



## We Are Dreamcatchers

Carolina Small Business Development Fund (CSBDF) works to promote community and economic development throughout the region. Our work is inspired and driven by those we serve: aspiring and existing small business owners. By helping entrepreneurs reach their business ownership dreams, we seek to grow and support the engine of local economic growth. CSBDF's model of operations has three prongs: affordable financing, comprehensive technical assistance, and evidence-based policy research. This research brief outlines the economic impact of our lending for fiscal year 2019.

### Economic Impact Methodology

Research shows states with robust small business communities enjoy an array of positive outcomes like higher productivity growth, higher gross state product growth, lower wage inflation, and lower unemployment. One of CSBDF's goals as an economic development institution is to provide an alternative to small firms who might otherwise be unable to access credit on favorable terms. We utilized an input-output (IO) framework to analyze four levels of economic impact for CSBDF's FY2019 lending activity for 58 loans valued at \$8.5 million dollars:

Level	Explanation
Initial	A firm's initial economic activity. This includes hiring, construction, building renovation, buying equipment, and/or inventory purchases.
Direct	First level of inter-industry economic activity. This is the impact of events like sales of merchandise directly to consumers or supplying other firms.
Indirect	Second level ripple effects. For example, when a small business buys inventory and the manufacturer of the inventory must increase orders.
Induced	Tertiary ripple effects that come from economic changes of initial, direct, and indirect activities.

Using an input-output model for North Carolina, we estimated three different types of impact. Combined, these three lenses offer a holistic view of how CSBDF-assisted firms are helping bolster the region's economy:

Impact	Explanation
Earnings	How much assisted small businesses will create in income and other forms of compensation, including firm-to-firm interactions.
Jobs	The sum of all jobs added and lost due to the economic activity of loan beneficiaries. This can include the owner(s) of the firm.
Taxes	An estimate of how much new revenue income will flow to local, state, and federal government entities as a result of firm activities.



## Impact of CSBDF-Assisted Firms

**Aggregate Impact.** Small businesses who received loans from CSBDF helped generate over \$13M in total payroll earnings across North Carolina. Those earnings supported 277 total jobs with average wages of \$46,931. As a point of reference, individual earnings for full-time year-round North Carolina residents during the same time period was \$42,356. And across all businesses assisted, over \$1.2M in government revenue was generated from payroll, sales, and production taxes. On average, each small business assisted helped support \$224,383 in payroll earnings, 4.8 full-time equivalent employees, and \$20,755 in new tax revenues.

<b>\$13,014,215</b> Increase in Earnings	<b>277</b> Net Job Creation	<b>\$1,203,808</b> Additional Tax Revenues
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**Increases in Earnings.** CSBDF's lending clients injected \$6.7M of initial earnings into North Carolina's economy through employment earnings. An additional \$6.3M of payroll impact comes from other businesses that are supported by CSBDF's lending clients. Put more simply: for every \$1.00 in earnings created by small businesses supported by CSBDF lending in this timeframe, an additional \$0.94 of earnings is generated across the state's economy.

<b>\$6,703,608</b> Initial Earnings 1.00 Multiplier	<b>\$1,710,296</b> Direct Earnings 0.28 Multiplier	<b>\$760,300</b> Indirect Earnings 0.11 Multiplier	<b>\$3,840,011</b> Induced Earnings 0.57 Multiplier
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**Net Job Creation.** Across the 58 loans issued by Carolina Small Business during the year, small business owners indicated they would hire about 2.6 full-time employees on average. The economic impact of the 148 initial jobs these firms created helped support 130 other full-time equivalent positions.

<b>148</b> Initial Jobs 1.00 Multiplier	<b>30</b> Direct Jobs 0.20 Multiplier	<b>15</b> Indirect Jobs 0.10 Multiplier	<b>85</b> Induced Jobs 0.57 Multiplier
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**Tax Revenues Generated.** When small businesses thrive, they generate tax revenues that flow to all levels of government. Small businesses help create tax revenues through their payroll, collecting sales tax, and by paying taxes on production and services. The IO model estimates that the tax contribution of new lending clients is about \$1.2M each year. The vast bulk of new tax revenue benefits local and state government.

<b>\$534,510</b> Increase in Local Taxes	<b>\$448,915</b> Increase in State Taxes	<b>\$220,383</b> Increase in Federal Taxes
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For more information about our impact and research, including the full details of the economic impact assessment, please visit: [www.carolinasmallbusiness.org/research](http://www.carolinasmallbusiness.org/research).