



Investments Nurture Businesses to Create Jobs

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

As financial markets gyrate, legislators argue about the national debt ceiling, and people lose homes to foreclosure, it's hard to believe the economy is improving. Few words can convince those unlucky enough to remain jobless; but numbers are beginning to tell a slightly better story, at least in New Mexico. The Bureau of Labor Statistics reports that New Mexico made strides in improving its July jobless rate over the same month last year – second only to Nevada, a state with one of the highest unemployment rates in the country. New Mexico's July, 2011, unemployment rate was about two and a half points lower than the national average, as it has been throughout the recession.

One reason New Mexico has done better than other states is because job-creation measures were put in place long before the current recession. Set up as capital delivery systems that invested in and made loans to businesses, the measures were designed to build businesses that would create jobs and hire people. The original film bill was one such measure. It allowed the State Investment Council to make no-interest loans to film companies that met certain requirements, including hiring local people. Because capital was available and committed, talented people created a local industry and New Mexico became the destination of choice for filmmakers. In ten years, the number of skilled film workers went from about 60 to more than 3000 working on over 150 films.

In the same fashion, alternative lending has been a growing source of support to small-business owners with dreams. When the New Mexico Small Business Investment Corporation was formed in 2001 to get capital to businesses, the state had a budget surplus; but creating jobs, particularly in rural areas, was just as critical then as it is today. Then, securing a loan from a bank was difficult for startups or those with little in the way of profitable operating history or collateral. Economic problems and changes in lending regulations in the past few years have made the situation more difficult, and even mature businesses have seen their lines of credit slip away.

Alternative Lenders Fill the Gap

In 2004, the NMSBIC partnered with three alternative lending organizations to create an efficient conduit for delivering a small portion of the state's Severance Tax Fund to businesses in need of loans that couldn't be obtained through traditional sources. These three organizations – ACCION, The Loan Fund and WESST – manage designated pools of lending capital and target specific business sectors, including non-profits. Their ability to make loans, sometimes as small

as \$1,000, has eased the challenge for small-business owners or those with dreams of becoming one.

Since 2004, over 2,200 loans totaling more than \$33 million have been made to New Mexico businesses, many of which would not exist today had they not obtained a loan. When the loans were granted, these businesses generated over \$250 million in annual revenue and employed more than 3,800 people, whose jobs were retained. Better still, businesses have been able to add employees and increase sales as a result of the loans made to them.

For more information about the NMSBIC, visit www.nmsbic.org. For sources of capital and other resources, visit www.financenewmexico.org.

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.

