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Microenterprise Development Program Encourages Entrepreneurship While Supporting Extension in Van Wert County, Ohio

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Microenterprise Development Program Encourages Entrepreneurship While Supporting Extension in Van Wert County, Ohio

Abstract

Microenterprise development programs (MED's) have expanded in recent years as an economic development strategy in rural areas. The sluggish economy coupled with an acknowledgement that small businesses create many rural jobs are the main drivers behind this expansion. In the rural county of Van Wert, OH, the local Extension Community Economic Development office demonstrates how MED programs can also increase the relevancy of local services while generating funding to support Extension.

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Introduction

Rural communities are challenged as never before to revitalize and sustain their local economies, especially in light of the recent recession, but also due to increased global competition, corporate downsizing, and persistent workforce development constraints. At the same time, local Extension is facing challenges of its own—sustainable funding and doing more with less while maintaining relevancy. These challenges can be addressed through targeted and innovative programming, such as microenterprise development, that meets local needs while helping to fund Extension.

The Microenterprise Development (MED) movement has grown in response to unemployment and poverty in the United States (Schmidt, Kolodinsky, Flint, & Whitney 2006). The basic premise of this approach is that microenterprises, that is, firms with fewer than 10 employees, can be provided with small loans that allow them to start or expand productive activities and thereby increase incomes and escape poverty. (Christy, Wenner, & Dassie, 2000). Rural communities, a sizable faction within the MED movement, seek to offer education and financing programs to encourage entrepreneurs to start new businesses and create jobs.

Extension can play an important role in strengthening local economies through supporting and enhancing community-based entrepreneurship (Bassano & McConnon, 2008). An Extension-based

MED program is useful in meeting the needs of communities while creating a new funding stream to support local Extension activities. Effective MED programming can lead to long-term growth and prosperity in rural areas, and it can start with creation of a loan fund embedded with technical assistance to encourage entrepreneurship.

How the MED Program Works in Van Wert County, OH

For a MED program to be successful, there must be access to capital and technical assistance, and local Extension staff has the capacity to provide both. Extension is a key player in identifying the small business community and providing education and support to further develop that segment of the local economy. (Muske, Woods, Swinney, & Khoo, 2007). Extension can effectively startup and manage MED programs, as is the case in Van Wert County, OH.

The Extension Community Economic Development (CED) office in Van Wert County started a MED program in 2000 with the goal of creating and retaining private-sector job opportunities principally for persons of low-and-moderate-income. The program is also intended to encourage entrepreneurship in sectors that diversify the local economy and to encourage the redevelopment of blighted or deteriorated areas.

The program was initiated by applying for grant funds through the Ohio Department of Housing and Community Partnerships Economic Development Program (OHCP) on behalf of the City and County of Van Wert. Five grants totaling over \$600,000 were received between 2000-2006 to seed and sustain the loan fund program. After 5 years the program had reached a critical mass, requiring no new infusion of capital and becoming self-sustaining. Principal and interest payments had continuously revolved back into the fund, building an adequate balance for future loan projects.

Once the program became self-sustaining, administrative fees began to be assessed for staff time spent operating and managing the program. According to OHCP rules, up to 20% of the loan balance can be used for administrative or other community purposes. Beginning in 2006, the Extension CED office assessed the program \$3,000 for administration. By 2010, administrative reimbursement had grown to \$19,000, allowing the office to become less and less dependent on other funding sources.

Within a dozen years, the program has expanded to 65 loans, with 500 jobs created or retained. As the loan fund continues to grow, the CED office also continues to increase reimbursement for services in administering the program, easing dependency on other sources of funding and strengthening the community economic development program. Certainly, Extension needs something like a small business program, as much as small business needs something like Extension. (Johnson & Fisher, 1991).

Education and Training as Components of a Successful MED Program

Education and training is key to the success of rural MED programs. In Van Wert, all potential borrowers are required to take a course, Starting Right, which is offered once per month. Table 1 provides a complete list and description of the variety of technical assistance venues and methods offered to accomplish the program goals and objectives.

Table 1.
Technical Assistance Venues and Methods

Type of TA	Description	Frequency
One-on-one counseling	The Extension CED office offers one-stop services to clients on starting a business. One-on-one meetings include advice and referrals.	As needed – average 3 meetings per week
Classroom	"Starting Right" class offered once per month provides an overview of the steps involved in starting a business and how to apply for financing.	Monthly
Workshop or Seminar	Financing workshops are held bi-annually to provide an overview of financing tools available for small businesses in the region. A variety of workshops on other topics are also held.	As needed – at least two per year
Event	Annual Entrepreneurship Fair and business plan competition is held to introduce individuals, particularly displaced or disadvantaged, and students to the opportunity of starting a business.	Annually
Incubator Program	Ongoing technical assistance provided to clients and tenants of a small business incubator administrated by the Extension CED office.	Ongoing
Mobile workshop/modules	Entrepreneurship modules have been developed through both OSU Extension and the Wright State University Business Enterprise Center to provide mobile training services in locations throughout the region.	Monthly modules
Peer to Peer Roundtable Discussions	The Extension CED office and Chamber of Commerce hold quarterly roundtable discussions with small businesses on current issues and concerns.	Quarterly

Conclusion

Restructuring and reduced public dollars, especially at the local level where economic conditions have been severely stressed, have been a reality for Extension for over a decade. Extension must maintain

or increase its relevance to society if it is to expect continued support. Small business and entrepreneurship programming represents an opportunity to substantially increase our relevance and support. (Johnson & Fisher, 1991).

Although the number of local Extension offices has declined over the years and some county offices have consolidated into regional Extension centers, there remain approximately 2,900 Extension offices nationwide. Increasingly, Extension serves a growing, increasingly diverse constituency with fewer and fewer resources (<http://www.csrees.usda.gov/qlinks/extension.html#yesterday>). Despite diminishing resources, Extension is strategically positioned to develop and deliver MED programming to rural communities nationwide.

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Sources of Further Assistance

Microenterprise Organization of Ohio (MOO). Formed to provide assistance to microenterprise practitioners and support organizations. Information retrieved from: www.microenterpriseohio.org

Ohio Department of Development, Housing and Community Partnerships. Grant funds available through the Microenterprise Business Development Program. Information and requirements retrieved from: www.odod.state.oh.us/CDD/OHCP/edp.l.htm.

United States Department of Agriculture, Rural Enterprise Development. Provides grant and loan funding opportunities for organizations, businesses and individuals in rural communities. Information retrieved from: www.rurdev.usda.gov.

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