

Assessment of the Capital Market in Central Louisiana

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Overview and Approach to the Assessment

The Central Louisiana region (Cenla), defined as the nine-parish area including Allen, Avoyelles, Catahoula, Grant, LaSalle, Natchitoches, Rapides, Vernon, and Winn, has made important strides in embracing entrepreneurship as an economic development strategy. This commitment is evidenced by the implementation of the Entrepreneurial League System[®] (ELS) and continued leadership by the Rapides Foundation to build an overall regional entrepreneurship system. This assessment of the capital market in Central Louisiana is one more step toward expanding knowledge of how to transform the regional economy through the development and support of entrepreneurs.

Access to capital is critically important to entrepreneurs as they build and grow their enterprises. However, the key is providing access to the right type of capital for entrepreneurs at each stage of business development. This “matching process” requires an understanding of both the supply side, i.e., what specific types of financial capital (debt, equity-like, and venture capital) are being offered by traditional and non-traditional institutions, and the demand side, i.e., what types of entrepreneurs exist in the region and what their capital needs are. This assessment was designed to provide a supply-side and a demand-side view of the capital market in the region.

An effective regional capital market is characterized not only by the supply of money available to entrepreneurs but also by the services provided to help build the financial skills of entrepreneurs and link them to the right resources at the right time. This assessment was designed to better understand the need for services to help entrepreneurs become “capital ready” and the resources available in the region to meet this need.

This assessment was guided by three research questions:

1. What is the demand for capital among different types of entrepreneurs in the Central Louisiana region, i.e., what is the hierarchy of capital demands in the region?
2. What is the supply of capital in the region from different types of financial institutions and economic development organizations, i.e., is there a hierarchy of capital available to meet the hierarchy of capital demands?
3. What gaps exist in the region’s capital markets?
 - What types of capital are missing on the supply side?
 - What types of capital market services are missing, e.g., financial or capital literacy training, matchmaking between entrepreneurs and investors?

The approach to this assessment was to combine information from field interviews with analysis of secondary data describing the region’s economy and the institutional sources of capital. Given the consolidation in the banking industry

over the past 20 years, it is difficult to get a true picture of access to capital at a regional level by looking at secondary data alone. Interviews with bankers, leaders of other organizations that provide capital to entrepreneurs in the region, and with service providers (particularly the ELS coaches and general manager) were conducted to provide a more in-depth understanding of the region's supply of capital and entrepreneurs' access to it.

A key challenge in identifying the demand for capital is gaining an objective, accurate view of the type of capital needed by an entrepreneur. This assessment of the demand for capital was facilitated by the presence of ELS and the other entrepreneurship development programs in the region. While interviews with entrepreneurs provide some information about perceived capital needs, the ability to discuss capital needs with an entrepreneur's coach provided additional, and perhaps more objective, insight into the demand side of the region's capital market.

Field interviews were conducted in the Cenla region in July 2008. Appendix 1 provides a list of those interviewed during this visit to the region, as well as the follow up phone interviews that were conducted. Appendix 2 provides the protocols used as guides during the interview process.

This report presents the assessment of the Cenla capital market. The first section below provides an overview of the region's economy and capital market as described by the secondary data available for the region. The second section presents insights into the Cenla capital market gained from the interviews with bankers, entrepreneurs, and service providers. The third section describes the gaps in the Cenla capital market that were identified by the assessment team, based on both interviews and secondary data analysis. The final section presents some recommendations for ways of addressing these gaps in the future.

Overview of the Region's Economy and Capital Market

Regional Economic Trends

Cenla is anchored by Alexandria, a metropolitan statistical area (MSA) with a 2006 estimated population of approximately 150,000. The 2006 estimated population for the nine-parish region is approximately 345,000.

Economic growth and development in the Cenla region has been slow relative to that of Louisiana and the nation (Table 1). Population in the region increased only 6% from 1970 to 2005, significantly lagging population growth rates in the state (23%) and nation (45%) for the same time period. Recent regional population growth also was sluggish, increasing from 345,569 in 2000 to only 345,627 in 2006. Regional growth rates in employment (36%) and real personal income (113%) for 1970-2006 greatly exceeded the area's population growth rate (6%). More rapid regional growth in employment than population resulted from an increase in labor force participation rates (i.e., a greater share of the Cenla

population working) and an increase in employees from outside the region (in-commuters). A more rapid growth rate in Cenla real personal income (113%) than employment (36%) resulted from increases in labor productivity over time.

Table 1. Regional Economic Indicators: Cenla, Louisiana and U.S.

| INDICATOR | CENLA | LOUISIANA | UNITED STATES |
|---|-----------|-----------|---------------|
| Population Growth (1970 - 2005) | 6% | 23% | 45% |
| Employment Growth (1970 - 2005) | 36% | 72% | 91% |
| Real Personal Income Growth (1970 - 2006) | 113% | 130% | 176% |
| Per Capita Income (2006) | \$ 27,655 | \$ 31,821 | \$ 36,714 |
| Earnings Per Job (2006) | \$ 36,925 | \$ 40,956 | \$ 47,286 |
| Median Housing Values (2000) | \$ 65,000 | \$ 85,000 | \$119,600 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System.

Regional employment and real income growth, while more rapid than population growth, significantly lagged employment and income growth rates in the state and nation. Specifically, the Cenla employment growth rate from 1970 to 2005 (36%) was approximately one-half of the state employment growth rate (72%) and one-third of the national growth rate (91%). Similarly, the 1970-2005 growth in regional real personal income (113%) lagged that of the state (130%) and nation (176%).

Relatively slow growth in a region's employment and income may result from a combination of inadequate retention and expansion of existing industries, an inability to attract new business activity to the region, and an absence of entrepreneurship and small business development. Cenla income and employment growth from existing businesses is problematic because the regional industry mix is concentrated in slow-growth industries (see Table 2). For example, Cenla had a relatively large concentration of employment in government and government enterprises (30% in Cenla, 14% in the U.S.). Employment growth in the government sectors in the U.S. was only 3.6% from 2001 to 2006, about one-half of the nation's growth in total employment (6.8%) for the period. Alternatively, the U.S. had 18% of its employment in the rapidly growing Professional and Business Services sector while Cenla had only 9.0% of regional employment in the sector. For the nation as a whole, employment in this sector increased by 10.5% from 2001 to 2006.

The Cenla region did have, however, two favorable attributes to its industrial composition. The region had a relatively high employment concentration in the

rapidly growth Education and Health Services sectors (15% in Cenla vs. 12% in the U.S.) and a relatively low employment concentration in the declining manufacturing sector (7% in Cenla vs. 9% in the U.S.).

Table 2. Industrial Composition: Employment by Major Industrial Division for Cenla, Louisiana, and U.S., 2005

| INDUSTRY SECTOR | CENLA | LOUISIANA | UNITED STATES |
|-------------------------------------|--------------|------------------|----------------------|
| Agr., Natural Resources, and Mining | 2% | 3% | 1% |
| Construction | 6 | 7 | 6 |
| Manufacturing | 7 | 7 | 9 |
| Trade, Trans, Utilities | 17 | 19 | 18 |
| Information | 1 | 1 | 1 |
| Financial Activities | 4 | 4 | 5 |
| Professional and Business Services | 9 | 15 | 18 |
| Education and Health Services | 15 | 12 | 12 |
| Leisure and Hospitality | 8 | 9 | 9 |
| Other Services | 2 | 6 | 6 |
| Government | 30 | 17 | 14 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System.

Environment for Entrepreneurs and Small Businesses

Insights into the regional economic environment for entrepreneurs and small businesses are available by considering data on establishment size and proprietors' activity. The distributions of establishments by number of employees for Cenla and the U.S. (Table 3) were very similar in 2005. For both the region and the nation, more than one-half of all establishments had 4 or fewer employees and more than 87% of establishments had fewer than 20 employees. Cenla, Louisiana, and the U.S. were also very similar in terms of proprietors' employment and income as shares of total regional employment and income (Table 4). Proprietors as a share of total employment was 19.1% in Cenla and 19.7% in the U.S. Nonfarm proprietors' income as a share of total area income was 8.5% in Cenla and 9.0% in the U.S. Mean nonfarm proprietors' income in Cenla (\$26,925) lagged that for the U.S. (\$29,950), but it exceeded the average nonfarm proprietors' income for Louisiana (\$25,839).

Table 3. Firm Structure by Establishment Employment Size, 2005: Cenla, Louisiana, U.S.

| ESTABLISHMENT SIZE (EMPLOYMENT) | CENLA | LOUISIANA | UNITED STATES |
|--|--------------|------------------|----------------------|
| 1-4 | 52% | 50% | 55% |
| 5-9 | 22 | 21 | 19 |
| 10-19 | 14 | 14 | 13 |
| 20-49 | 8 | 9 | 8 |
| 50-99 | 3 | 3 | 3 |
| 100-249 | 1 | 2 | 2 |
| 250 + | 1 | 1 | 1 |

Source: U.S. Census Bureau, County Business Patterns.

Table 4. Proprietors' Economic Activity, 2006: Cenla, Louisiana, U.S.

| INDICATOR | CENLA | LOUISIANA | UNITED STATES |
|--|--------------|------------------|----------------------|
| Nonemployer Establishments | 17,486 | 269,814 | 20,392,068 |
| Receipts per Establishment | \$38,999 | \$40,279 | \$46,646 |
| Proprietors' Employment (Farm and Nonfarm) | 33,434 | 471,899 | 35,083,900 |
| Proprietors as Share of Total Employment | 19.1% | 19.3% | 19.7% |
| Average Nonfarm Proprietors' Income | \$26,925 | \$25,839 | \$29,950 |
| Nonfarm Proprietors' Income as Share of Total Income | 8.5% | 8.5% | 9.0% |

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System.

The incentive to start a business in Cenla may be dampened by the low returns to nonfarm proprietors relative to earnings in wage and salary employment (Table 5). Mean nonfarm proprietors' income in 2006 was \$26,925 compared to mean earnings per job in Cenla of \$36,925. Especially attractive to individuals in Cenla are employment opportunities in the relatively large government sectors. Average income in civilian government jobs ranged from \$36,244 for local government to \$82,554 for federal government employment. The 30% of the Cenla employment in government may not represent good prospects for entrepreneurship and small business development because of the relatively high wages and benefits associated with government employment.

Table 5. Employment and Income in Public Sectors: Central Louisiana, 2006

| GOVERNMENT SECTOR | EMPLOYMENT | EARNINGS PER WORKER* |
|--------------------------|-------------------|-----------------------------|
| Local Government | 21,929 | \$36,244 |
| State Government | 8,416 | 43,852 |
| Federal Civilian | 6,061 | 82,554 |
| Federal Military | 9,218 | 85,106 |
| Nonfarm Proprietors | 30,099 | 26,925 |

*The earnings/compensation includes employer contributions to retirement and insurance funds. Wages and salary disbursements are, on average, about 76% of compensation for the Cenla parishes.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System.

Availability of Capital – Banking Institutions

Access to credit for entrepreneurs and small businesses is critical for the founding and expansion of the firms. Principal sources of credit for new small businesses include personal savings, credit cards, loans from family and friends, and credit at local lending institutions. An examination of small business lending (loans less than \$1,000,000) and micro business lending (loans less than \$100,000) at area banks provides insights into access to credit in the Cenla region. Tables 6 and 7 provide small business and micro business lending as a share of total assets for lending institutions serving the Cenla region. The lending shares provided in the tables are 2007 statewide averages for each bank, thus the lending shares for the Cenla region may differ from the reported share for financial institutions if the institution had branch operations outside the region. The lending shares do provide an indication of the lending institutions' propensity to participate in small and micro business lending.

Four principal observations can be made based on the information in Tables 6 and 7:

- Small and micro business lending as a share of bank assets declined as bank size increased. That is, smaller banks were, on average, relatively more active in small business lending than larger banks; thus the small local banks were an important source of credit to entrepreneurs and small businesses.
- Many of the lending institutions serving the Cenla region had loans-to-assets ratios higher than the nation average for banks in the same asset size category. These findings do not support the hypothesis that area banks are "unusually" tight with credit for small businesses. On the other hand, some lending institutions did report lending shares well below the national average, and businesses operating in markets served primarily by these banks may find loans difficult to obtain.
- Micro business lending as a share of bank assets was less than 10% for all but a few institutions serving the Cenla region. These findings support

- Consolidations and mergers among area banks may have reduced the number of competing banks serving some local markets. For example, Grant Parish is served by seven bank operations but only three banks (Colfax, Sabine State, and Bank of Montgomery). Similarly, Winn Parish is served by only two banks (Bank of Winnfield and Sabine State), each with two offices in the parish. As noted earlier, an increase in bank size in terms of assets and branch offices generally is related to a reduction in (a) alternative sources of funding for small businesses and (b) small business loans as a share of bank assets.

Availability of Capital – State and Federal Programs

In addition to private sector financial institutions, entrepreneurs and small businesses in the region also have access to state and federal lending programs. The most important federal programs come through the Small Business Administration (SBA) and consist of three primary programs:

- **SBA 7a Loan Guaranty Program** – provides local financial institutions that initiate these loans with a 75-85% guaranty depending on the size of the loan.
- **SBA 504 Program** – provides long-term, fixed-rate financing for fixed assets and deals typically include a private lender, a certified development company, and equity provided by the borrower. (In Cenla, this program is facilitated by Kisatchie-Delta Regional Planning and Development District.)
- **Micro Loan Program** – provides capital to intermediaries who in turn make small loans (less than \$35,000) to business borrowers.

Another federal source of capital is the USDA’s Rural Intermediary Relending Program (IRP). USDA provides capital to intermediary organizations that, in turn, is loaned to businesses in rural parishes to cover up to 75% of project costs (between \$10,000 and \$200,000). Kisatchie-Delta is the regional intermediary in Cenla. Intermediaries may apply for multiple rounds of funding over time. The access to IRP lending for rural businesses, however, is highly dependent on the intermediary organization applying for and marketing these funds. The attitude of the intermediary organization can either facilitate or hinder the availability of these additional capital resources in a region.

The State of Louisiana has a number of programs, most of which are managed by the Louisiana Department of Economic Development (LED). Table 8 provides a list of these programs with a brief description. Although these programs are offered by LED, most of the small businesses interviewed for this assessment were not aware of the availability of these financial assistance programs.

Table 6. Small Business Lending Institutions in Central Louisiana, June 2007 – Loans less than \$1,000,000

| INSTITUTION BY ASSET SIZE CATEGORY | SMALL BUSINESS LENDING AS SHARE OF TOTAL ASSETS |
|---|--|
| Under \$500 Million | |
| Union Bank | .273 |
| Cottonport Bank | .256 |
| Peoples State Bank | .250 |
| Vernon Bank | .244 |
| Simmesport State Bank | .211 |
| Sicity Island State Bank | .208 |
| Southern Heritage Bank | .203 |
| Bank of Jena | .194 |
| U.S. Average | .182 |
| Bank of Winnfield & Trust Co. | .176 |
| Bank of Montgomery | .175 |
| Merchants & Farmers Bank & Trust Co. | .172 |
| Evangeline Bank & Trust Co. | .133 |
| City Bank & Trust Co. | .130 |
| Colfax Banking Co. | .121 |
| Jeff Davis Bank & Trust Co. | .119 |
| Exchange Bank & Trust | .113 |
| Catahoula – LaSalle Bank | .103 |
| Crescent Bank & Trust | .031 |
| \$500 Million - 1 Billion | |
| Red River Bank | .238 |
| Cameron State Bank | .169 |
| Sabine State Bank and Trust Co. | .166 |
| U.S. Average | .148 |
| First Federal Bank | .066 |
| \$1 Billion - \$10 Billion | |
| Hancock Bank of Louisiana | .125 |
| U.S. Average | .099 |
| \$10 Billion - \$50 Billion | |
| U.S. Average | .051 |
| \$50 Billion + | |
| Capital One | .047 |
| U.S. Average | .034 |
| Regions Bank | NA |
| JP Morgan - Chase | NA |

Source: SBA Office of Advocacy, "Small Business and Micro Business Lending in the United States, 2006-2007," June 2008.

Table 7. Micro Business Lending Institutions in Central Louisiana, June 2007 – Loans less than \$100,000

| INSTITUTION BY ASSET SIZE CATEGORY | MICRO BUSINESS LENDING AS SHARE OF TOTAL ASSETS |
|---------------------------------------|--|
| Under \$500 Million | |
| Simmesport State Bank | .211 |
| Colfax Banking Co. | .121 |
| Catahoula – LaSalle Bank | .103 |
| Peoples State Bank | .099 |
| Cottonport Bank | .081 |
| Sicily Island State Bank | .071 |
| Bank of Vernon | .065 |
| Southern Heritage Bank | .053 |
| Bank of Winnfield & Trust Co. | .053 |
| Merchants & Farmers Bank & Trust Co. | .046 |
| U.S. Average | .045 |
| Bank of Montgomery | .044 |
| Evangeline Bank & Trust Co. | .043 |
| Union Bank | .042 |
| Jeff Davis Bank & Trust Co. | .040 |
| Bank of Jena | .035 |
| Exchange Bank & Trust | .034 |
| City Bank & Trust Co. | .033 |
| Crescent Bank & Trust | .007 |
| \$500 Million - 1 Billion | |
| Cameron State Bank | .048 |
| Red River Bank | .045 |
| Sabine State Bank and Trust Co. | .040 |
| U.S. Average | .025 |
| First Federal Bank | .010 |
| \$1 Billion - \$10 Billion | |
| Hancock Bank of Louisiana | .020 |
| U.S. Average | .017 |
| \$10 Billion - \$50 Billion | |
| U.S. Average | .013 |
| \$50 Billion + | |
| Capital One | .015 |
| U.S. Average | .009 |
| Regions Bank | NA |
| JP Morgan - Chase | NA |

Source: SBA Office of Advocacy, June 2008.

Availability of Capital – Community Development Financial Institutions

One community development financial institution (CDFI), Enterprise Corporation of the Delta (ECD), has been working with the Rapides Foundation over the past five years to expand its service area to include Cenla. ECD's mission, like that of many CDFIs, is to strengthen communities, build assets and improve lives of people in economically distressed areas. To achieve this mission, CDFIs provide access to capital for businesses that are unlikely to get a loan from a traditional banking institution.

During the five years of the collaborative effort with the Foundation, ECD closed seven loans, with an additional two loans approved pending closing, for a total of almost \$3 million loaned in the region.¹ These loans were made to a wide range of business types – retail, service, contractors, a small manufacturer. More recently, ECD partnered with ACCION USA to provide microloans in the region. At the time of the interview, no microlending had taken place through this program.

Summary Observations Based on Secondary Data

The review of economic and financial market data for the Cenla region identifies strengths and weaknesses in the local economy as they pertain to the development of entrepreneurs and small businesses.

Strengths

- The Cenla region has a good foundation of small businesses as indicated by the relatively large number of proprietors and small firms.
- Opportunities for new small businesses may exist in the area's service sectors since the region appears to be a net importer of many services.
- Some financial institutions in the region demonstrate a willingness to serve the micro and small business loan markets. Small businesses with access to these institutions may find reasonable access to credit.

Weaknesses

- Relatively low levels of earnings and slow regional income and employment growth may restrict opportunities for starting new businesses and expanding existing operations.
- The Cenla region is markedly underrepresented in the Professional and Business Services sector. Access to such services is important to the viability of small businesses.
- Median housing values in the region are relatively low (see Table 1). Entrepreneurs and small businesses often are required to use their homes as collateral for loans for working capital; thus low housing values reduce collateral available to borrowers and may decrease the institution's willingness to lend.

¹Figures from January 28, 2008 report to the Foundation.

- Consolidation in the local banking industry may be associated with a banks' reduced propensity to make small business loans and may have reduced the number of banks competing for these loans.
- Use of state and federal programs and access to non-traditional sources of capital through CDFIs is limited in the region, making it more difficult for small businesses and entrepreneurs to access the capital they need.

Table 8. Select Louisiana Small Business Finance Programs

| PROGRAM NAME | DESCRIPTION |
|---------------------------------------|---|
| Angel Investor Tax Credit Program | Investors can receive state income tax credits (up to 50%) for investments in a LED certified Louisiana Entrepreneurial Business, taken over 5 years. |
| Small Business Loan Program | Working with a banking institution, LED provides loan guarantees (up to 75%) and participations (up to 40%) to facilitate capital accessibility for businesses. |
| Micro Loan Program | LED provides loan guarantees and participations to banks that fund loans ranging from \$5,000 to \$50,000 to Louisiana small businesses. |
| LA Seed Capital Program | Program provides matching or co-investment funds used exclusively to move a Louisiana small business out of the theoretical stage of development on course to commercial production. |
| Venture Capital Co-Investment Program | Program can co-invest in a Louisiana business (up to 25% of the investment, but not more than \$500,000) with any qualified venture capital fund with at least \$7.5 million in private capital. |
| Contract Loan Program | Intended to provide a loan participation and guarantee to a bank for government contract loans. These loans are intended to help businesses finance working capital for contracts with local, state or federal government agencies. Loans may range from \$5000 to \$1,000,000 and must be for terms of one year or less. |

Insights into the Cenla Capital Market

The Cenla capital market, like that in most rural regions, has experienced a great deal of change in the past 10 years. Consolidation in the financial industry resulted in local banks merging into larger banking institutions, e.g., Hibernia Bank became part of Capital One, Rapides Bank became part of Bank One, which then became J P Morgan - Chase. These changes also created

opportunities for new local banking institutions, like Red River Bank, to emerge in the region and for other regional institutions, like First Federal, to become more aggressive in targeting small business lending. The result is that there are more banking institutions serving the Cenla region than there were 10 years ago (see Tables 6 and 7). How well these institutions are meeting the demands of entrepreneurs, both new and existing, was an important focus of this assessment.

For state and federal programs, a key question is to what extent the programs are being used effectively within the Cenla region. For the SBA programs, individual banking institutions and economic development organizations serve as the gate keepers to the programs. Entrepreneurs and small business owners depend, to a large extent, on bankers and other service providers to help connect them with public sources of capital. For the state programs, while it may be easier for individual entrepreneurs to identify and access these resources, their ability to do so may be limited. Often, entrepreneurs are not aware of the public programs that exist and, as a result, choose to focus their attention on running their business rather than trying to identify potential resources available through the state.

To better understand how the private and public sources of capital are being accessed in the region, field interviews were structured to provide insights from the perspective of bankers, entrepreneurs, and service providers – those individuals who are, in one sense, a liaison between the entrepreneur and the capital provider. The goal of the assessment was to identify some of the common themes from these interviews, as well as to get a better sense of the unique perspectives held by each group.

Bankers' Perspective on the Cenla Capital Market

There was general agreement among the bankers that the industry has changed over the past 10 or more years. Cenla banks operate in a highly competitive environment. Although there are more banks operating in the Cenla region now than in the past, some of these institutions are branches of larger national banks and the local branch managers have limited lending authority. All banking institutions are challenged by the regulated nature of their lending activities – the days of character lending are gone and in its place is a heavy reliance on collateral and attention to risk management.

The bankers also felt that there was adequate capital available for lending to small businesses and entrepreneurs, and that they could support more lending if the deals met their lending criteria. The bankers noted that funding is readily available for business expansions when the businesses have adequate collateral and good credit scores. Credit availability also was not considered to be an issue for mature, well-capitalized businesses.

Secondary data suggest that some local banks are more heavily committed to small business lending than others (see Tables 6 and 7); however, a number of common themes emerged from interviews with bankers in the smaller, regional or local banks:

- Bankers are relatively conservative in their lending – for example, very few will consider making a loan based on accounts receivable. Even a bank described by others as being “aggressive” shared a conservative lending philosophy during the interview. Bankers attribute this conservative stance, in part, to the regulated environment in which they operate and the underwriting standards to which they must conform.
- While an entrepreneur’s management experience is a factor in the lending decision, most bankers are making loans that are fully collateralized and would not be considered as character-based lending. The collateral serves not only as a risk management tool but also as a way for entrepreneurs to demonstrate that they have “skin in the game”.
- Bankers acknowledged that coming up with “start up” capital is difficult for entrepreneurs once they have tapped out resources from their family, friends, and personal savings. Credit cards remain an important, albeit an expensive, source of start-up capital.
- Banks are for profit entities and need to see a way to “get their money back”; in turn, entrepreneurs need to be able to show clearly how that return will happen. The small business owner must demonstrate managerial ability and relevant experience in the field, and they must do a good job of presenting their case for a loan. While not all banks require formal business plans, it is clear that entrepreneurs need to be able to demonstrate that the business will generate cash flow that permits repayment of the loan. Often, this task is a challenge for business owners.
- Bankers acknowledged that it costs as much to make a small loan (e.g., \$25,000 - \$50,000 or less) as it does a larger loan and, as a result, are reluctant to make many small business loans. Bankers identified a gap in access to capital of between \$10,000 and \$75,000 as a result.
- Bankers spend a great deal of time helping entrepreneurs and other business owners understand what is required to successfully apply for a bank loan even before they run a credit check or consider underwriting. This “hand holding” or assistance is a role that banks take on reluctantly and use referral sources like the SBDC as they can.
- Very few bankers are actively using federal and state small business lending programs, such as the SBA 7a program. They cited payment difficulties and paperwork burden as reasons for not taking greater advantage of these programs. However, some of the region’s smaller banks, e.g., Bank of Montgomery and Peoples State Bank, are being more aggressive regarding the use of SBA lending programs to help small businesses, according to some service providers.
- Loan officers play the important role of gate keeper for entrepreneurs who are trying to access bank capital. Often, borrowers follow loan officers as

Entrepreneurs' Perspective on the Cenla Capital Market

Interviews were held with two groups of entrepreneurs – those who are participating in ELS and those who are not ELS clients. There were some common themes expressed by entrepreneurs regardless of their affiliation with ELS:

- The capital to start the business most often came from personal savings, family and friends, and the use of credit cards. Pulling together this initial start up money was a struggle for most entrepreneurs unless they were fortunate enough to be taking over a family business or had resources from the sale of another business or an inheritance to put into the new enterprise. As a result, most entrepreneurs and, for ELS entrepreneurs, their coaches, described these operations as being undercapitalized at the start. Entrepreneurs were not aware of any program or institution that provided this start up capital.
- Entrepreneurs had mixed results in terms of accessing bank capital. Some had submitted loan applications to a number of banks, without success. Others noted that the acquisition of funding was especially problematic if the individuals had a "new idea" for a business, and thus, no track record or accounts receivables or contracts. Also difficult to acquire were loans for items that were not considered to be good collateral (e.g., specialized equipment). Often, the business owner was successful only in acquiring less capital than they initially sought, which presented a challenge in using the capital to achieve their business goals. Those business owners who did have bank capital often had established a relationship with a banking institution a number of years ago, relying on family or other long-term relationships as an entrée to the bank. As a result, these entrepreneurs appeared to be successful in tapping additional bank capital as their businesses expanded.
- Most entrepreneurs were unaware of resources in the region, or through the state, that might help them become "capital ready" or provide access to different types of capital, e.g., the state's Angel Investor Tax Credit program. For the most part, these resources were underutilized in the region. Those entrepreneurs who were accessing these resources tended to be higher skilled entrepreneurs who conducted their own search and due diligence on these resources and the ELS entrepreneurs who received guidance from their coaches regarding many of these programs (see examples in Box 1 below).

- The entrepreneurs emphasized the importance of their relationship with a loan officer. Many stated that “once you have a relationship, you tend to keep going back to that person.” Entrepreneurs often followed their loan officer as that person moved from bank to bank. The loan officer, in turn, is a gate keeper to public and other resources that might help the entrepreneur access additional capital or improve terms, e.g., SBA guaranteed loans, or to the educational resources that might help the entrepreneur build financial skills, e.g., SBDC or ELS.

Service Providers’ Perspective on the Cenla Capital Market

The service providers in the region, including the ELS general manager and coaches, offer important insights into the Cenla capital market because of the number of entrepreneurs, of all types, they encounter in their work. ELS coaches are working intensely with 60 entrepreneurs, growing to 72 entrepreneurs by the end of 2008. The SBDC office at Northwestern State University has about 500 clients a year that receive some type of assistance through the center. While ELS is focused on entrepreneurs who are interested in growing their businesses, the SBDC provides assistance to a wide range of entrepreneurs, from those with an idea for starting a business to those who are interested in growth.

Box 1

Adam Rubin, **Southern Textile Service**, is an ELS entrepreneur; however, his drive, determination, and educational background (college business degree) were key factors in his ability to access capital. Through his own research, Adam identified the SBA 504 program as an option for his business and worked with Kisatchie-Delta to submit the application. He was also able to draw on personal equity and bank capital in order to capitalize his business. He noted that there are resources out there and that entrepreneurs need to be aware of them and what they can provide to help start and grow a business.

Manchac Technologies, another ELS client company, was built by a team of engineers who knew they needed to find the right people to build the business side of their venture. Through research on the Louisiana Department of Economic Development (LED) website, networking with other businesses, and finally finding the right group of people at LED, the Manchac team was able to tap into state resources. As a high-tech company, Manchac needed to raise considerable resources through a private placement offering. The state’s Angel Investor Tax Credit program has been a very useful tool as the company has attracted investors.

ELS coaches have introduced their entrepreneur clients to an effective resource for building “capital readiness” – the state’s Small and Emerging Business program. This program helps to cover the costs of education and training, such as learning QuickBooks software for financial management, providing entrepreneurs with a way of accessing assistance at lower cost. While the program has been used by ELS clients, it has the potential to serve more business owners in the region.

Several common themes were reflected in the individual perspectives offered by the service providers:

- Several capital gaps were identified by the service providers – start up capital, loans of less than \$75,000 (also referred to as micro loans), and larger amounts of working capital to fund business expansion.
- Entrepreneurs and those who have an interest in starting a business are generally passionate about their business idea but lack business and financial management skills. During the initial year of ELS, coaches spent more time than anticipated in “remedial” financial skill building – e.g., helping entrepreneurs recognize the importance of and develop the skills for financial management, introducing entrepreneurs to the requirements for getting a bank loan. SBDC counselors noted that only 25-40% of their clients are “bankable” when they come for assistance.
- Entrepreneurs and other business owners in the outlying towns and communities in the Cenla region face greater challenges in accessing resources – either the assistance of service providers to become “capital ready” or access to capital through financial institutions. The importance of smaller financial institutions in some of these towns was noted, but their actual capacity to support the capital needs of entrepreneurs remains an important research question.
- Bank use of state and federal programs, such as SBA, was lacking, according to most service providers. However, there was less agreement about the role of community development financial institutions, such as ECD, and non-bank capital providers, such as Kisatchie-Delta. The service providers noted mixed experiences both working with and accessing capital through these institutions – some had worked well with these organizations while others had a less positive experience.

Gaps in the Cenla Capital Market

Together, the insights from bankers, service providers, and entrepreneurs in the Cenla region present a picture of a capital market that functions well for many entrepreneurs but where gaps in access to capital do exist. Several **capital gaps** were identified in terms of financing available in the region for entrepreneurs at different stages in the development of their businesses. In addition, **financial market service gaps** were also identified. The nature of these gaps is discussed more fully below.

Capital Gaps

Three gaps were identified in terms of financing available for entrepreneurs in the region:

- **Start-up capital** – Those interviewed for this assessment consistently pointed to a lack of start-up capital in the region. Especially problematic were new businesses with good ideas but (a) no collateral or current cash

- **Small, micro loans** – There was general consensus that small businesses and entrepreneurs in Cenla have a difficult time accessing small loans, \$10,000 - \$75,000. This type of micro lending provides capital that may augment an entrepreneur’s own start-up assets and can serve to provide the initial capital for growing a business. Banks are not routinely making loans of this size; in fact, bankers identified loans of this size as a gap in the region. And, to date, the ACCION program offered through ECD is not being used effectively throughout the region.
- **Working Capital to Support Growth** – Another capital gap identified during the interviews was for working capital. Business growth can be financed in at least three ways – internally out of the cash flow generated by the business, externally through borrowing, and externally by taking on an investment partner. Few of the entrepreneurs interviewed were able to finance growth opportunities internally. Most entrepreneurs expressed concerns about financing growth through an investment partner, recognizing that such a partnership would dilute their control and the ownership stake in the business they had built. Very few entrepreneurs expressed a need for this type of equity or venture capital. Most of the entrepreneurs were trying to finance growth through borrowing. However, such borrowing was difficult for entrepreneurs who did not have full collateral, could not demonstrate accounts receivable or pending contracts (and even for some who could do so), and did not have pre-existing relationships with a particular bank.

Financial Market Service Gaps

In addition to gaps in accessing specific types of capital, entrepreneurs also face two important gaps related to financial market services available in the Cenla region:

- **“Capital Readiness” Preparation** – Service providers, including ELS coaches, and bankers identified a need for entrepreneurs and other business owners to have better skills for interacting with the capital market. Beyond financial literacy, these skills relate to understanding the various sources of capital in the region and, for example, what it takes to approach a bank for a loan or Kisatchie-Delta for the SBA 504 program. While some of these skills relate to financial management, others require

- **Enhanced Business Skills** – Related to “capital readiness” preparation, banks will not lend to individuals that are perceived as lacking the business skills necessary to carry out the proposed business plans. The lack of basic business skills was cited by ELS coaches as a bigger constraint to credit acquisition than conservative lending practices at area banks. The credit worthiness of area small businesses would be enhanced if owners of these businesses strengthened their skills in financial planning and record keeping, developing business plans and understanding business terminology, market analysis, personnel and payroll issues, and local and state government regulations. ELS provides one-on-one technical assistance to member businesses; however, other small businesses in the Cenla region could benefit from a support system targeted at the specific needs and time constraints of small business owners.
- **Capital Market Information** – It is clear that entrepreneurs, in general, do not understand the capital resources that are available to them in the Cenla region. Very few of the entrepreneurs interviewed know about or have used capital programs provided through the state and/or federal governments. Because banks are what they know, entrepreneurs turn to banks even if a traditional banking institution is not the best source of capital for them. And, successful entrepreneurs have developed insights into how best to access capital in the region – knowledge that would be very useful for others who are just entering the market in search of funds. The key to addressing this gap is to create an effective vehicle for sharing information on the Cenla capital market that is useful to entrepreneurs and becomes a guide to accessing financial services in Cenla.

The gaps identified in the Cenla capital market are not unique to this relatively rural region. Practitioners across the country have been working to develop models for providing start-up capital, micro loans, and working capital to rural entrepreneurs. Some of these same programs have experience in helping entrepreneurs become more “capital ready”. And, several states are developing systems for providing information on financial resources to entrepreneurs and other small business owners. In all of these cases, practitioners are working to develop approaches that access and organize knowledge about capital and technical assistance to best meet the needs of entrepreneurs and to design financing programs that fill the capital gaps they face.

Recommendations for Improving the Cenla Capital Market

Based on this assessment of the Cenla capital market and the gaps identified, there are several recommendations that might help guide future action and investment in the Cenla capital market. These recommendations are based on the authors' understanding of Cenla obtained through this assessment and broader understanding of capital market interventions and entrepreneurship development in other rural regions and states.

Recommendation #1 – Assess microenterprise development models used across the country and design a model that meets the capital and financial service gaps in Cenla. The microenterprise development field has grown dramatically in the U.S. in the past 10 years. Microenterprise programs are run as part of community development corporations, CDFIs, credit unions, social service organizations, and other institutions. There are models of microenterprise development that offer important lessons for rural regions like Cenla and that have a track record of operation and achievement by which to measure their performance. Model programs include:

- Northeast Entrepreneur Fund, Virginia MN – www.entrepreneurfund.org
- GROW Nebraska, Holbrook NE – www.grownebraska.org
- Mountain BizWorks, Asheville NC – www.mountainbizworks.org
- People Inc., Abingdon VA – www.peopleincorp.org
- Appalachian Community Enterprises, Cleveland GA – www.ace loans.org

The key to employing the microenterprise model in Cenla is to recognize that effective microenterprise development programs address two needs – the need for small amounts of capital, often with less restrictive collateral requirements and underwriting standards, and the need for education and assistance in building the “capital ready” and business skills of new and existing entrepreneurs. Any micro program established in Cenla should address both these gaps so that micro lending becomes a value-added addition to the current investment in ELS by the Foundation and other existing programs in the region, such as the SBDC.

Recommendation #2 – Assess models for delivering working capital and near-equity capital to growth entrepreneurs and design a model that addresses capital and financial service gaps in the Cenla region. This assessment did not identify a strong need for traditional equity or venture capital in the Cenla region. Rather, entrepreneurs need a source of working capital, often with less stringent collateral requirements or a more flexible structure, such as a longer term. There are fewer models of regions or states creating nontraditional financial institutions or programs to address these needs. However, community development venture capital institutions have operated across the country for many years and, in most cases, these organizations provide access to working capital that can meet the needs of growth entrepreneurs. Several models worth investigation include:

- Northern Initiatives, Marquette MI – www.northerninitiatives.com
- Kentucky Highlands Investment Corporation, London KY – www.khic.org
- Coastal Enterprises Inc., Wiscasset ME – www.ceimaine.org
- Rural Venture Fund, Raleigh NC - <http://www.ncruralcenter.org/loans/rvf.htm>

Recommendation #3 – Create and Support an Online Guide to Accessing Capital in the Cenla Region. There is a strong need for the creation of a readily accessible, ideally virtual inventory of capital and financial service resources in the Cenla region. This resource should do more than simply list resources. Rather, it should be designed to turn information about capital resources into knowledge of how the Cenla capital market functions and how it can be used by entrepreneurs to meet their capital needs.² At a minimum, this guide to the Cenla capital market would include:

- Information about capital providers, including the type of capital they offer and the information needed for them to make a loan or investment decision
- Insights from entrepreneurs about banks and other capital providers in the region including people and places to start if you are looking for start-up capital, working capital, micro loans, etc.
- Resources for entrepreneurs who need to build their financial skills, including contacts for service providers and online resources

One example of such a resource, developed through a collaborative partnership of organizations in North Carolina, is the *Fueling Your Business* guide (<http://www.ncruralcenter.org/pubs/fuelingyourbusiness2008.pdf>). However, the Cenla region should consider improving on such an example by creating a dynamic, virtual resource for entrepreneurs.

The creation of such a guide or inventory is just the start of creating a more collaborative and effective approach to bringing capital market resources to entrepreneurs in the region. Service providers, bankers, ELS coaches and other organizations need to work with the Foundation to promote this resource and to insure that entrepreneurs know where to go to gain a better understanding of both what is available to them within the Cenla capital market and how best to access those resources.

Recommendation #4 - Develop an Efficient System to Deliver Technical Assistance to Prospective and Current Small Business Owners. There are numerous programs and organizations in the Cenla region that provide assistance to area small businesses (e.g., ELS, SBDC, LED, Kisatchie - Delta RPD, Vistage, NxLevel, LSU-A, ECD). Small business owners note, however,

² An example of a guide to capital opportunities is one produced by the North Carolina Small Business Technology Development Centers - http://www.sbtcd.org/pdf/Cap_Opp2008.pdf.

that it is difficult to keep track of which technical assistance is provided by a specific program or agency. In addition, small business owners may not be able to benefit from a program offering because of the demands of operating their businesses. Thus, small business owners requested a clearing house (or “one stop shop”) for information on starting and managing a business. Technical assistance classes or online curriculum would be presented at the applied (“real world”) level and address issues such as financial planning and record keeping, market analysis, and fundamentals of business management.³

Concluding Thoughts

This assessment of the capital market in Central Louisiana identified several gaps in specific types of capital available to new and existing businesses and in the skill-building services available to entrepreneurs to help them become “capital ready”. It also confirmed that the Cenla capital market is not unlike that found in many rural regions. However, there are some notable capacity issues that could be addressed in response to this assessment.

One, the region appears to be lacking in economic development capacity, particularly in terms of effective non-profit organizations that bring resources and new learning into the region. Examples of this capacity include community development corporations, like Kentucky Highlands and Coastal Enterprises (cited earlier in this report), that bring outside foundation and public dollars into their respective regions and serve as important sources of economic development leadership and financial capital for entrepreneurs. While the Rapides Foundation has embraced economic development as part of achieving a healthy community, expanding the region’s capacity for economic development appears to be an important issue for the future.

It should be noted that one organization, Cenla Advantage Partnership (CAP), was created in part to “be the catalyst for effective, positive relationships among economic development organizations in Central Louisiana.”⁴ However, at the time of this assessment, CAP was on hold without the leadership of an executive director. Since that time, CAP has hired a new CEO who brings new vision, experience, and leadership to the organization and the potential to expand the economic development capacity in the region through more collaborative strategic engagement of the key partners.

Two, the Foundation’s investment in ELS has brought attention to entrepreneurship as an economic development strategy and has created capacity in the region to support entrepreneurs. This assessment was not meant as an evaluation of ELS but the interviews with entrepreneurs associated with the program identified important benefits that accrue to them from the coaching

³ An example of an online, “one stop shop” for entrepreneurs is Network Kansas, specifically the resources pages they have developed - <http://www.networkkansas.com/Resource-22/Index.htm>.

⁴ <http://www.capcenla.org/visionnew.html>

experience. However, the number of entrepreneurs reached through the program is small compared to the number of small businesses in the Cenla region (as evidenced by the secondary data) and others who may be part of the informal economy or are just now developing their entrepreneurial dreams. A key question for the Foundation going forward is how to extend the capacity built through ELS, and the learning from that investment, to serve more entrepreneurs.

Three, achieving the recommendations suggested by this capital market assessment will require greater collaboration and a shared vision among economic development practitioners, university staff responsible for both education and outreach, the Foundation, local elected officials throughout the region, and private sector organizations and individuals, such as bankers. Experience with such collaborative efforts, such as work funded through the Kellogg Foundation's Rural Entrepreneurship Development Systems project, suggests that some organization needs to serve as the focal point for collaboration. Identifying and supporting the organization that can serve as the collaborative hub in Cenla is an important step in putting these recommendations into motion and creating a more accessible, responsive capital market in the region.

Appendix 1

Interviews Conducted as part of an Assessment of the Cenla Capital Market

| Person Interviewed | Organization/Company |
|------------------------|--|
| Keith Rabalais | ELS Coach |
| Gary Perkins | ELS General Manager |
| James Redman | ELS Coach |
| Felix Mathews | ELS Coach |
| Jim Hurst | ELS Coach |
| Skip Barth | ELS Coach |
| Dion Boyette | SBDC, Northwestern State University |
| Francis Methvin | SBDC, Northwestern State University |
| Heather Urena | Kisatchie Delta Regional Planning & Development District |
| Joe Rosier | Rapides Foundation |
| Bryon Salazar | Red River Bank |
| Willie Spears | Red River Bank |
| Charles Jemison | Enterprise Corporation of the Delta |
| Bob Hollingsworth | First Federal Bank |
| Jeff Marion | First Federal Bank |
| Robert Alexander | First Federal Bank |
| Robert Levins | First Federal Bank |
| Danny Snow | Evangeline Bank & Trust |
| Buddy Tudor | Tudor Construction |
| Joe Cunningham* | Cunningham Financial Services |
| Adam Rubin* | Southern Textile Service |
| Daryl Terry* | TSS Companies |
| Michael Carbo* | Manchac Technologies |
| Travis Odum* | Red River Landscaping |
| John Harley* | Harley Construction Company |
| Doug Goddard* | Turner Teleco |
| Bob Greiner* | Sweet Bistro |
| Chad Luneau* | Echo Powerline Company |
| David Hall* | Monk's Tractor Parts |
| Mike Hopkins | Red River Cyclery |
| Kathy Brouillette | Mirror Image Salon |
| Patrick Cunningham | Cunningham Business Systems |
| Jay Pearson | Pearson Enterprises |
| Steve Gilchrist | Bradley Brick Company |
| Gary LaHood | Serial Entrepreneur |
| Shirley Crooks | Jena Cleaners |
| Joe Gardner | Reproduction Supply Company |
| Phone Follow Up | |
| Jim Clinton | Cenla Advantage Partnership |
| Kevin Couhig | Source Capital |
| Mike Newton | Rapides Foundation Board |

*ELS Entrepreneur

Appendix 2

Protocol for Cenla Entrepreneur Interviews

1. Tell us about your business – How long have you been involved with the business? What did you do prior to owning this business? What is your primary product or service? How many employees do you have? What is the primary market for your product or service?
2. If you started the business, where did you get the capital to start it? Briefly describe the capital you used to start the business (amount, source, terms)?
3. If you purchased the business, where did you get the capital to purchase it? Briefly describe the capital you used to purchase the business (amount, source, terms)?
4. Has your business grown over time? If yes, how have you financed that growth?
5. Have you approached a financial institution or any type of capital provider in the region about getting capital for your business? If yes, for what purpose were you seeking money? Were you successful in getting the capital? If not, what reasons were given for denying your request? If you were successful, briefly describe the capital you received (amount, source, terms)?
6. Do you currently have or expect to have in the next 1-3 years a need for financial resources? If yes, what type of financing do you need:
 - a. Amount (range)
 - b. Debt vs. equity
 - c. Purpose of financing
7. What institution(s) will you approach to try to obtain this financing? Please explain why.
8. As you talk to fellow entrepreneurs and business owners in the region, what are you hearing them say about their ability to get the capital they need to grow their businesses?
9. Based on your personal experience finding capital to grow your business, what do you think is most needed in the region to provide better access to capital?

For ELS Entrepreneurs:

10. Has participation in ELS prepared you for seeking financing? If yes, in what ways has it prepared you to do so?
11. What role has your coach played in helping you identify and fill your capital needs?
12. What role have your fellow entrepreneurs played in helping you identify and fill your capital needs?

Protocol for Cenla Financial Institution Interviews

1. Describe the type of capital you provide to entrepreneurs and business owners in the region.
2. Over the past 5 years, how much capital, on average, have you made available to entrepreneurs in the region? How many entrepreneurs or business customers have you served, on average, during that same period?
3. Could you be making more capital available? If yes, what is constraining you from doing so?
4. What are the principle reasons that you deny requests for capital from entrepreneurs?
5. Based on the entrepreneurs who approach you for capital, do you see unmet capital needs in this region? If yes, please describe those needs (size of loan, type of loan, debt vs. equity, etc.)
6. Have those needs changed over the past 5 years? If yes, please describe how those needs have changed.
7. How readily available in the region are the following types of capital and from what source can each be obtained:
 - a. Commercial loans – fully collateralized
 - b. Commercial loans – limited collateral
 - c. Commercial loans – real estate
 - d. Loans for working capital
 - e. Personal loans to support a business
 - f. Loans to microentrepreneurs employing fewer than 5 people
 - g. Loans of under \$25,000
 - h. Loans to entrepreneurs starting up a business
 - i. Equity investments in new business start ups
 - j. Equity investments in existing businesses
8. Besides money, are there gaps or needs in the region's financial market that must be addressed to provide better access to capital? If yes, please describe those needs.
9. Are there particular types of entrepreneurs or business owners in the region who have a more difficult time accessing capital? If yes, what is it about those entrepreneurs that contributes to their access problems?
10. What improvements to the region's capital market would make the most difference to the entrepreneurs and business owners that you work with?
11. What changes do entrepreneurs need to make to be more successful in acquiring capital?

Protocol for Cenla Micro and Angel Investor Fund Interviews

1. Describe your efforts to create a new type of capital program in the region. What capital market need was it designed to fill?
2. Based on the entrepreneurs you work with, do you see unmet capital needs in this region? If yes, please describe those needs (size of loan, type of loan, debt vs. equity, etc.)
3. Have those needs changed over the past 5 years? If yes, please describe how those needs have changed.
4. How readily available in the region are the following types of capital and from what source can each be obtained:
 - a. Commercial loans – fully collateralized
 - b. Commercial loans – limited collateral
 - c. Commercial loans – real estate
 - d. Loans for working capital
 - e. Personal loans to support a business
 - f. Loans to microentrepreneurs employing fewer than 5 people
 - g. Loans of under \$25,000
 - h. Loans to entrepreneurs starting up a business
 - i. Equity investments in new business start ups
 - j. Equity investments in existing businesses
5. Besides money, are there gaps or needs in the region's financial market that must be addressed to provide better access to capital? If yes, please describe those needs.
6. Are there particular types of entrepreneurs or business owners in the region who have a more difficult time accessing capital? If yes, what is it about those entrepreneurs that contributes to their access problems?
7. Would you share a story of an entrepreneur who successfully accessed capital in the region?
8. Would you share a story of an entrepreneur who was not successful in accessing capital in the region?
9. What improvements to the region's capital market would make the most difference to the entrepreneurs and business owners?
10. What other programs exist in the region to provide support to entrepreneurs?
11. Is there a coordinated effort among the capital providers in the region to cross-refer in order to make sure that entrepreneurs get to the right source of capital to meet their needs?

Protocol for Cenla Service Providers and ELS Coaches Interviews

1. Describe the type of service or assistance you provide to entrepreneurs and business owners in the region.
2. Based on the entrepreneurs you work with, do you see unmet capital needs in this region? If yes, please describe those needs (size of loan, type of loan, debt vs. equity, etc.)
3. Have those needs changed over the past 5 years? If yes, please describe how those needs have changed.
4. How readily available in the region are the following types of capital and from what source can each be obtained:
 - k. Commercial loans – fully collateralized
 - l. Commercial loans – limited collateral
 - m. Commercial loans – real estate
 - n. Loans for working capital
 - o. Personal loans to support a business
 - p. Loans to microentrepreneurs employing fewer than 5 people
 - q. Loans of under \$25,000
 - r. Loans to entrepreneurs starting up a business
 - s. Equity investments in new business start ups
 - t. Equity investments in existing businesses
5. Besides money, are there gaps or needs in the region's financial market that must be addressed to provide better access to capital? If yes, please describe those needs.
6. Are there particular types of entrepreneurs or business owners in the region who have a more difficult time accessing capital? If yes, what is it about those entrepreneurs that contributes to their access problems?
7. Would you share a story of an entrepreneur who successfully accessed capital in the region?
8. Would you share a story of an entrepreneur who was not successful in accessing capital in the region?
9. What improvements to the region's capital market would make the most difference to the entrepreneurs and business owners that you work with?