

FINANCE OPPORTUNITIES AND FUNDING
METHODS IN THE MICROENTERPRISE

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ABSTRACT

In Maryland, microbusinesses comprise 88% of businesses and jobs for over one-half million people. A survey was mailed state-wide to microenterprises to determine access to capital, use of capital, and the future outlook on the impact of obtaining or not obtaining adequate capital to fund the business. Findings show an older, more educated, and wealthier microbusiness community than previously thought; most participants felt adequately financed; nearly half did not borrow funds to start up the business; over the next year, most felt their financial liabilities would remain stable; and a high number used personal credit cards for funding purposes.

Key Words: Micro-Finance, Entrepreneurship, Capital, Micro-Business

EXECUTIVE SUMMARY

Microenterprises, or those with fewer than 5 employees, are the backbone of small business in the State of Maryland (88% of all business) and in the United States (over one-half of all business (McGibbon & Moutray, 2009). The importance of these small enterprises cannot be overstated as they are the breeding grounds for new technology, new process, new product, and new ways of operating. In spite of their core role in entrepreneurial activity, not a lot of research is done that looks specifically at microbusiness.

This research surveyed those businesses with fewer than five employees in the State of Maryland in regard to their approach in capitalizing the enterprise, both for start up and for operations. The study also looked at what ways they fund the enterprise, their access to and sources of capital, their perspectives on upcoming, potential financial liabilities, and other variables. The survey was developed based on interviews of microbusiness owners and mailed to just under 10,000 individuals. Analysis was conducted using SPSS.

Findings include general demographics that reveal enterprises with some length of time in business, owners with some college or college educated, very predominately male, predominantly professional business types (attorneys, CPAs, consultants), and mostly sole proprietorships. Most businesses reported that they had access to adequate capital both for start up and for operations. Nearly one-half did not borrow money to start the business but rather used personal funds or loans. Younger businesses were interested in developing financial skills. About one-half expected that their financial liabilities would remain static over the next year. And using personal credit cards to fund the business was a method used by about one-third of participants. A small number used online financing sources (9.5%).