

PROMOTING OPPORTUNITY AND RACIAL EQUITY IN NORFOLK

SMALL BUSINESS OWNER VIEWS ON CAPITAL ACCESS



INTRODUCTION

Capital is the foundation of any thriving business. Capital helps small businesses increase their revenue, employ more people, and achieve long-term success.¹ Equitable access to capital is thus crucial for building thriving business districts and local economies, underscoring the widespread benefits of ensuring entrepreneurs of all backgrounds, races, and genders have access to the capital they need.

This is no less true in Norfolk, Virginia, which boasts a vibrant small business community and is home to many innovative Black-owned businesses. To assess the landscape in Norfolk, Main Street Alliance surveyed and held in-depth conversations with 53 small business owners.

Background

Capital is not equally distributed among entrepreneurs, and those without family wealth cannot launch their businesses on the same footing as those who draw on such resources. Black and Latino entrepreneurs, in particular, have less business equity on average than their white counterparts² and experience discrimination in lending;³ due to financial barriers, their businesses tend to bring in lower revenue and have lower profit margins.⁴ Women-owned businesses face similar challenges.⁵ This is particularly significant because Black-owned and Latino-owned businesses are also more likely to be women-owned.⁶

Investing in equitable capital access is essential for realizing the value of businesses launched by entrepreneurs not well-served by the current financial system. Researchers estimate that an investment in parity between Black-owned businesses and other businesses would spur \$5.9 trillion in increased revenue and more than 19 million jobs.⁷ Similarly, with scaling parity, Latino-owned businesses could add \$1.46 trillion to the economy as a whole.⁸

Expanding access to capital is about more than just offering financial products. It also involves providing the support that allows a small business to obtain high-quality, affordable financing and use it to solidify and grow their businesses, generate good jobs, and contribute to vibrant, equitable communities. Prior research by Main Street Alliance has found that small businesses want a public infrastructure that connects them to opportunities to receive and take advantage of capital.⁹ This research is echoed by the findings of this report.

Findings

In the fall and winter of 2021/2022, Main Street Alliance surveyed 53 Norfolk business owners and held in-depth conversations on a range of questions concerning access to capital, including access to capital in the midst of the Covid-19 pandemic.

The age of respondent businesses ranges from those established within the survey year to one business in operation for 35 years. The business size ranges from sole proprietorships to one with 23 employees. The surveyed businesses include retail, accommodation and food service, professional and technical service, and other service establishments. Almost nine in 10 of our respondents (89 percent) identify as Black or African American, with 6 percent identifying as white, 4 percent as Latino/Hispanic, and 2 percent as Asian or Asian American. Among those who reported gender, approximately half (47 percent) identify as female and 38 percent as male.

The results of these conversations are as follows:

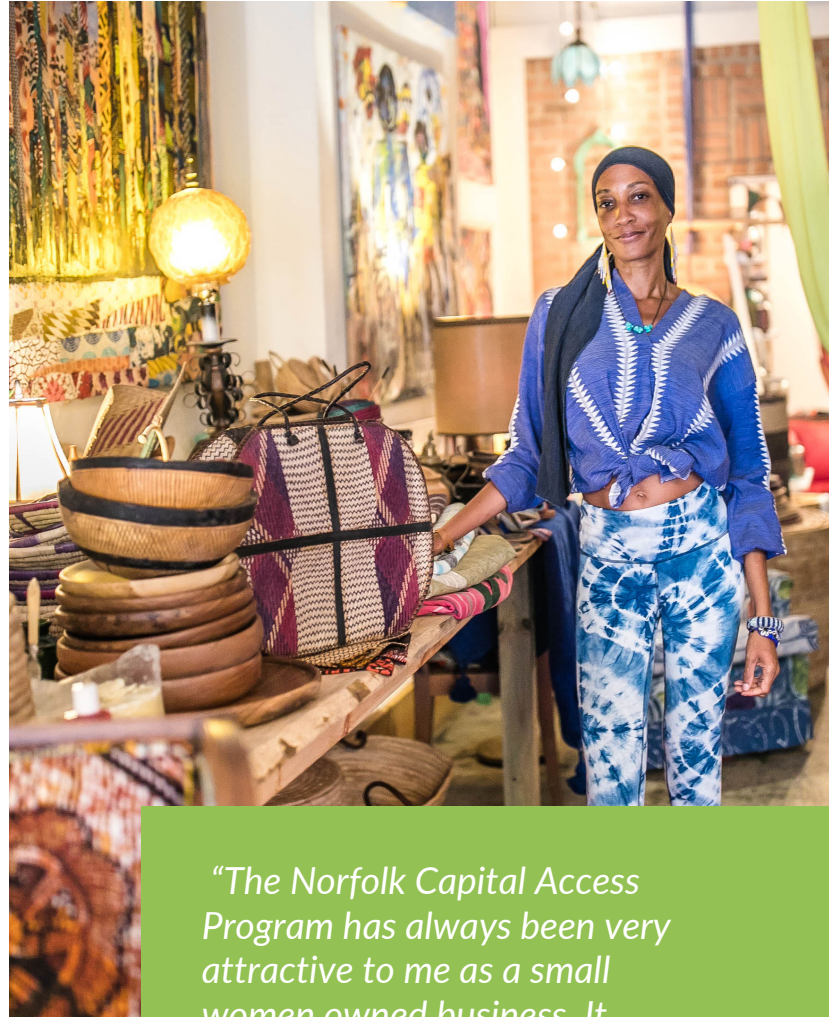
1. Almost two thirds of survey respondents had received a federal loan or grant in the past 18 months – a period that included some of the worst months of the pandemic.

The Paycheck Protection Program (PPP) was the federal government’s largest program supporting small businesses in response to the pandemic. Among our respondents, 45 percent received a PPP loan, 23 percent in the first round and 23 in the second round. (Figures are rounded.) Fifteen percent had received an Economic Injury Disaster Loan (EIDL). Less than two percent, respectively, had received a venue loan or grant or assistance through the Restaurant Revitalization Fund. Almost six percent (5.7 percent) had received a local grant.

One respondent reported being denied an EIDL loan. Two others sought PPP funds, but found the process too complicated (and purposely difficult), while another said the program had run out of funds before they could receive any.

2. Less than 20 percent of respondents had applied for one of the key state grant or loan programs during that period.

Our survey asked for more specifics about what state or local loans or grants small businesses had sought. We specifically asked about the Small Business Investment Grant; Economic Development Loan Fund, SwAM Business Loan Fund, the Child Care Financing Program, the Loan Guarantee Program, and the SSBCI Cash Collateral Program. Among these, one respondent had applied for the Small Business Investment Grant and one had applied for an Economic Development Loan Fund. In addition to these programs, one respondent reported receiving a Norfolk COVID Impact Grant, one received Norfolk Coronavirus Relief Fund Grant, and one received technical assistance from the city’s Capital Access Program.



“The Norfolk Capital Access Program has always been very attractive to me as a small women owned business. It would be wonderful and much more practical, however, if the application process were more user-friendly and sensitive to the true needs of local startups. Namely, the need for simple, straightforward, timely business funding solutions.”

**Sia Alexander, Pure Lagos,
Norfolk, VA**

3. While most surveyed businesses are getting back on their feet from Covid, a sizable share is struggling or uncertain.

Over the course of the pandemic, most small businesses have been forced to adjust their operations or saw their businesses impacted in some way, including 66 percent of our survey respondents. Our respondents adapted to the pandemic by reducing staff, opening for fewer hours, scaling back events, or shuttering for a period of months. Forty percent said their storefronts remained fully staffed and operational, though they may have experienced reduced consumer demand.

Almost one in four of our survey respondents (38 percent) say their business is now “doing well.” Thirteen percent report being back to pre-Covid conditions, with 4 percent saying that business is “better than ever.” However, many respondents are still struggling to get back on their feet. Fifteen percent say they are uncertain about the future, and 4 percent are considering closing or bankruptcy. Nine percent report that they are still not turning a profit, though the loss is manageable. Four percent reported that their income is back up, but they took on a lot of debt.

4. The greatest challenge for business owners in finding and getting Covid-related support was identifying where and how to apply for loans and grants.

More than one-third of respondents (36 percent) said they had trouble finding out where and how to apply for loans or grants. Fifteen percent found it difficult to keep track of different rules across multiple programs, and 11 percent felt challenged by unreliable implementation of Covid relief/capital access programs. Thirteen percent said they felt discouraged, and 8 percent had difficulty understanding and filling

out the applications and/or lacked financial/business history or had an informal business. Four percent could not get information in their preferred language, lacked financial/business history, and/or had an informal business.

5. Small businesses experience varied challenges getting the financing they need.

Less than one-in-five (19 percent) of our survey respondents have received all the financing they need. They face a wide range of challenges:

- Not enough initial capital or collateral to secure a loan (13 percent)
- Too low credit scores to qualify for a loan (13 percent)
- Non-transparent loan repayment/forgiveness terms (9 percent)
- Not able to apply for a bank loan of the size needed (8 percent)
- Got loan, but with very high interest rates (4 percent)
- Had to secure a loan with personal guarantee (of house etc) (4 percent)

In addition, respondents reported not applying for financing because they were afraid of debt, concerns about getting a loan as a returning citizen, being denied financing due to a past bankruptcy, avoidance of high-interest lenders, and their business being too small and new to qualify for a loan.

6. Commercial rent is a major concern for small businesses in Norfolk, among other challenges to starting and staying in business

Among a list of challenges, responding business owners chose affordable rental commercial space more frequently than any other (36 percent), followed by drop in consumer demand (26 percent); confusing city and state regulations (17 percent); affordable and accessible business planning and technical assistance (15 percent); supply chain issues (13 percent); affordable financial services, bookkeeping, and HR support (13 percent); lack of access to/understanding of city/state procurement (11 percent); and, rehiring staff (9 percent).

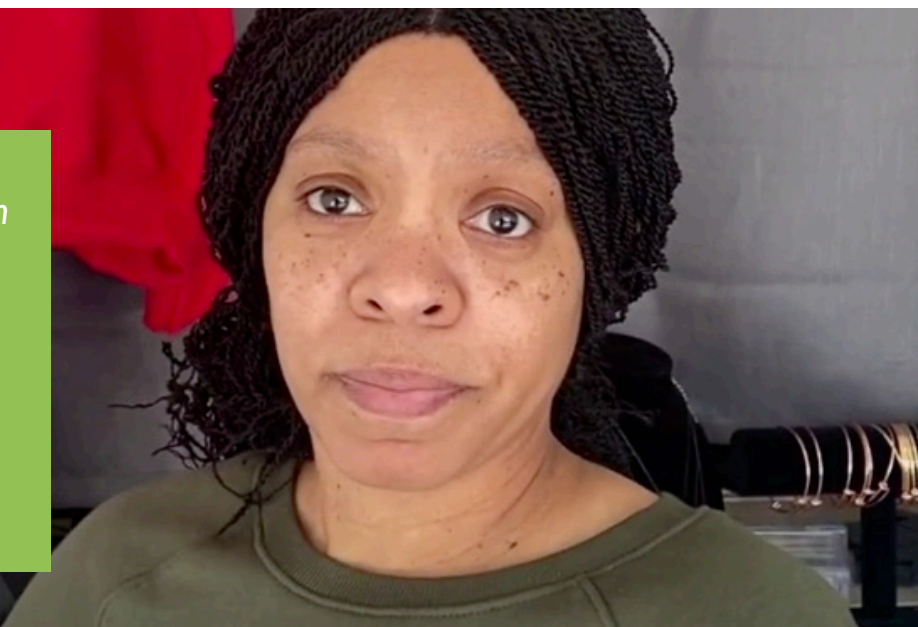
7. Very few of our survey respondents had received assistance from local business support organizations.

Four percent of respondents had received assistance from the Downtown Norfolk Council and the Virginia Economic Development Partnership, respectively, and one respondent had received assistance from Opportunity Inc., though this respondent went for job assistance and was unaware of support for small businesses. Respondents also reported receiving assistance from DoorDash, Hampton Roads Black Chamber of Commerce, and the City of Norfolk Capital Access Program.

None of our respondents had received assistance from any of the other following organizations: Hampton Roads Chamber of Commerce, Hampton Roads Economic Development Alliance, Hampton Roads Partnership, Norfolk Works, and Norfolk City Department of Planning.

It's kinda tough. I don't know where to go [to access capital.] How to get certain things that I need. Now I need printers, different machines, but I don't know how to get those things. We just take it one day at a time."

Tyjuana Harrell
Bosslady Creations, Norfolk, VA





Access to capital would help me do a lot of different things. Have a better product, have more materials, and maybe even have a little more advertising to be able to draw in more business.... I am interested in finding a way to grow my businesses through resources Norfolk has to offer.”

Milton Harrell
Family Car Wash, Norfolk, VA

8. Small business owners in Norfolk want a wide range of support and assistance.

When asked to select from among a list of ideas for improving access to capital that would benefit them as Norfolk business owners, our respondents chose the following:

- Small business office to provide dedicated support to Norfolk small businesses: 62 percent
- Online site with current information about Norfolk grants, technical assistance and other opportunities: 44 percent
- Assistance preparing business and financial documentation for loan applications: 35 percent
- Financial and business planning services: 35 percent
- Initiatives to create more affordable commercial storefront properties: 35 percent
- Mentorship: 32 percent
- Revolving loan fund to increase access to low cost loans for higher risk businesses: 29 percent
- Additional grants to assist with COVID recovery: 27 percent
- Access to quality affordable financial services (bookkeeping, payroll, etc.): 24 percent
- Alternative credit criteria for small business owners without traditional financial/credit history: 21 percent
- Better info and access to procurement opportunities: 21 percent
- Assistance with PPP loan forgiveness: 15 percent
- Ability to easily compare loan products across banks/online lenders: 12 percent

ENDNOTES

- 1 https://www.kauffman.org/wp-content/uploads/2019/12/CapitalReport_042519.pdf, p. 6.
- 2 <https://www.aspeninstitute.org/wp-content/uploads/2021/10/Sec5-Ch40-Klein-1.pdf>, p. 328.
- 3 <https://ncrc.org/lending-discrimination-during-covid-19-black-and-hispanic-women-owned-businesses/>; Amber Lee, et al, Divestment, Discouragement and Inequity in Small Business Lending, National Community Reinvestment Coalition, <https://ncrc.org/wp-content/uploads/2019/09/NCRC-Small-Business-Research-FINAL.pdf>.
- 4 <https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/institute/pdf/institute-small-business-owner-race-report.pdf>
- 5 <https://cdn.www.nwbc.gov/wp-content/uploads/2018/02/27191226/High-Growth-Women-Owned-Businesses-Access-to-Capital-Report.pdf>
- 6 <https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/institute/pdf/institute-small-business-owner-race-report.pdf>, p. 9.
- 7 <https://www.brookings.edu/essay/to-expand-the-economy-invest-in-black-businesses/>
- 8 <https://www.aspeninstitute.org/wp-content/uploads/2020/02/AILAS-2020-Playbook-final.pdf>. Scaling refers to reaching \$1 million in revenues annually. (Compared to white-owned businesses.)
- 9 <https://static1.squarespace.com/static/5ff74507e375c93150f0ca32/t/60905c2ca055ee-18b199a9dc/1620073527274/Role+of+Government+Report+Design+FINAL.pdf>

