

## The Role Of Small Business In Economical Development

Masoud Hamzehpour

<sup>1</sup>Department of Management , Baghmalek branch, Islamic Azad University, Baghmalek, Iran  
[Hamzehpour2010@yahoo.com](mailto:Hamzehpour2010@yahoo.com)

**Abstract:** Economic development experts are abandoning traditional approaches to economic developments that rely on recruiting large enterprises with tax breaks, financial incentives, and other inducements. Economic development is the process of building strong, adaptive economies. Strategies driven by local assets and realities, a diverse industry base and a commitment to equality of opportunity and sustainable practices have emerged as those that will ensure a strong foundation for long-term stability and growth. In this article we define the small business after we explain small business and job creation and job quality and the innovation role in small business. This analysis evaluated the economic development role of small businesses. It suggests that small businesses may not be quite the fountainhead of job creation they are purported to be, especially when it comes to high-paying jobs that are stable and offer good benefits. Big-firm jobs are typically better jobs. Moreover, while small businesses are important innovators in today's economy, so are large businesses. There is no clear evidence that small businesses are more effective innovators. This article concludes that it probably does but with some caveats. Small businesses are potent job creators, but so are large businesses. The attribution of the bulk of net job creation to small businesses arises from relatively job losses at firms, not to especially robust job creation by small firms. More importantly, data show that, on average, large businesses offer better jobs than small businesses, in terms of both compensation and stability.

[ Masoud Hamzehpour. **The Role Of Small Business In Economical Development.** *Life Sci J* 2013;10(1):1668-1675] (ISSN:1097-8135). <http://www.lifesciencesite.com>. 245

Key Words: Economical Development, small business

### Introduction:

Increasingly, economic development experts are abandoning traditional approaches to economic developments that rely on recruiting large enterprises with tax breaks, financial incentives, and other inducements. Instead, they are relying on building businesses from the ground up and supporting the growth of existing enterprises. This approach has two complementary features. The first is to develop and support entrepreneurs and small businesses. The second is to expand and improve infrastructure and to develop or recruit a highly skilled and educated workforce. Both efforts depend in large part on improving the quality of life in the community and creating an attractive business climate.

The reason for the shift in approaches is clear. Experience suggests that economic development strategies aimed at attracting large firms are unlikely to be successful—or successful only at great cost. Smokestack chasing can be especially costly if it generates competition for firms among jurisdictions. Further, because of the purported job creation role and innovative prowess of entrepreneurs and small businesses, creating an environment conducive to many small businesses may produce more jobs than trying to lure one or two large enterprises. The hope is not

Local officials widely recognize that economic competitiveness is contingent upon a strong and growing entrepreneurial and small business

community. This is particularly relevant given the national dialogue promoting entrepreneurs and small businesses as key drivers of economic recovery. In order for these businesses to thrive, however, they need a place, or local culture, that does not create barriers and is supportive of their development. While local governments do not necessarily create new businesses, their programs and policies heavily influence this local culture. Building on previous survey research and in-depth field work, we develop a framework to begin to understand and define the underlying characteristics of local efforts supportive of a small business and entrepreneurial culture. We offer in this article a correct definition about small business and finally suppose desiccation in our subject. Only those new businesses will create jobs in the local community, but, through innovation, some new businesses may grow into rapid-growth “gazelle” firms, which may spawn perhaps hundreds of jobs and become industry leaders of tomorrow. This article evaluates this shift in economic development strategies. The first section describes traditional economic development strategies. The second section explores the role that small businesses play in creating jobs. The third section compares job quality between small firms and larger firms. The fourth section examines how important small businesses are in the development of new products and new markets. The overarching question is whether promoting entrepreneurship and small

businesses makes sense as an economic development strategy. This article concludes that it probably does but with some caveats. Small businesses are potent job creators, but so are large businesses. The attribution of the bulk of net job creation to small businesses arises largely from relatively large job losses at large firms, not to especially robust job creation by small firms. More importantly, data show that, on average, large businesses offer better jobs than small businesses, in terms of both compensation and stability. Further, there is little convincing evidence to suggest that small businesses have an edge over larger businesses in innovation. More research is needed to properly evaluate the case for a small business strategy, and, indeed, to determine whether or not public engagement in economic development itself is a cost-effective and worthwhile pursuit.

**Definition:**

Urban and rural economic structure in the United States has changed significantly over the past two decades (Dissart and Deller, 2000). After a decade of unprecedented expansion of the economy of the United States, many regions in West Virginia are still suffering from high unemployment, shrinking economic base, deeply rooted poverty, low human capital formation, and out migration (Deavers and Hope, 1992). West Virginia ranks second to last in per capita income and lags the nation and the rest of the Appalachian region in almost any other indicators measuring income, wealth, and health, making a classic example of persistent poverty (Dilger and Witt, 1994; Haynes, 1997; Maggar, 1990).

West Virginia is one of the nation's most rural states and economic restructuring across the nation has affected it in ways that are significantly different from the experience of urbanized regions. For example, while the decline of employment opportunities in extractive industries has had little direct impact in urban areas, West Virginia has lost direct mining jobs, even while production remained high. The slow growth of income and employment in the state, out-migration and the disappearance of rural households are both causes and effects of persistent high rates of poverty. This lagging economic development negatively affect the economic and social well-being of West Virginia's rural population, the health of its local businesses, and the ability of its local government to provide basic human services (Cushing and Rogers, 1996).

Widely dispersed small communities with relatively small local and regional markets dominate West Virginia. The businesses that serve these markets also tend to be small. Thus, considering one-by-one count, it is therefore tempting to dismiss small businesses as unimportant. Collectively, however, they make a large contribution to the economic diversity of

small communities. In fact, small business is a big business in West Virginia. Through their capital investments they create jobs and new opportunities to promote community-building and social activities. They also contribute to the development of a diversified economy by absorbing surplus labor resulting from economic restructuring.

Improving the state's economic basis requires an economic environment where business can prosper. West Virginia, however, despite efforts of multilateral, national and local policy programs to induce economic prosperity and ameliorate poverty, has many economically depressed areas and regions. To strengthen and diversify the economy, policy makers and local leaders need to know the characteristics and impact of small businesses on the local economy. Understanding the characteristics of poverty and the contribution of small businesses to economic growth of the local economy is crucial in designing specific and appropriate development policies. The targets of such policies are to improve and expand community-based capabilities and initiatives in order to assist small communities to retain and expand local small businesses. Understanding the relationship between small businesses, economic growth and the incidence of poverty has been the interest of many researchers and there have been many attempts to establish statistical relationships between poverty rates and overall macroeconomic performance on the basis of aggregate time-series data. However, some studies have not only indicated contradictory evidence about the role of small businesses but also produced results that rejected the view that small businesses are the engines of job creation and economic growth (Rosenzweig, 1988; Brown et al., 1990; Liedholm and Mead, 1987).

The main objective of this paper is, therefore, to empirically evaluate the critical roles of small businesses in economic growth and poverty alleviation in West Virginia. More specifically the objectives are to:

- 1) Examine the impact of small business development on the rate of economic growth of West Virginia; and
- 2) Empirically assess the relationships between macroeconomic performance and the incidence of poverty in West Virginia.

**Literature:**

Economic development is the process of building strong, adaptive economies. Strategies driven by local assets and realities, a diverse industry base and a commitment to equality of opportunity and sustainable practices have emerged as those that will ensure a strong foundation for long-term stability and growth. Even within the parameters of these principles, what constitutes success in economic development and

the specific strategies to accomplish it will look different from place to place. Despite these differences, leadership is consistently identified as a critical factor in effective economic development. Dedicated leadership is needed to raise awareness, help develop and communicate a common vision, and motivate stakeholders into action. Although leadership can come from many places within the community, local elected officials are particularly well-positioned to take on this role. The political influence of elected leadership is critical to helping communities stay the course toward a vibrant economic future. From the bully pulpit to the design and coordination of public policies, mayors and councilmember's have opportunities every day to effect change and promote a strategic vision of economic growth for their community.

### **Small Businesses And Job Creation**

An alternative to recruiting large firms with tax incentives and other inducements is to focus on the small business sector. Perhaps the greatest generator of interest in entrepreneurship and small business is the widely held belief that small businesses in the United States create most new jobs. The evidence suggests that small businesses indeed create a substantial majority of net new jobs in an average year. But the widely reported figures on net job growth obscure the important dynamics of job creation and destruction. Nevertheless, small businesses remain a significant source of new jobs in the United States.

### **Job Quality At Small Businesses**

Knowing that small businesses create a significant share of new jobs, it is natural to ask how these jobs compare to those at larger firms. Simply put, large firms offer better jobs and higher wages than small firms. Benefits appear to be better at large firms as well, for everything from health insurance and retirement to paid holidays and vacations. Finally, job turnover, initiated by both employers and employees, is lower at large firms. The lower rates of employee-initiated turnover suggest that job satisfaction and mobility are relatively greater at larger firms. Lower rates of employer-initiated separations suggest that jobs at larger firms are more stable.

### **Small Business And Innovation**

Joseph Schumpeter, the renowned analyst and advocate of capitalism, asserted that the hallmark of capitalism is innovation: "The sweeping out of old products, old enterprises, and old organizational forms by new ones." He referred to this process as "creative destruction." In capitalism, therefore, the only survivors are those who constantly innovate and develop new products and processes to replace the old ones. Small businesses are largely thought to be more

innovative than larger firms for three reasons: a lack of entrenched bureaucracy, more competitive markets, and stronger incentives (such as personal rewards). Small businesses are indeed crucial innovators in today's economy and are the technological leaders of many industries. But the conventional wisdom that small businesses are the cornerstone of innovative activity and that large firms are too big and bureaucratic to make significant innovations is false. Both small and large firms make significant innovations, and both types of firms are critical to the success of today's economy. Schumpeter asserted that larger firms are better positioned to make innovations, especially if operating in a concentrated market (such as a monopoly or a market in which only a few firms dominate). Several concepts underlie his reasoning (Vossen; Symeonidis). Research and development (R&D) expenditures involve very large fixed (sunk) costs. R&D costs can be recovered only with a large sales volume, so that the costs can be spread over a large number of items. Further, larger firms generally have better access to external financing, and monopolistic firms, which tend to be larger, have better access to internal financing because of their generally higher profitability. Larger firms also have a greater capacity to undertake several R&D projects at once and, hence, dilute the risk of any one project in a diversified portfolio. There are several other advantages to innovation at large firms beyond financing and managing R&D. Large firms tend to have established reputations and name recognition, which make it easier to enter new markets and/or established marketing channels. Thus, larger firms are often better able to take advantage of innovations through production and sale. In addition, having a large number of colleagues, which is more likely at a large firm, facilitates a division of labor and the solution of problems (for example, by seeking the assistance of colleagues) and increases the likelihood that "serendipitous discoveries [are] recognized as important" (Vossen). Finally, many of the largest firms operate in industries in which only a few firms operate or dominate the market. For the most part, these firms do not compete with one another on the basis of price, but rather on the basis of quality and product differentiation. Given this market structure, large firms may, therefore, have greater incentive to innovate. While large-firm strengths are mostly material in nature, small-firm strengths are mostly behavioral (Vossen). Perhaps the most critical strength is the lack of an entrenched bureaucracy that often characterizes larger firms. An entrenched bureaucracy can lead to long chains of command and subsequent communication inefficiency, inflexibility, and loss of managerial coordination. Further, small firms, to the extent that they operate in more competitive

environments, may have a greater incentive to innovate so as to stay ahead of rivals. Finally, because ownership and management are more likely to be intertwined at smaller firms, the personal rewards of potential innovators are higher. As a related factor, smaller firms may be better able to structure contracts to reward performance (Zenger). Given the relative strengths of large and small firms, whether small businesses are more innovative is an empirical question. Numerous studies have presented results on the relationship between firm size and R&D or innovative activity using a myriad of measures (Symeonidis). Unfortunately, the results are mixed. The large majority of small firms (especially those with less than 100 employees) do not engage in formal R&D, and the degree to which they engage in informal R&D is difficult to gauge (Symeonidis). Total R&D increases with firm size, but studies have offered differing views on the intensity of R&D. Intensity is generally measured across firm size classes as R&D expenditure per employee or relative to sales. The preponderance of the evidence suggests two tendencies. First, R&D intensity increases with firm size in some industries and decreases in others, as do R&D outcomes, such as patents (Scherer; Acs and Audretsch; Pavitt and others). Thus, a general statement about the relationship between R&D and firm size probably is not sensible. Second, to the extent that a generalization can be made, the relationship is likely a moderate U-shape, meaning that both smaller firms (above a threshold size) and very large firms engage in R&D more intensively than medium-sized firms (Gellam Research Associates; Bound and others; Pavitt and others). More clear is that smaller businesses are more efficient at innovation, which means they produce more innovations for a given amount of R&D than do larger firms (Vossen). Thus, they often create more innovation value per given amount of R&D. Part of this may be due simply to underestimation of R&D expenditure at smaller firms, but others suggest that small firms are more effective in taking advantage of knowledge spillovers from other firms (Aces and others). Perhaps the industry with the greatest history of innovations by lone entrepreneurs and small businesses is the computer industry. The history of small business has been one of the most controversial stories in economic development in the world. The role of small business in an economy has frequently been undermined and even misinterpreted. In the past, small businesses were believed to impede economic growth by attracting scarce resources from their larger counterparts (Audretsch, et al., 2000). From the onset of the industrial revolution until the 1960s large corporations capitalizing on economies of scale were considered as the driving force of growth and development (US Small Business Administration

(SBA), 1998). The emergence of computer-based technology in production, administration and information has, however, reduced the role of economies of scale in many sectors. Many studies (Loveman and Sengenberger, 1991; Acs and Audretsch, 1993) have shown a shift in industry structure away from greater concentration and centralization towards less concentration and decentralization – a shift towards an increased role for small firms. This was mainly due to changes in production technology, in consumer demand, labor supply, the pursuit of flexibility and efficiency. These factors, in turn, led to the restructuring and downsizing of large enterprises and the entry of new firms. More and more evidence became available to indicate that economic activity moved away from large firms to small, predominantly young firms. Brock and Evans (1989), for example, provided an extensive documentation of the changing role of small business in the U.S. economy. Parallel with this literature, the changing patterns of consumer expenditure and demand patterns that resulted from rising living standards has contributed to the emergence of fragmented consumer markets. Moreover, many new business opportunities in small and medium size enterprises have been created as many large firms downsized their activities in an attempt to reduce costs. Thus, the alternative view is that small business is the key element and deriving force in generating employment and realizing economic development. This paradigm shift has, in turn, brought a revival in the promotion of small businesses and entrepreneurial initiative at local, national and international levels. It is now well accepted both among academicians and policy makers that small businesses play a vital role in contributing to overall economic performance of countries (Dean et al. 1996; Karlsson et al. 1993). Small businesses play an important role in community development by enticing private investment back into lagging areas and spread the benefits of economic growth to people and places too often left behind. Through their capital investments private small businesses and micro-enterprises create jobs and new opportunities that promote community-building and social activities in the rural and small towns. Hence, the economic contribution of small business to economic growth and job creation is now well recognized and established in the literature (Birch, 1979; Markusen and Teitz, 1985; Storey, 1994; O'Neill, 1993; Karlsson, et al., 1993). In his initial study, David Birch (1979), for example, reported that 80 percent of the jobs created between 1969 and 1976 in the U.S. economy were in firms employing less than 100 workers. Firms employing fewer than 20 workers generated 88.1 percent of net job growth and start-ups generated nearly as twice as many jobs as expansion of existing firms between 1980 and 1985 (Birch, 1987).

Miller (1990) also found net employment growth in existing small rural firms to be much faster than in large firms over the period 1980-1986. Studies of the US economy in the 1990 showed that new firm births and small enterprise expansion were the major sources of job creation that played a significant positive role in regional economic change (Karlsson, et al., 1993). In most U.S. industries, small firms account for much of the capital stock, employment, and a large fraction of innovation (Acs and Audretsch, 1988, 1990). Research by the U.S. Small Business Administration showed that job creation capacity in the U.S. is inversely related to the size of the business. Between 1991 and 1995, the net job created in enterprises employing 1-4, 5-19, 20-99, 100-499 people were 3.843 million, 3.446 million, 2.546 million, and 1.011 million jobs respectively; whereas enterprises employing more than 500 people lost 3.182 million net jobs (U.S. Small Business Administration, 1999). By creating jobs and promoting economic growth, small businesses play a critical role in poverty alleviation. Understanding the connection between small businesses, economic growth and the incidence of poverty has been the interest of many researchers and there have been many attempts to establish statistical relationships between official poverty rates and overall macroeconomic performance on the basis of aggregate time series data (Freeman, 2002; Haveman and Schwabish, 2000; Blank, 2000; Cain, 1998; Powers, 1995; Blank and Card, 1993; Cutler and Katz, 1991; Blank and Blinder, 1986; Gottschalk and Danziger, 1985). The results from these studies show an inverse relationship between economic growth and poverty rates. Blank and Blinder (1986), for example, found that both the unemployment rate and the inflation rate were positively related to poverty rate, with a high quantitative effect of unemployment. Cutler and Katz (1991), Blank (1993) and Powers (1995) also found similar results apart from the post recession period of the 1980s where unemployment rate was found to be inversely related to poverty rate. Using GDP growth rate as explanatory variable, Haveman and Schwabish (2000) tested the differential effect of macroeconomic performance on the poverty rate for various periods. Their result shows a strong inverse relationship between economic growth and poverty rate. They also showed that a one-percentage decrease in unemployment rate was associated with a 0.43 percentage point decrease in poverty rate between 1993 and 1998. However, a number of studies have not only indicated contradictory evidence about the role of small businesses but also produced results that rejected the view that small business are the engines of job creation and economic growth (Armington and Odle, 1982; Dunne et al., 1989; Brown et al., 1990; Acs and Audretsch, 1993; Duncan and Handler, 1994; Harrison, 1994). Such studies show that although small firms

exhibit higher growth rate in percentage terms, most new firms don't grow at all, and large start-ups account for the larger share of new firm growth. Besides, while the gross rate of job creation and loss of jobs are higher in small firms; there is no systematic relationship between net job creation and firm size (Davis et al., 1993). Small businesses provide low quality jobs to their employees compared to large businesses. Empirical evidence indicates that large firms provide more stable employment, higher wages, and more nonwage benefits than small businesses (Rosenzweig, 1988; Brown et al., 1990). In addition, average firm size distribution does not indicate a growing dominance of small firms. Many small firms are established as last resort rather than as first choice and have limited growth potential (Liedholm and Mead, 1987). Recent research evidence also shows that small firms are not more innovative than large firms. Using a sample of European industries, Pagano and Schivardi (2001), for example, concluded that larger firm size is associated with faster rates of innovation. Much of the empirical evidence on the relationship between small business and economic growth is derived from firm-level and cross-country studies. However, unlike the bulk of such studies, this study tries to establish a statistical relationship between small business development and economic growth using state-specific aggregate time series data. Unlike much of the poverty studies at national level in the US, this study also tries to test the evidence from the time-series based poverty literature on the relationship between macroeconomic performance and poverty using new aggregate time-series data from West Virginia. A small business is the fundamental unit (building block) of business creation. It is like a stem cell in the development of the human body; it can self-generate and differentiate itself into different structured forms. Small businesses can cross into multiple industries, countries, and communities, providing jobs along the way. According to the Office of Advocacy of the Small Business Administration of the United States, from 1993 to 2008 approximately 64 percent of the net jobs created in the U.S. came from businesses with less than 500 employees (Sergeant, 2011, p.28). In some countries, such as Australia, a small business is one that has less than 20 employees (Kryger, 2000). Even with this size limitation, small businesses still account for the majority of employment growth in Australia (p.2). It was tempting to use the U.S. records involving employers with less than 20 employees in this paper because the numbers would support an even better story for business start-ups. However, to maintain consistency with the U.S. government reports, a small business is defined as having less than 500 employees in this paper. The small business in a market economy is free to be creative, innovative, explore and try new

ideas, and take risks, whereas, big business may be limited by its own political culture and obsession to be efficient. The bigger the business, the bigger the challenge will be to take on new, untried ideas and unproven methods. Some say that the culture in big business perpetuates an attitude we often hear: There is a right way, a wrong way, and our company way! This type of attitude existed openly throughout the later decades of the 20th century, and is still hidden today in most big business hallways. Two of the fundamental things that small businesses do for an economy are to allow individual freedom of action and originate the engine of economic growth as measured by different dimensions including but not limited to employment and wages. Jobs and wages are critical success factors for any government whether they be totalitarian or democratic in ideology. Recent economic international debates have been centered on fiscal responsibility and national debts. Most policy makers and central bankers have been focused on preventing further economic downturns and stimulating their respective economies as well as those of their members through one of the worst recessions of modern times. Governments throughout Europe have concerns over the national debts of countries such as Greece, Italy, Spain, Portugal, and even Ireland and Great Britain. Germany and France have been the most vocal and demanding for these countries to become more fiscally responsible. The real emphasis should be on creating policies and measures that produce jobs and increase spending wages. The primary focus at the Aug. 26, 2011 economic conference in Jackson Hole, Wyoming, was on jobs. The Federal Reserve Chairman Ben Bernanke suggested that while long-term deficit reduction is necessary, "future economic health could be jeopardized if hiring and growth are not strengthened now" (The Associated Press, 2011). He further urged the Congress of the United States to promote growth through tax, trade, and regulatory policies. All of these business concerns affect small and big businesses no matter what part of the world you exist or the type of government in place. However, these factors seem to affect small businesses earlier and with more lethal blows.

#### **Conclusion:**

This analysis evaluated the economic development role of small businesses vis-à-vis large businesses. It suggests that small businesses may not be quite the fountainhead of job creation they are purported to be, especially when it comes to high-paying jobs that are stable and offer good benefits. Big-firm jobs are typically better jobs. Moreover, while small businesses are important innovators in today's economy, so are large businesses. There is no clear evidence that small businesses are more effective

innovators. Further, the innovations of both small businesses and large businesses are inextricably linked. Still, small firms create the majority of net new jobs and are critical innovators, and efforts to encourage the formation and growth of small enterprises are probably sensible in most cases. While large firms offer better jobs on average and contribute significantly to job creation and innovation, research and experience suggest that attempts to recruit large enterprises to a specific community are unlikely to be successful (because of competition from competing communities). And they are not likely to be cost-effective even if they are successful. More generally, an economic development strategy that focuses on a particular business or industry is very risky because sorting prospective winners and losers is difficult at best. Where do these facts leave economic development strategy? As noted earlier, net employment impacts from firm expansions tend to be much greater than those associated with new-firm locations. This suggests that concentrating on organic growth, or the growth of existing or "home-grown" businesses, is likely to be a much more successful strategy than the recruitment of new firms. Given the role of small businesses in employment growth, supporting entrepreneurs and budding businesses is also likely to be an effective strategy. The hope is that some of these small businesses can grow to become the large firms of tomorrow and offer the kinds of benefits that typically come with employment in a large firm. The key to a successful strategy is to get the policies right. Evidence increasingly suggests that the right approach is usually to focus on developing an attractive and supportive environment that might enable any business, whether small or large, to flourish, and to allow the market to sort out which businesses succeed. Many communities have had success in creating this environment. They have developed and fostered a high quality workforce through great schools, community colleges, and universities. They have provided life-long learning opportunities; built and maintained high-quality public infrastructure; created a business climate with reasonable levels of taxation and regulation; and, through good government and quality amenities, have created the kinds of communities where highly educated and skilled people want to live and work.

#### **Small Businesses Drive the Economy**

Encompassing half of all private sector employment, small businesses are a vital part of the United States economy. Encouraging their continued growth and increasing their ability to survive is especially crucial during an economic downturn. Many regional development organizations (RDOs) manage publicly funded programs that provide small businesses and entrepreneurs with access to capital, offer business

counseling services, and other critical support they need to expand. An increased presence of small businesses and entrepreneurs is especially important in small metropolitan and rural communities. Nearly two-thirds of the jobs in rural America are based in small businesses. Researchers at Pennsylvania State University found that communities with more small businesses produced an overall increase in per capita incomes.<sup>3</sup> Local businesses tend to buy locally and use local service providers. Larger corporations generally buy from large distributors and outsource or use in-house services outside of the community. Small businesses generally rely on their own equity or financing from a commercial bank to start a new business, purchase inventory, expand an existing business, and strengthen their financials.<sup>4</sup> As a result of the recent economic downturn, commercial banks have tightened their credit conditions making it more difficult for small businesses to qualify for a loan. In an environment when small business owners need access to credit more than ever, public-sector business development loan funds become an important source for financing. Publicly funded business development loan funds are sometimes the only alternative to commercial banks in rural areas. The funds are initially capitalized, along with local matching funds, by a federally funded program such as the U.S. Department of Agriculture's (USDA) Intermediary Relending Program (IRP), the U.S. Economic Development Administration's (EDA) revolving loan funds (RLFs), the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant Program for Economic Development (CDBG-ED), or the U.S. Small Business Administration's (SBA) 504 or 7(a) lending programs. An intermediary, including many regional development organizations, manages the funds to provide small businesses and entrepreneurs with financing.

Many RDOs manage multiple loan funds, each with their own purpose, funding source, and regulatory requirements. For example, the Mid-Columbia Economic Development District (MCEDD), an EDA economic development district (EDD) serving five counties in Oregon and parts of Washington, manages ten different loan funds with funding sources from USDA, EDA, Oregon Regional Investment Funds, CDBG, and a local match.

**14 Step to starting your own mall business we offer  
14 steps for your own small business that shows  
bellow:**

1. Make sure running a small business is right for you.
2. Decide on a business structure.
3. Develop a business plan.
4. Secure your financing.
5. Choose a business name and have it approved.

6. Register your business.
7. Apply for a domain name.
8. Register for MRDT.
8. Register for MRDT.
10. Complete other registration.
11. Investigate additional business registrations and requirements.
12. Identify permit and licensing requirements.
13. Integrate sustainable business practices.
14. Check out other useful resources.

**References:**

1. Acs, Z.J., and D.B. Audretsch. 1987. "Innovation, Market Structure and Firm Size," *Review of Economics and Statistics*, vol. 69, no. 4, pp. 567-75.
2. Acs, Z.J., D.B. Audretsch, and M.B. Feldman. 1994. "R&D Spillovers and
3. Recipient Firm Size," *Review of Economics and Statistics*, vol. 76, no. 2, pp. 336-39.
4. Anderson, P.M., and B.D. Meyer. 1994. "The Extent and Consequences of Job
5. Turnover," *Brookings Papers on Economic Activity: Microeconomics*, pp. 177-248.
6. Belfield, C.R., and X. Wei. 2004. "Employer Size-Wage Effects: Evidence from
7. Matched Employer-Employee Survey Data in the UK," *Applied Economics*, vol. 36, no. 3, pp. 185-93.
8. Bound, J., C. Cummins, Z. Griliches, B.H. Hall, and A. Jaffe. 1984. "Who Does
9. R&D and Who Patents?" in Z. Griliches, ed., *R&D, Patents, and Productivity*.
10. Chicago: University of Chicago Press.
11. Brown, C., and J. Medoff. 1989. "The Employer Size-Wage Effect," *Journal of*
12. *Political Economy*, vol. 97, no. 5, pp. 1027-59.
13. Bureau of Labor Statistics, U.S. Department of Labor. 2006. "National
14. Compensation Survey: Employee Benefits in Private Industry in the United States, March 2006," August.
15. . 2004. "Low Pay and Establishment Size," *Monthly Labor Review*:
16. *The Editor's Desk*, February 3.
17. Campbell, C.M. 1994. "The Determinants of Dismissals: Tests of the Shirking
18. Model with Individual Data," *Economics Letters*, vol. 46, no.1, pp. 89-95.
19. Davis, S.J., J. Haltiwanger, and S. Schuh. 1996. "Small Business and Job
20. Creation: Dissecting the Myth and Reassessing the Facts," *Small Business*
21. *Economics*, vol. 8, no. 4, pp. 297-315.
22. Dunne, T., M.J. Roberts, and L. Samuelson. 1989. "The Growth and Failure of
23. U.S. Manufacturing Plants," *Quarterly Journal of Economics*, vol. 104, no. 3, pp. 671-98.
24. Edmiston, K.D. 2004. "The Net Effects of Large Plant Locations and Expansions on
25. County Employment," *Journal of Regional Science*, vol. 44, no. 2, pp. 289-319.
26. Edmiston, K.D., and G.K. Turnbull. 2007. "Local Competition for Economic
27. Development," *Journal of Urban Economics*, forthcoming.
28. Evans, D.S., and L.S. Leighton. 1989. "Why Do Smaller Firms Pay Less?" *Journal of Human Resources*, vol. 24, no. 2, pp. 299-318.
29. Fox, W.F., and M.N. Murray. 2004. "Do Economic Effects Justify the Use of Fiscal

30. Incentives?" *Southern Economic Journal*, vol. 71, no. 1, pp. 78-92.
31. Gellam Research Associates. 1976. *Indicators of International Trends in Technological Innovation*, Jenkintown, Penn.
32. Groothuis, P.A. 1994. "Turnover: The Implications of Establishment Size and Unionization," *Quarterly Journal of Business and Economics*, vol. 33, no. 2, pp. 41-53.
33. Headd, B. 2000. "The Characteristics of Small-Business Employees," *Monthly Labor Review*, vol. 123, no. 4, pp. 13-18.
34. Hu, L. 2003. "The Hiring Decisions and Compensation Structures of Large Firms," *Industrial and Labor Relations Review*, vol. 56, no. 4, pp. 663-81.
35. Idson, T.L. 1996. "Employer Size and Labor Turnover," *Research in Labor Economics*, vol. 15, pp. 273-304.
36. Idson, T.L., and W.Y. Oi. 1999. "Workers Are More Productive in Large Firms," *American Economic Review*, vol. 89, no. 2, pp. 104-08.
37. Kraybill, D.S., M.J. Yoder, and K.T. McNamara. 1991. "Employer Size, Human Capital, and Rural Wages: Implications for Southern Rural Development," *Southern Journal of Agricultural Economics*, vol. 23, no. 2, pp. 85-94.
38. Mayo, J.W., and M.N. Murray. 1991. "Firm Size, Employment Risk, and Wages: Further Insights on a Persistent Puzzle," *Applied Economics*, vol. 23, no. 8, pp. 1351-60.
39. Mills, R.J., and S. Bhandari. 2003. "Health Insurance Coverage in the United States: 2002," U.S. Census Bureau, *Current Population Reports*, September.
40. Mitra, A. 2003. "Establishment Size, Employment, and the Gender Wage Gap," *Journal of Socio-Economics*, vol. 32, no. 3, pp. 317-30.
41. Morissette, R. 1993. "Canadian Jobs and Firm Size: Do Smaller Firms Pay Less?" *Canadian Journal of Economics*, vol. 26, no. 1, pp. 159-74.
42. National Academy of Social Insurance. 2003. *Workers' Compensation: Benefits, Coverage, and Costs, 2001*, Washington, July. National Science Foundation, Division of Science Resources Studies. 1999. *Will Small Business Become the Nation's Leading Employer of Graduates with Bachelor's Degrees in Science and Engineering?* NSF 99-322, Project Officers:
43. John Tzapogas and Lawrence M. Rausch; Mary Collins, Westat, Arlington Va.
44. Oi, W.Y., and T.L. Idson. 1999. "Firm Size and Wages," in O. Ashenfelter and D. Card, eds., *Handbook of Labor Economics*. Amsterdam: North-Holland, 3rd ed.
45. Okolie, C. 2004. "Why Size Class Methodology Matters in Analyses of Net and Gross Job Flows," *Monthly Labor Review*, vol. 127, no. 7, pp. 3-12.
46. Olson, C.A. 2002. "Do Workers Accept Lower Wages in Exchange for Health Benefits?" *Journal of Labor Economics*, vol. 20, no. 2, part 2, pp. S91-S114.
47. Pavitt, K., M. Robson, and J. Townsend. 1987. "The Size Distribution of Innovating Firms in the UK: 1945-1983," *Journal of Industrial Economics*, vol. 35, no. 3, pp. 297-316.
48. Perry, C.W., and H.S. Rosen. 2001. "Insurance and the Utilization of Medical Services Among the Self-Employed," *National Bureau of Economic Research Working Paper No. 8490*.
49. Pull, K. 2003. "Firm Size, Wages, and Production Technology," *Small Business Economics*, vol. 21, no. 3, pp. 285-88.
50. Schmidt, C.M., and K.F. Zimmerman. 1991. "Work Characteristics, Firm Size, and Wages," *Review of Economics and Statistics*, vol. 73, no. 4, pp. 705-10.
51. Scherer, F.M. 1984. *Innovation and Growth: Schumpeterian Perspectives*. Cambridge, Mass.: MIT Press.
52. Schumpeter, J.A. 1942. *Capitalism, Socialism, and Democracy*. New York: Harper & Row.
53. Symeonidis, G. 1996. "Innovation, Firm Size, and Market Structure: Schumpeterian Hypotheses and Some New Themes," *OECD Economic Studies*, vol. 27, pp. 35-70.
54. Vossen, R.W. 1998. "Combining Small and Large Firm Advantages in Innovation: Theory and Examples," *SOM Research Report 98B21*, Research School Systems Organisation and Management, Universiteitsbibliotheek Groningen.
55. Winter-Ember, R. 2001. "Firm Size, Earnings, and Displacement Risk," *Economic Inquiry*, vol. 39, no. 3, pp. 474-86.
56. Winter-Ember, R., and J. Zweimüller. 1999. "Firm Size-Wage Differentials in Switzerland: Evidence from Job Changes," *American Economic Review*, vol. 89, no. 2, pp. 89-93.
57. Zbojnik, J., and D. Bernhardt. 2001. "Corporate Tournaments, Human Capital Acquisition, and the Firm Size-Wage Relation," *Review of Economic Studies*, vol. 68, no. 3, pp. 693-716.
58. Zenger, T.R. 1994. "Explaining Organizational Diseconomies of Scale in R&D: Agency Problems and the Allocation of Engineering Talent, Ideas, and Effort by Firm Size," *Management Science*, vol. 40, no. 6, pp. 708-29.

1/20/2013