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Partnering: A Way to Help Overcome Small Rural Business Challenges

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Deborah Bridges, a unit supervisor, sews shirts in a rural Georgia textile plant operated by a worker-owned cooperative.

Small businesses are vital to the rural economy. They account for nearly two-thirds of rural jobs and almost all rural business establishments. Over the past decade, small rural firms added many jobs in a variety of industries across rural America, and they maintained a strong presence in high-growth rural areas near scenic attractions and metropolitan areas.

Still, smaller firms in rural America may not be performing as well as they could. Their performance has lagged behind their metropolitan counterparts, and job growth at small rural firms has occurred mainly in lower-paying industries. Creating new partnerships and networks among small businesses and public institutions could help rural America overcome these challenges.

- **Sluggish growth:** During the 1990s small metro firms generally performed better than small rural firms. The number of small rural firms was virtually unchanged from 1990 to 1998 while the employ-

ment level of small rural firms rose only 2.8 percent. In metro areas, more than a half million small firms were established from 1990 to 1998 and the employment level of small metro firms surged 11.3 percent.

- **Lower incomes:** Throughout this same time period (1990-98), the jobs created by small rural firms were generally in lower-paying industries, such as accommodations, recreation, social services, and retail. In contrast, the jobs created by small metro firms were generally in higher-paying industries, such as professional services, management, and technology. As a result a significant pay gap has opened up between metro and rural. In 1998, the average pay per worker at small metro firms was \$29,000 per year, nearly 50 percent higher than at small rural firms.

Creating new networks or partnerships between small businesses, other rural citizens, and public institutions can help many rural communities overcome the challenges of infrastructure, labor, and capital. Partnerships between small firms and public institutions can boost workforce and management skills, enhance business plans, identify new capital sources, and attract workers to the rural labor force. For example:

- **Connections:** The **Northeast Oklahoma Manufacturers Association** was created in 1993 by a technical branch of Oklahoma State University and a consortium of 30 companies. This partnership, in addition to generating new connections and business opportunities for the partners, also established internship programs, to acquaint youth with the high tech-manufacturing industry, and training programs for workers entering the world of e-commerce.
- **Capital:** Small firms in rural areas need access to capital. **South Dakota Rural Enterprise, Inc. (SDREI)**, a Community Development Financial Institution (CDFI), is a statewide financial intermediary that partners with national banks to bring the benefits of small business development to more communities. SDREI invests in revolving loan funds which bridge the gap between what traditional lenders can offer a borrower and what is needed to finance the project. SDREI provides capital for 50 revolving loan funds operated by South Dakota's CDFIs. SDREI also furnishes CDFIs — and community leaders — with training, technical assistance, and networking support.
- **Counseling:** Another well-established economic development partnership between small firms, state entities, and the Small Business Administration is the **Small Business Development Center (SBDC)**. Often located at community colleges, these centers offer small businesses assistance in obtaining capital as well as business counseling and planning. There are more than 1,100 SBDC locations operating in all 50 states and can also provide referrals to nonprofit technical assistance providers as well as local chapters of the SCORE volunteer small-business technical assistance network. To locate an SBDC in your community, visit www.asbdc-us.org and click on "Lead Centers." This will provide you the lead SBDC in your state which can then put you in touch with the closest SBDC.