

Governor's \$100 million for small business and the liquidity crisis in ALANA communities

Written by Minnesota Black Chamber of Commerce
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ALANA (African, Latino, Asian and Native American) community leaders commend Governor Dayton for small business lending initiative to improve capital access and call for attention to the liquidity crisis in ALANA communities.

ALANA community leaders commended Governor Dayton for the launch of the \$100 million Small Business/Banking Partnership. They viewed the initiative as an important step towards addressing the major challenges facing ALANA entrepreneurs.

At the same time they recognized that unless banks change their lending behavior towards ALANA entrepreneurs nothing much will change in the experience of poor capital access by these entrepreneurs. The community leaders were concerned at recent statements that "liquidity" is not the major issue of entrepreneurs when it has been well documented, especially in the recent disparity studies at the state and city levels, that ALANA entrepreneurs face significant barriers in their access to capital.

"The state has tremendous power to leverage small and ALANA business development by creating partnerships around its billions of dollars in spending and investments," said Dr. Bruce Corrie, dean of the College of Business and Organizational Leadership at Concordia University-St. Paul. "This can spur business and job development in low income communities and at the same time it does not cause taxpayers a dime" Corrie added.

"The City of Saint Paul has some experience with a similar program that has achieved success," said Readus Fletcher, St. Paul Department of Human Rights & Equal Economic Opportunity.

Lea Hargett, President of the Minnesota Black Chamber of Commerce said, "Access to capital has been identified as a major barrier to success to Black owned businesses in the state as documented in a recent survey of our members. I commend Governor Dayton for this important initiative and we will be working with our chamber members to take advantage of the new opportunities that this initiative presents."

"Latino entrepreneurs faced significant challenges in access to capital in rural areas," said Ramon Leon, Executive Director of the Latino Economic Development Center. "We will use this opportunity to help connect our entrepreneurs with these new resources both in the metro and rural areas."

"African immigrant entrepreneurs are growing rapidly in areas such as Brooklyn Park, Minneapolis and Saint Paul, access to capital is a critical barrier to their success," said Gene Ggelu, Executive Director of African Economic Development Solutions. "We are working hard to connect our entrepreneurs to available resources as we do not have our own loan fund."

David Glass, President of the American Indian Economic Development Fund (A Native CDFI) said, "Although American Indians as a whole are rich in culture and tradition, American Indians have the highest incidence of unemployment, resulting in many of the communities presenting as the poorest of the poor. The American Indian community has the lowest business ownership rate of all other cultures, and faces significant barriers to access capital and development

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services according to data from the U.S. Census, Health Department, and the U.S. Treasury. "

Pamela Standing, Co-Chair, Minnesota Indian Business Alliance said, " A commonly cited barrier to the development of private business sectors in Indian communities is the lack of access to affordable credit and capital. Efforts to address the financing issues are varied. They range from the creation of federal loan guarantee programs, community development financial institutions (CDFIs), micro- and revolving-loan funds, to the promotion of asset development efforts such as earned income tax credit (EITC) assistance and individual development account (IDA) programs, to mention but a few. One very important area of need, however, has received little attention and that is, equity. Sources of equity most commonly used for starting and expanding small businesses outside of Indian Country include home equity, inheritance, and funding from friends and relatives. These sources are scarce in Indian Country. The Minnesota Indian Alliance focuses it's efforts on entrepreneurs and believes that entrepreneurs are the primary wealth creators in developed nations around the world, and that the business diversity that is essential for robust and sustainable economies and job creation is driven by the private sector. "

"ALANA firms make up around 6 percent of the firms in Minnesota as compared to around 17 percent of the population, " said Dr. Corrie. "Initiatives like these are important to close this entrepreneurial gap given that these firms as a whole would be the 15th largest in the state and the 9th largest employer - a powerful engine for economic growth in Minnesota. There are progressive banks in Minnesota that have seen this potential as well as business opportunity and I am sure they will make great partners for this initiative," Corrie added.

The community leaders will have a follow-up meeting on November 2, 2011 at 2 pm to develop some specific strategies to help make these new initiatives work for ALANA entrepreneurs.

Some of the suggestions brought forward by the group include:

Setting up part of the funds to other financial vehicles such as the CDFIs

Using the funds to leverage equity funds very much needed by ALANA entrepreneurs both at the micro level as well as growing firms.

Partnering with banks with a history of lending to ALANA communities to develop a collaborative lending model with these funds used very much like an SBA loan guarantee program.

Making sure that loans packaged to ALANA entrepreneurs include a technical assistance and mentoring component so that these entrepreneurs can be successful.

The 2011 MBCC UMOJA (Unity) Celebration Annual Award Ceremony and Benefit "*Transforming Our Businesses to Win in the 21st Century*

" will be held Saturday, December 3, 2011. The UMOJA Celebration is an exciting cultural experience offering a silent and live auction, outstanding performances, music and dancing and a prominent keynote speaker. For more information about this event please contact: Ashley

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