted that she was able to get inexpensive website development from students at the local college, at a much lower cost than a professional would have charged. Another small business owner in Anthony, Texas, was able to sign a contract to provide produce to the local Las Cruces school district, thanks in part to grant funding for local growers.

While small business owners feel anchor institutions are often difficult to utilize to help grow their small business, some are finding creative ways to benefit from such opportunities, as local artists in Marfa, Texas did by turning a former U.S. Army building into an exposition space to help sell their work. These communities offer best practices on how to engage stakeholders collaboratively. Still, it is clear rural small business owners feel more could be done to allow them to benefit from anchor institutions in their communities.

### **Rural entrepreneurs call for increased support and regional coordination within the small business ecosystem**

The roundtable discussions and poll both collected feedback on the relationship between small business owners and small business support organizations in rural areas, as well as the coordination among these organizations. The poll provides some baseline data on the existence of such business support services in rural communities. Seventy-one percent of respondents reported they have a local chamber of commerce, 66% have a community bank or credit union, 24% have a local SBDC, 21% have an economic development corporation, 12% have an area trade association for their industry and 8% have a local CDFI.

Certain groups showed increased likelihood to utilize these resources. For example, millennials, people of color and small business owners with more than five employees reported higher levels of use of SBDCs compared to other groups. SBDCs are a growing resource and small business owners who are more optimistic about the economy reported being more likely to plan on using them.

Despite resources and support organizations generally being available to rural small business owners, many small business owners do not take advantage of these resources. Some feedback suggested this is due to a lack of awareness and a lack of coordination with rural small business ecosystems. There were mixed sentiments from the stakeholder groups on whether their local organizations were doing enough to coordinate services and resources for small business owners. Some stakeholders sensed a lack of regional coordination, while in other areas like McAllen, Texas that have many small business assistance services, there was a feeling of actual competition among those that offer business assistance services.

Small business stakeholders identified additional issues related to the availability of community support and assistance for the small business community. Many noted a decrease in the availability of grant funding from state and federal government entities to both small businesses and to business support organizations. Some noted that SBDCs are regional institutions, so their services aren't always distributed evenly in rural areas.

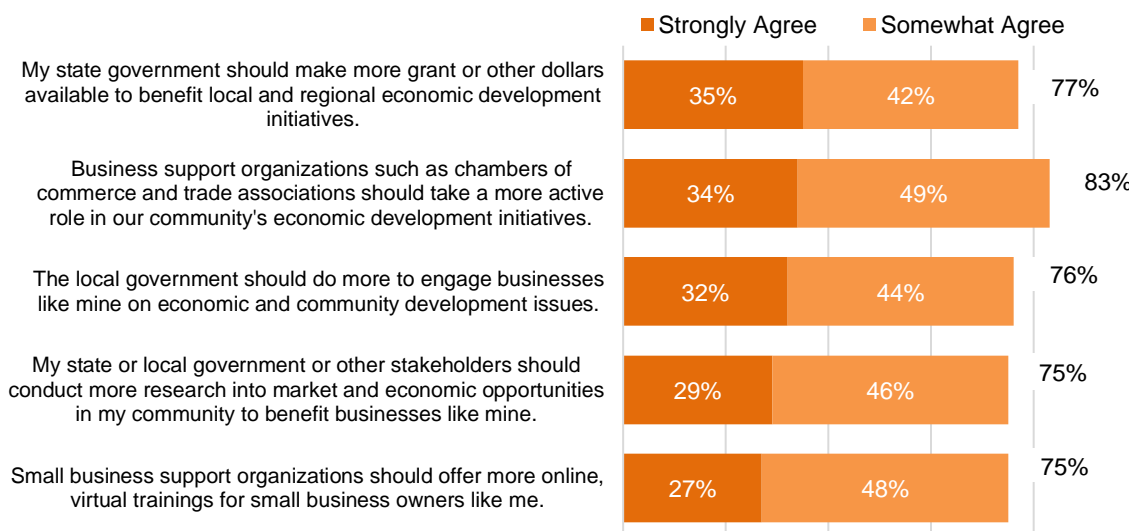
However, there were some positive examples of regional coordination. For example, one New Mexico community reported heavy involvement from the state SBA director, which has created a collaborative environment that enables coordination among local small business assistance providers and small businesses themselves. The stakeholders in this town saw themselves as a cohesive unit with the ability to reach businesses in more remote areas. It's important to note this community also had increased participation from local politicians in the stakeholder roundtables, further indicating that a high level of commitment from key figures can make a difference in the overall success of regional coordination.

Poll respondents were also asked about the issue of regional coordination. Almost two-thirds of respondents, 64%, agreed with the sentiment that there is a lack of regional coordination among local governments and other stakeholders around economic development issues. Only 36% felt their local government and other stakeholders coordinate well with other local governments and groups to promote regional economic development. Three in four said regional coordination among local governments and economic stakeholders is important to them.

The poll asked rural small business owners on some potential solutions to better engage regional stakeholders (See Figure 11). The most popular solution was for business support organizations like chambers of commerce and trade associations to take a more active role in the community's economic development initiatives, which 83% of respondents supported, with additional solutions garnering strong support.

**Figure 11: Rural small business owners support efforts to strengthen small business ecosystem**

Below are some ideas about what can be done to strengthen the small business ecosystem in your community. For each of the following ideas below, please indicate whether you agree or disagree with that statement.



More work can be done to build relationships among the members of the small business ecosystem in rural areas, and to communicate the work of business support providers among the small business owners they serve.

## RECOMMENDATIONS

Rural small business owners have substantial potential to spur economic development in underserved areas, but they face a unique array of challenges. Small business assistance providers, philanthropic institutions and policymakers at the federal, state and local level should take targeted action to address the needs and role of rural small business owners and other members of the small business ecosystem in rural places. These recommendations are intended to help the challenges uncovered through this research and are supplemented by Small Business Majority’s general knowledge of the field.

### PROMOTE AND INCREASE SMALL BUSINESS ASSISTANCE IN RURAL AREAS

Small business focus groups, stakeholder roundtables and poll results all indicated challenges in providing enough resources to rural small business owners, ensuring they are informed about the tools that are available to them and coordinating among the various assistance providers. Potential solutions to these issues include the following:

- **Promote regional cooperation among rural small business assistance organizations and other area anchor institutions**, for example, by supporting regional economic clusters/partnerships between small businesses and local educational institutions with the resources to provide industry-focused training and skills development.
- **Connect regional business support organizations with more federal resources and SBA programs.** This involves maintaining and expanding SBA lending, counseling and procurement programs. This must also include providing rural small businesses, particularly businesses owned by people of color, with increased opportunities to participate in SBA loan programs and SBDC programs that provide vital education and outreach to entrepreneurs.

- **Ensure current programs that support rural entrepreneurs continue.** Programs such as the Rural Microentrepreneur Assistance Program, Value-Added Producer Grants and the Intermediary Relending Program administered by the U.S. Department of Agriculture are examples of federal programs that provide important support for rural entrepreneurs. States provide such support through various grants and programs, including initiatives like the Texas Young Farmer Grant and the Minnesota Crop Research Grant Program.
- **Equip business support organizations with more resources to conduct comprehensive outreach and education programs that provide rural small business owners with essential business information** on topics such as loan options, where to find business assistance, offering employee benefits to recruit and retain talented workers, etc. This should include elevating these resources and guiding rural small business owners to the existing quality small business technical assistance providers, lenders and other resource providers in their areas, and expanding upon these resources in areas that may be facing gaps in assistance. This could also include creating formal consortiums of local business support organizations to meet regularly, share resources, streamline processes for small businesses and solicit their input on economic development decisions.

## INCREASE SMALL BUSINESS LENDING OPTIONS AND INVESTMENTS IN RURAL ENTREPRENEURS

Our small business focus groups and stakeholder roundtables outlined the difficulties rural small business owners face in finding funding for their business, problems that are heightened in rural areas due to a lack of banking options, increased likelihood of having credit issues and lacking resources to help navigate the lending process. The following solutions can greatly address these issues:

- **Expand online resources and lending platforms for rural small business owners who have few local options.** Given the severe need for increased access to capital, online lending provides one of the best ways for rural business owners to secure a loan given the lack of viable options in their communities. New online platforms that offer responsible lending options could help close the funding gap for these entrepreneurs, assuming issues related to broadband access among rural residents are also addressed.
- **Increase transparency in online lending to improve the small business lending landscape.** While more lending options are needed for rural small business owners, the current online lending landscape is unregulated and predatory. Local and state governments can help facilitate safe, responsible online loan options for these businesses. For example, California recently passed a small business truth in lending law to increase transparency of financial products marketed to small firms, which can be used as a model for other states.
- **Strengthen and expand local lending, especially community bank lending, which provides more than half of all small business lending.** Community banks nationally approved 60% of small business loans in 2016—compared to a 45% success rate with large banks. One proposal to stimulate community lending includes updating the Community Reinvestment Act activity by streamlining the process by which banks can earn CRA credit by investing in regions outside their branch service areas.
- **Ensure Opportunity Zones guidelines are designed to benefit Main Street small business owners rather than focusing on incentivizing real estate development.** Roughly 40% of Opportunity Zones are in rural zip codes. While these investments hold the potential to benefit small businesses, especially those in underserved communities, they must be implemented responsibly. This could include requiring reporting metrics that measure program success based on the number of jobs created, where those jobs are located, employee wages and the number of businesses created, particularly businesses formed by women or people of color. Metrics should also include assessment of displacement risks for small businesses.

- **Use tax credits as a tool to spark economic development.** For example, the New Markets Tax Credit has helped attract more than \$60 billion in private sector funding to build businesses in economically-distressed communities across the United States. States and localities can also use tax credits as incentives for investment in rural communities, as with Pennsylvania’s Rural Jobs and Investment Tax Credit Program, which provides a tax credit for investors in a Rural Growth Fund.

## IMPROVE AFFORDABILITY AND ACCESS TO HEALTHCARE IN RURAL AREAS

Rural small business owners identified healthcare affordability and access issues that impact their bottom lines. Policy solutions to address this barrier include:

- **Expand Medicaid**, which has been proven to benefit both small business employees and self-employed individuals and rural Americans, in states that have yet to do so under the ACA. Roughly 616,000 small business employees in 15 states that have still not expanded Medicaid could gain coverage if all remaining states expanded Medicaid.
- **Provide additional options** for consumers in counties that have few or no participating insurers in the ACA marketplaces by allowing them to buy in to Medicare or Medicaid.
- **Create more transparency on pricing and quality** to allow patients to make informed decisions about where they receive care, which will benefit the healthcare system overall.
- **Identify solutions for the so-called “family glitch”** to ensure more children and adults have access to affordable coverage. States can address this by considering a state subsidy for spouses and dependents who are currently unable to receive a subsidy through the marketplaces due to the fact that the primary insured family member meets the employee “affordability” standard under the law.
- **Support healthcare tax equity for the self-employed** so solo entrepreneurs can deduct their healthcare expenses from their FICA tax obligations—just like other business entities.

## INVEST IN RURAL INFRASTRUCTURE AND ACCESS TO BROADBAND

Lack of access to reliable broadband was a consistent issue identified in this research, and other infrastructure issues hinder rural small business owners. Potential solutions to greatly improve rural infrastructure include:

- **Ensure broadband is available to underserved, rural communities** through activities to incentivize public alternatives to big Internet providers such as Comcast or Verizon at both the state and local level. Examples include state or federal grants or tax incentives to service providers as well as regulatory reforms that promote broadband construction. For example, Georgia is directing the state technology authority to develop a plan promoting installation along interstates and state roads.
- **Ensure governmental support for physical infrastructure projects that directly benefit small business commercial enterprises.** For example, we recommend promoting supply chain diversity as part of any comprehensive infrastructure proposal to ensure small firms, especially those in rural and underserved communities, are able to participate in infrastructure investments. Governments should also ensure that contracting opportunities are available to small businesses as part of any infrastructure reform.

## IMPROVE OPPORTUNITIES FOR RURAL SMALL BUSINESS OWNERS TO ATTRACT AND RETAIN A SKILLED WORKFORCE

Rural small business owners face unique challenges in hiring and retaining a qualified workforce. Policies that help them compete for top talent by ensuring their employees have robust benefits include the following:



- **Enact policies that make it easier and more affordable for small business owners to offer robust employee benefits** such as health insurance, retirement savings and paid leave to help firms recruit and retain workers.
- **Workforce development organizations, community colleges, high schools and career tech education programs should improve coordination with local small businesses** to better understand their hiring needs to ensure training programs match the needs of the employers.
- **Expand internship and mentoring programs to create career paths for youth, and to ensure access to skilled, entry-level workers for small businesses.** One proposal that could support more workforce training is the Lifelong Learning and Training Account Act, which would make lifelong learning more accessible for low- and moderate-income workers by establishing a tax-preferred savings account with a federal match of up to \$1,000. State programs can also help solo entrepreneurs invest in their own development and acquire skills.

## CONCLUSION

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Rural entrepreneurs face many challenges, including lack of access to capital, difficulties in hiring and retaining talented employees, lack of critical infrastructure and healthcare options and fewer resources to network or find mentorships. They are increasingly optimistic about their community's economic conditions and are eager to help generate economic development in their towns, but there is still more work to be done to coordinate and expand efforts to support these entrepreneurs. We strongly encourage policymakers and business support organizations to consider the above recommendations to better promote rural small business communities.

## RESEARCH METHODOLOGY

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The results and recommendations in this report are based on polling of rural small business owners nationally and qualitative feedback gathered through 21 informal “focus group” style discussions with small business owners and stakeholders led by Small Business Majority staff.

To design the study, we drew on our own considerable expertise as well as feedback from the Robert Wood Johnson Foundation. Local partners like the Rio Grande Council of Governments, the Harlingen Area Chamber of Commerce, the County of El Paso Economic Development Office and others also contributed significantly to the design of the roundtables and discussion groups. In identifying the rural communities to work with, we relied on the expertise, knowledge and established connections of these partners to identify areas sufficiently removed from metropolitan zones.

### SMALL BUSINESS OWNER FOCUS GROUPS

Small Business Majority staff worked with local business organizations to hold focus groups with small business owners in rural communities in four target states: Georgia, Mississippi, Texas and New Mexico. These qualitative discussions engaged small business owners on the top issues facing their business and their chief needs to grow the small business ecosystem in their local communities. These focus groups were intimate conversations with rural small business owners, with up to 15 participants.

Specific communities engaged through small focus groups include the following:

- Milledgeville, Baxley and Jesup, Georgia
- Tupelo, Rankin, Jackson and Oxford, Mississippi
- Roswell, New Mexico
- Anthony, a town bordering Texas and New Mexico
- Harlingen, Marfa, Clint and West El Paso, Texas

## COMMUNITY STAKEHOLDER ROUNDTABLES

Following the small business owner focus groups, Small Business Majority hosted community roundtables with stakeholders who serve the small business community. Stakeholder participants included leaders of local SBDCs and other business support organizations, representatives from economic development organizations, local city officials like representatives of mayors' offices, representatives from chambers of commerce and others.

Roundtables were held in the same four states as the previous focus groups. These discussions involved up to 16 participants, including representatives from groups like the Pickens, Georgia Chamber of Commerce and the Gulf Coast Small Business Development Center in Mississippi.

Stakeholder roundtable locations were as follows:

- Dahlonega and Pickens, Georgia
- Biloxi and Hattiesburg, Mississippi
- Deming and Alamogordo, New Mexico
- Van Horn and McAllen, Texas

## NATIONAL SURVEY OF RURAL SMALL BUSINESS OWNERS

We fielded a national online survey of 530 rural small business owners, conducted by Greenberg Quinlan Rosner from September 17 to September 25, 2018. The poll was restricted to small businesses with 1-100 employees, with a cap of 25% on sole proprietors. Respondents live in U.S. Census rural-designated areas, as identified by Census Federal Information Processing Standard Publication (FIPS) codes.

The respondents were contacted through an online non-probability opt-in panel from Research Now and Survey Sampling International (SSI) and were also screened in the questionnaire as self-reported small business owners. The data are statistically weighted to ensure the sample's regional, age, race and gender composition is aligned with the general guidance of national independent surveys of small business owners and regional, age, race and gender counts of Census-rural designated areas, as identified by Census FIPS codes. In this report, results are expressed as percentages unless otherwise noted. Results may not add to 100% due to rounding or multiple responses. Net results cited in the text may not exactly match individual results shown in the charts due to rounding. Sample sizes for the various subgroups reported on can be found in the table below.

The survey assessed rural small business owners' key concerns and needs. Questions focused on the need for technical support and access to capital, and were based on initial feedback from small business owner focus groups.

Entrepreneurs of color	100
White	429
6 or more employees	139
Self-employed	134
Millennials	103
Gen Xers	164
Baby boomers	246
Businesses owned more than 10 years	275
Businesses owned 10 years or less	255

## SURVEY TOPLINE

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530 Rural Small Business Owners Nationwide (Online, non-probability)  
 Conducted by Greenberg Quinlan Rosner for Small Business Majority  
 September 17 to September 25, 2018

1. Do you own your own business?
 

Yes.....	100%
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2. Do you live in the same community in which your business is located?
 

Yes .....	92%
No.....	8%
  
3. How many people are directly employed by your business or company, including yourself?
 

1 .....	25%
2-5 .....	48%
6-10 .....	13%
11-25 .....	7%
26-50 .....	3%
51-100 .....	3%
  
4. How is your business organized?
 

Sole proprietorship .....	50%
LLC .....	25%
S-Corp .....	11%
Partnership .....	8%
C-Corp (i.e. you do not pass your business income to yourself personally) .....	3%
Other .....	2%
  
5. Do you plan to hire full-time or part-time workers in the next calendar year?
 

Plan to hire one full-time or part-time employee .....	24%
Plan to hire at least two full-time or part-time employees .....	15%
No plans to hire .....	50%
Not sure .....	11%
  
6. How long have you owned your business?
 

Less than a year .....	5%
1 to 3 years .....	17%
4 to 6 years .....	13%
7 to 10 years .....	12%
More than 10 years .....	52%

7. Below are reasons someone might start a business in their own community. For each reason, please indicate how important each reason is to why you started your business in your community. In this survey, when "your community" is referenced it means the community your business is located in.

	Very Imp	Smwt Imp	Just Lttle Imp	Not Imp at All	DK/ Ref	Very/ Smwt Imp	Lttle/ Not Imp
I believe I could build a profitable business in this community.....	53	31	8	8	-	84	16
My business is well-suited to serve the local economy.....	43	30	14	13	-	73	27
I feel a sense of pride in my community and wanted to give back.....	32	29	19	20	-	61	39
Job opportunities were lacking in my community, and starting my own business provided me the best avenue toward building wealth for myself and my family.....	30	27	19	23	0	57	42
I have never lived anywhere else.....	16	18	9	56	0	34	65
I inherited my business from my family.....	10	10	6	73	0	20	79

8. Please rate the current economic conditions in your community for small businesses such as yours today, on a scale of zero to ten, where zero means very poor economic conditions in your community for small businesses today and ten means very good economic conditions in your community for small businesses today.

10 .....	10%
6-9 .....	58%
5 .....	15%
0-4 .....	17%

9. How would you compare the current economic climate of your community to the economic climate five years ago?

Much better .....	25%
Somewhat better .....	31%
About the same .....	29%
Somewhat worse .....	11%
Much worse .....	4%
<b>Total Better .....</b>	<b>56%</b>
<b>Total Worse .....</b>	<b>15%</b>

10. In addition to owning your business, which of the following roles, if any, do you have in your community? Please select all that apply:

Volunteer with a nonprofit or faith-based organization .....	39%
Sponsor community events/programs .....	23%
Serve on the local board of directors for local business organizations, nonprofits, or other groups .....	18%
Work with other small businesses to spearhead economic development initiatives .....	16%
Serve in local government .....	6%
Other .....	2%
No roles in my community .....	37%
Multiple roles .....	24%

11. Below are external factors that may help you maintain or grow your own business. Please choose up to 3 of the following factors that are important to helping you maintain or grow your own business in your community.

Support from family and friends .....	44%
A robust local market for my goods or services .....	40%
Support from your community .....	37%
A physical environment that is highly conducive to my business.....	36
Access to business support services and networks .....	22
Access to loans and capital sources.....	19
A local government that fosters a strong economy .....	17
A robust talent pool of employees.....	17
Investments from sources outside my community .....	6
Investments from sources in my community .....	6

12. Below are external factors that may hurt your ability to maintain or grow your own business. Please choose up to 3 of the following factors that are the largest barriers for you to maintain or grow your own business in your community.

Taxes .....	40
Lack of customers .....	39
Health care costs.....	32
Challenges marketing my business.....	25
Regulations on businesses .....	25
Lack of qualified, skilled workers .....	22
Access to capital.....	18
Lack of reliable broadband access .....	11
Logistics i.e. level of difficulty to travel to meet clients or send and receive products.....	9
Infrastructure i.e. quality of local roads, bridges and highways or lack thereof .....	8
Lack of access to business support services .....	8
Lack of robust local supply chain.....	8
Not sure .....	-

13. We are now going to ask a few questions specifically around obtaining loans or other forms of capital for businesses in your community. Again, we are interested in the community where your business is based. How much of a problem is gaining access to capital to maintain and grow your business?
- A major problem .....12
  - Somewhat of a problem .....27
  - Not much of a problem .....36
  - Not a problem at all .....25
  - Not sure .....-
  - Total Problem.....40**
  - Total Not Problem .....60**
  - Problem - Not .....-20
14. Have you sought a commercial loan since starting your business?
- Yes.....35
  - No.....63
  - Not sure .....1
  - Yes - No.....-28
15. (If yes) Have you ever been denied for a loan? [188 Respondents]
- Yes.....42
  - No.....54
  - Not sure .....4
  - Yes - No.....-12
16. (If yes) Please indicate if any of the following reasons below were why you were denied for a loan. [79 Respondents]
- Too much existing debt.....47
  - Not enough business revenue .....41
  - Lack of collateral .....32
  - Poor credit score .....30
  - Not enough credit history .....27
  - Lack of business plan or projections.....19
  - Other .....6
  - Not sure .....-
17. How confident are you that you know all the loan and capital options available to you in your community? Reminder that in this survey, when "your community" is referenced it means the community your business is located in.
- Very confident.....29
  - Somewhat confident .....43
  - Not very confident .....22
  - Not confident at all .....6
  - Not sure .....-
  - Very/Somewhat.....73**
  - Not Confident .....27**
  - Confident - Not .....45

18. Below are difficulties some small business owners have when accessing capital for their business. Please choose the two largest difficulties for you when accessing capital for your business.

Too few local banks willing to lend to business like mine .....	20
Too few local banks willing to lend to NEW businesses .....	19
Difficulty qualifying for SBA-backed loans or bank loans .....	14
Grants for startup businesses are no longer available .....	11
Lack of angel investors or seed funds to finance new startups .....	11
Never sought capital .....	35
No issues .....	27
Not sure .....	-

19. How did you finance your business when starting up? Please select all that apply.

Personal savings.....	71
A loan from a community bank or credit union.....	14
Investments or gifts from friends or family .....	13
A loan from a large bank such as Wells Fargo .....	6
Angel investor or seed funding .....	4
A loan from a Community Development Financial Institution, or a non-profit mission-based lender .....	3
An online lender.....	3
Crowdfunding .....	3
Grants from a state or federal agency .....	1
I inherited my business.....	6
Other .....	7
Not sure .....	3

20. For each of the following statements below, please indicate whether you agree or disagree with that statement.

	Strng Agree	Smwt Agree	Smwt Dis	Strng Dis	DK/ Ref	Total Agree	Total Dis	Agree - Dis
More business support organizations are needed to help entrepreneurs and small businesses prepare to obtain capital. ....	31	50	14	5	0	81	19	62
More CDFIs (Community Development Financial Institutions) and other micro-lenders are needed in my community to serve small-dollar capital needs.....	26	45	21	8	0	71	29	42
There are fewer grants for startup businesses than there once were in my community.....	26	43	25	7	0	69	31	38
My community has fewer local community banks than it once did.....	25	26	31	18	.	51	49	3
Local governments and other stakeholders should form public investment pools to make loans and other capital investments in specific industries.....	21	48	21	11	.	69	31	37
I need more information on the types of capital sources out there that my business might benefit from.....	21	39	26	15	0	59	41	18

21. We are now going to ask a few questions about business support organizations and anchor institutions in your community. Again, we are talking about the community where your business is based. Below are examples of business support organizations. Please indicate if any of the following examples exist in your community. Select all that apply.

Chamber of Commerce .....	71
Community banks and/or credit unions.....	66
Small Business Development Center .....	24
Economic development corporation.....	21
Trade association for my industry .....	12
Community Development Financial Institutions .....	8
Not sure .....	0



22. Now, please indicate if you have ever used services and/or been a member of any of the following business support organizations. Please select all that may apply.
- Community banks and/or credit unions.....52
  - Chamber of Commerce .....31
  - Trade association for my industry .....16
  - Small Business Development Center .....14
  - Economic development corporation.....8
  - Community Development Financial Institutions .....4
  - Not sure .....10
23. Now, please indicate whether or not you plan on using the services and/or becoming a member of the following business support organizations in the future.
- Community banks and/or credit unions.....49
  - Chamber of Commerce .....32
  - Small Business Development Center .....21
  - Trade association for my industry .....18
  - Economic development corporation.....8
  - Community Development Financial Institutions .....4
  - Not sure .....9
24. Anchor institutions are larger influential institutions in your community such as large corporations, universities, colleges, and hospitals. Please indicate if any of the following examples of anchor institutions exist in your community. Select all that may apply.
- Hospitals.....57
  - Community colleges.....44
  - Universities .....27
  - Large corporations.....25
  - Nonprofit community health organizations .....23
  - None.....23
  - Not sure .....0
25. Now, please indicate whether you and your business have partnered or done business with any of the following types of anchor institutions in the past. Please select all that apply
- Community colleges.....15
  - Hospitals.....13
  - Large corporations.....10
  - Universities .....10
  - Nonprofit community health organizations .....10
  - None.....67
  - Not sure .....-

26. Now, please indicate whether you and your business plan to partner or do business with any of the following types of anchor institutions in the future. Please select all that apply.

Community colleges.....	18
Hospitals.....	14
Large corporations.....	13
Universities.....	12
Nonprofit community health organizations .....	10
None.....	65
Not sure .....	-

27. Below are some ideas about what can be done to strengthen the small business ecosystem in your community. For each of the following ideas below, please indicate whether you agree or disagree with that statement.

	Strng Agree	Smwt Agree	Smwt Dis	Strng Dis	DK/ Ref	Total Agree	Total Dis	Agree - Dis
My state government should make more grant or other dollars available to benefit local and regional economic development initiatives .....	35	42	15	7	.	77	23	55
Business support organizations such as chambers of commerce and trade associations should take a more active role in our community's economic development initiatives .....	34	49	12	5	.	83	17	67
The local government should do more to engage businesses like mine on economic and community development issues. ....	32	44	17	7	.	76	24	53
My state or local government or other stakeholders should conduct more research into market and economic opportunities in my community to benefit businesses like mine .....	29	46	18	7	.	75	24	51
Small business support organizations should offer more online, virtual trainings for small business owners like me .....	27	48	19	6	.	75	25	50

28. Thinking about your community, for each of the following statements below, please indicate whether you agree or disagree with that statement.

	Strng Agree	Smwt Agree	Smwt Dis	Strng Dis	DK/ Ref	Total Agree	Total Dis	Agree - Dis
Small business owners like me should partner with the nonprofit and public sector to advance social good .....	29	42	20	9	.	71	29	41
The local healthcare sector takes an active role in promoting a healthy community.....	22	41	26	11	.	63	37	26
I see a role for myself as a leader in the broader community.....	20	32	32	16	0	52	48	5
I view myself as a local leader in the business community.....	19	30	32	19	0	48	52	-3
I see a role for myself in improving the health of my community.....	18	31	34	16	.	49	51	-1
The local healthcare sector does a good job of engaging businesses like mine to improve the health of my community.....	15	28	36	22	.	42	58	-15

29. Are you involved in any of the following community-based organizations? Please select all that apply.

Online social networks, such as Facebook groups, with other local small business owners .....	39
Faith-based organization .....	34
Local chamber of commerce .....	25
Informal in-person networking groups .....	19
Local trade association.....	13
Rotary Club or similar service association.....	11
Local government .....	9
Other .....	12
Not sure .....	5

30. Thinking about your community, for each of the following statements below, please indicate whether you agree or disagree with that statement.

	Strng Agree	Smwt Agree	Smwt Dis	Strng Dis	DK/ Ref	Total Agree	Total Dis	Agree - Dis
My community's natural beauty and outdoor activities make it an attractive place to live and work.....	47	41	9	3	-	88	12	75
A lack of economic opportunity forces people to leave my community.....	34	39	19	8	-	73	27	46
My local government and other stakeholders do a good job of promoting my community as a great place to live and work .....	21	40	28	11	0	61	39	21

31. Below is a pair of statements. Please indicate which statement comes closest to your own view about local government, even if neither is exactly right.

My local government and other stakeholders coordinate well with other local governments and groups to promote regional economic development.

OR

There is a lack of regional coordination among local governments and other stakeholders around economic development issues.

First statement, much more.....	12
First statement, somewhat more .....	24
Second statement, somewhat more .....	34
Second statement, much more.....	30
Not sure .....	1
Total First Statement .....	36
Total Second Statement .....	64
First - Second.....	-28

32. How important is regional coordination among local governments and economic stakeholders to you?

Very important.....	30
Somewhat important .....	45
Not very important .....	16
Not important at all .....	9
Not sure .....	-
Very/Somewhat .....	75
Not Very/At All .....	25

33. Now we are going to ask some questions about the workforce in your community. Have you been trying to hire more employees, but cannot find qualified workers?

Yes.....26  
 No.....74  
 Not sure .....-  
 Yes - No.....-49

34. For each of the statements below, please indicate if you find that statement a barrier to retaining your current employees. (Skip if sole proprietor and not hiring) [238 Respondents]

	Major Barr ier	Minor Barr ier	Not Much Barrier	Not at All	Not Sure	Total Barr ier	Total Not Barr	Barr - Not
Offering a comprehensive benefits package to employees ...	44	26	18	12	-	70	30	39
Cannot afford to pay employees enough to keep them.....	29	27	26	18	-	56	44	11
Employees find other jobs with more opportunities for advancement .....	22	39	24	15	-	61	39	23
Employees relocating to urban areas .....	22	30	22	26	1	52	47	5
No time for professional development and training for your employees.....	15	34	25	25	-	50	50	-1

35. For each of the statements below, please indicate if you find that statement a barrier to hiring new employees. (Skip if sole proprietor and not hiring) [238 Respondents]

	Major Barr ier	Minor Barr ier	Not Much Barrier	Not at All	Not Sure	Total Barr ier	Total Not Barr	Barr - Not
Finding candidates with the right level of professionalism .....	41	33	19	7	-	74	26	49
Finding candidates with the right kind of experience.....	39	33	18	10	-	72	28	45
Non-salary costs associated with new hires, such as health care, taxes and regulations .....	39	26	21	13	1	65	34	31
Lack of talent pool in my area ....	37	33	22	9	-	69	31	39
Finding candidates with the right education, skills or training.....	35	40	19	7	-	74	26	48
Finding candidates willing to relocate to my area .....	23	30	27	21	-	53	47	5
Not having enough time or staff needed to recruit potential new employees .....	19	28	31	23	-	46	54	-7

36. Thinking about worker training in your community, please indicate if each of the statements below is true or false. (Skip if sole proprietor and not hiring) [238 Respondents]

	True	False	Not Sure	True - False
I provide on-the-job training to my employees .....	90	10	-	80
Local universities and community colleges in my community need more programs to provide vocational training .....	67	33	-	33
I have collaborated with other small businesses and local educational institutions to create standards for skills training .....	34	66	-	-32

37. These last few questions are for statistical purposes. In what year were you born?

18 - 24 .....	3
25 - 29 .....	2
30 - 34 .....	9
35 - 39 .....	6
40 - 44 .....	10
45 - 49 .....	10
50 - 54 .....	12
55 - 59 .....	16
60 - 64 .....	16
65 and over .....	16
(No answer) .....	-

38. Generally speaking, do you think of yourself as a Republican, a Democrat, an Independent, or something else?

Democrat .....	26
Independent-lean Democrat .....	6
Independent .....	11
Independent-lean Republican .....	9
Republican .....	42
Other .....	2
Don't know/Refused .....	5

39. For statistical purposes only, which of these categories best describes your total household income last year, that is in 2017?

Less than \$10,000 .....	1
\$10,000 to \$19,999.....	3
\$20,000 to \$29,999.....	6
\$30,000 to \$49,999.....	11
\$50,000 to \$74,999.....	23
\$75,000 to \$99,999 .....	15
\$100,000 to \$149,999 .....	23
\$150,000 to \$199,999.....	6
\$200,000 or more .....	6
Prefer not to say.....	5
<b>Under \$50K.....</b>	<b>22</b>
<b>\$50K or more .....</b>	<b>73</b>

40. What is your race?

White.....	81
African American or Black .....	9
Hispanic or Latino .....	7
Asian or Pacific Islander .....	1
American Indian or Native American .....	1
Other .....	0
Biracial or multiracial .....	1
Prefer not to say .....	0

41. Which ONE of the following categories best describes your business?

Professional services, including taxes, accounting, IT, legal, finance, media .....	22
Retail.....	15
Construction and real estate .....	17
Healthcare and education or social services .....	5
Restaurant/food service.....	2
Wholesale and distribution of goods .....	4
Manufacturing .....	3
Leisure and hospitality .....	5
Other non-retail related services .....	12
Agriculture or mining .....	7
Not sure .....	7

42. Before you begin, please answer a few questions about yourself to ensure that the survey has a representative sample. What is your gender?

Male .....	60
Female.....	40

43. In what state do you currently live?

AL.....	2
AK.....	1
AZ.....	2
AR.....	2
CA.....	1
CO.....	2
CT.....	0
DE.....	.
DC.....	-
FL.....	3
GA.....	5
HI.....	1
ID.....	2
IL.....	4
IN.....	2
IA.....	1
KS.....	3
KY.....	3
LA.....	1
ME.....	2
MD.....	0
MA.....	0
MI.....	3
MN.....	2
MS.....	2
MO.....	4
MT.....	1
NE.....	1
NV.....	0
NH.....	0
NJ.....	-
NM.....	0
NY.....	2
NC.....	8
ND.....	0
OH.....	6
OK.....	1
OR.....	2
PA.....	4
RI.....	-
SC.....	2
SD.....	1
TN.....	4
TX.....	6



UT .....0  
VT.....1  
VA .....2  
WA .....2  
WV .....4  
WI .....2  
WY .....1