



Small Business Investment Stimulates Local Communities

By Paul F. Goblet, Investment Advisor, New Mexico Small Business Investment Corporation

One job may not be all that important in New Mexico, and one small business may not solve the economic challenges facing the state. But the collective power of multiple jobs and businesses saved and created by investment through the New Mexico Small Business Investment Corp. — especially when nationwide unemployment hovers at 9.7 percent — makes a significant difference in the lives of people and the strength of communities.

NMSBIC has been helping businesses add and retain jobs in New Mexico by investing capital in the state's small businesses since 2004. State legislators created the entity in 2001 and began setting aside a portion of the state Severance Tax Permanent Fund to fund the program.

In 2004, NMSBIC developed lending agreements with alternative lenders and micro-lenders like The Loan Fund, ACCION New Mexico Arizona Colorado and WESST to invest the state money in the form of loans to small businesses. Since then, NMSBIC's partners have made nearly 2,000 loans. As loans are repaid, the interest and principal from NMSBIC-supported loans is reinvested in additional loans, resulting in the commitment of nearly \$30 million in the form of loans over the past six years.

Small loans, big impact

The NMSBIC Board of Directors, whose members are appointed by the governor and confirmed by the state senate, have helped strengthen the capital-delivery systems that work directly with small businesses statewide. The organization's lending partners work with community and national banks to lend capital provided by the NMSBIC to businesses that might not qualify for traditional bank lending.

The lenders also work closely with federal resources like the Small Business Administration's Small Business Development Centers, which are located in 20 communities around the state and work closely with local business owners and entrepreneurs. The loans are often small — ranging between \$500 and \$75,000, — but they can be critical for a company's economic viability. Larger loans, often for equipment or working capital, often lead to the expansion of the business and new employment opportunities.

Jobs beget jobs

Small businesses are the foundation of New Mexico's economy, generating jobs and tax revenue that helps support state and local government. While a small business is generally defined as one that employs fewer than 25 employees, many operate with fewer than 10 – some with just two to three people.

The 2,000 loans made possible by NMSBIC and its partners have gone to businesses that collectively employ more than 4,500 people. Many generate only \$5,000 or \$10,000 in monthly revenues. It's not much by Wall Street standards, but when those monthly revenues are multiplied by 12 months and multiplied again by 2,000 businesses, it's a number that exceeds \$350 million per year. And that's not chump change, by any calculation.

Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC) and its partners to assist individuals and businesses in obtaining skills and funding-resources for their business or idea. To learn more, go to www.FinanceNewMexico.org.

