Loans, Grants & Funding For Small Businesses

One of the biggest challenges for starting a business or expanding an existing business is how to get the money to do it. This is at the top of the list for many SCORE clients who are seeking help. Today I will share the experience of our clients this past year needed funding.

We used the Gallop organization to interview and survey past clients and they reported that 75% of the clients who were seeking funding to start their new business or expand their current business relied on self-funding. Nine percent got help from family, friends or colleagues. Five percent got bank loans, 4% received SBA loans, 2% found investors, and the remaining listed “other” which could have included grants, etc.

The source of “self-funding” was reported as 73% from personal savings, 8% from credit cards, 4% used home equity and the remaining sources listed “other”.

Therefore, the experience in South East Minnesota shows a variety of options when it comes to financing your small business. Once you have decided that your business idea is viable, you'll need to figure out how you're going to pay for this great idea of yours. If you are unable to come up with adequate self-funding, you may need to look at other sources.

Loans: In addition to traditional loans, you may wish to explore SBA and other governmental agency sources.

Grants: The federal government does NOT provide grants for starting and expanding a business. Government grants are funded by your tax dollars and therefore require very stringent compliance and reporting measures to ensure the money is well spent. As you can imagine, grants are not given away indiscriminately.

Venture Capital: Venture capital is a type of equity financing that addresses the funding needs of entrepreneurial companies that for reasons of size, assets, and stage of development cannot seek capital from more traditional sources, such as public markets and banks. Venture capital investments are generally made as cash in exchange for shares and an active role in the invested company.

Finding Loans & Grants: Federal, state and local governments offer a wide range of financing programs to help small businesses start and grow their operations. These programs include low-interest loans, venture capital, and scientific and economic development grants. I have found the Loans and Grants Search Tool on the SBA website located at "http://www.sba.gov/loans-and-grants" to be helpful for doing a search for finding programs for which you may be eligible.

If you need help with your business, contact America’s free and confidential source of small business mentoring and coaching, SCORE, on our website: http://seminnesota.score.org/
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