

TN Small Business Jobs Opportunity Fund



ECONOMIC & FISCAL IMPACT

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Tennessee Small Business Jobs Opportunity Fund



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Executive Summary

As a Community Development Financial Institution (CDFI), Pathway Lending plays a critical role in business development and economic growth in the State of Tennessee. To evaluate the broader impact of its loans on the Tennessee economy, Pathway Lending commissioned the Business and Economic Research Center (BERC) at Middle Tennessee State University to conduct a comprehensive analysis focusing on the economic and

fiscal impacts of loans provided through the Tennessee Small Business Jobs Opportunity Fund (TNSBJOF).

To estimate the economic impact of TNSBJOF Loans, BERC calculated the five-year business survival rates for companies and the net direct job impact. Indicators reported in the study demonstrate that TNSBJOF loans have substantially impacted Tennessee's economy.

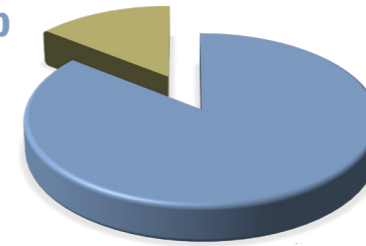
Key Highlights

- ▶ \$157.2 million was invested through TNSBJOF benefiting 228 companies.
- ▶ TNSBJOF loan companies have a 41.26% higher business survival rate at 5 years compared to the national and state levels.
- ▶ The TNSBJOF loan program created or retained an estimated 2,396 jobs.
- ▶ For every dollar of investment, \$2.75 of business revenue was created across Tennessee.
- ▶ The total business revenue generated by TNSBJOF loans is \$433 million.

Client Survey

To provide an enhanced picture of the clients benefiting from the TNSBJOF, BERC conducted a survey assessing the effects of the fund on business survival and expansion, as well as the impact the fund made on employee retention and growth. 192 companies were invited to participate, 21 surveys were completed at an 11% response rate. This survey gives a picture of the importance select companies place on the TNSBJOF loan.

Did the Pathway Lending loan help you **expand your business?**



86% yes
14% no



TN Small Business Jobs Opportunity Fund | Introduction

Pathway Lending's Tennessee Small Business Jobs Opportunity Fund (TNSBJOF), which launched in 2010, provides loans to businesses anywhere in Tennessee on a revolving basis. As a public-private partnership between Pathway Lending, the State of Tennessee, and private financial institutions, this fund brings together capital resources to maximize statewide

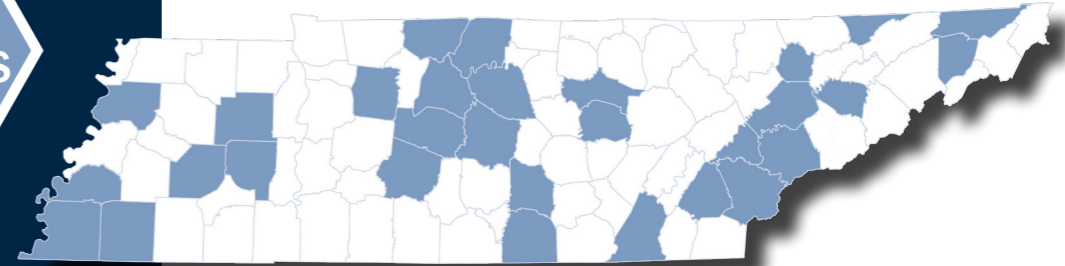
impacts for job creation and business expansion. The TNSBJOF reinforces Pathway Lending's impact by offering additional support to both existing and emerging small businesses, with a particular emphasis on entrepreneurs hailing from underserved communities.

TNSBJOF Loans



30 Counties

Recipients of the TNSBJOF are located in 30 counties across Tennessee.



\$36.9M

Loans to **women-owned businesses**

\$20.7M

Loans to **minority-owned businesses**



Company Profiles

TNSBJOF loans supported a higher percentage of **women-owned & minority-owned** businesses than the US or TN.

TNSBJOF



39%

88 Women-owned businesses
228 *Total businesses

TN



24%

18,258 Women-owned businesses
76,930 *Total businesses

US



26%

1,275,523 Women-owned businesses
4,871,179 *Total businesses

**Excluding equally men and women owned businesses*



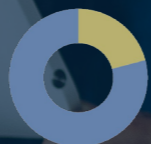
29%

67 Minority-owned businesses
228 Total businesses



12%

11,680 Minority-owned businesses
95,016 Total businesses



21%

1,230,751 Minority-owned businesses
5,893,425 Total businesses

Source: Census Bureau (2021: ECNSVY Annual Business Survey Company Summary), Pathway Lending Client Data and BERCCalculations

Start-Ups

47% of TNSBJOF clients **<5** years old at time of loan

20.2%

Low-Income-Owned Companies

34%
of TNSBJOF clients had a **Fair or Bad Credit Score**

61%
of TNSBJOF clients utilize **Developmental Services**

With a deliberate focus on historically underserved business owners, Pathway Lending remains dedicated to breaking down financial barriers for those often overlooked by traditional financing. The TNSBJOF empowers small business owners from diverse backgrounds in the pivotal early years of their businesses.

Pathway Lending also offers educational coaching and training to support clients' business development and longevity.

Job Impact of Loans

13.96%

Employment Growth

1,435
Net Direct Job Impact

Small Business SURVIVAL RATES 2000-2023

| | US ¹ | TN ² | TNSBJOF ³ |
|---------------|-----------------|-----------------|----------------------|
| 1 year | 78.6% | 91.7% | 98.8% |
| 3 year | 60% | 59.7% | 93.6% |
| 5 year | 49.4% | 49% | 90.3% |

**All business sizes included for US and Tennessee.*

Compared with the US and TN, the TNSBJOF companies have a favorable survival rate across several years. Our particular interest is the comparison of the 5-year survival rate between the TNSBJOF and TN companies. The percentage point difference for 5-year survival rates (41.26%) is used to calculate net direct job impact of TNSBJOF.

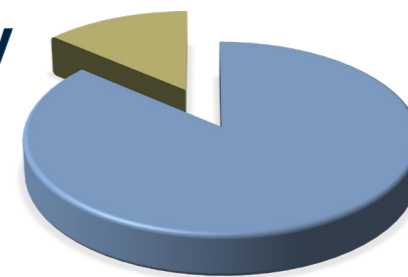
¹calculated from www.bls.gov

²TN Secretary of State Company Registry Database

³Pathway Lending

Please rate on a scale of 1-5 the following statement: **Pathway Lending financing helped me stay in business.**

1 = less likely, 5= most likely



No (1-3) 14%

Yes (4 or 5) 86%



Economic Impact

\$433 Million
Total Business Revenue Impact

\$142 Million
Total Wage & Salary Impact

2,396
Jobs
Created or Retained

The study found that the presence of the TNSBJOF loans has led to the creation of 2,396 jobs across Tennessee with a \$142 million wage and salary impact and a \$433 million impact on total business revenue statewide.

Fiscal Impact

\$49.4 Million
TOTAL FISCAL IMPACT

\$3.7M
Property
Tax

\$10.5M
Sales Tax

\$3.1M
Other Taxes
& Fees

\$32.1M
Federal
Taxes

The TNSBJOF generated a total of \$49.4 million in total fiscal impact across Tennessee. Of the total fiscal impact, \$10.5 million was in sales tax, \$3.7 million in property tax, \$3.1 million in other taxes and fees, and \$32.1 million in federal taxes.

For every
\$1M
of investment

15.2 Jobs created
or retained

\$110K State & local
taxes generated

Return on Investment

In total, \$157.2 million was invested in small businesses across Tennessee through the TNSBJOF loan program with a total business revenue of \$433.1 million. The resulting return on investment in job creation or retention and taxes generated provide a clear benefit to the economy.

Conclusion

TNSBJOF makes a difference in the survival of companies, especially beyond the 5-year mark. In addition to the providing crucial credit access to small businesses that otherwise have limited access to capital, Pathway Lending also supports its client businesses with loan education, coaching, and loan management training. Pathway Lending's educational and coaching

components may also be a factor in long-term survival rates. The TNSBJOF plays a critical role in building equitable access to capital and promoting sustainable business development in the state economy. Pathway Lending's investment in the TNSBJOF is yielding benefits for Tennessee's economy that far outweigh the costs.

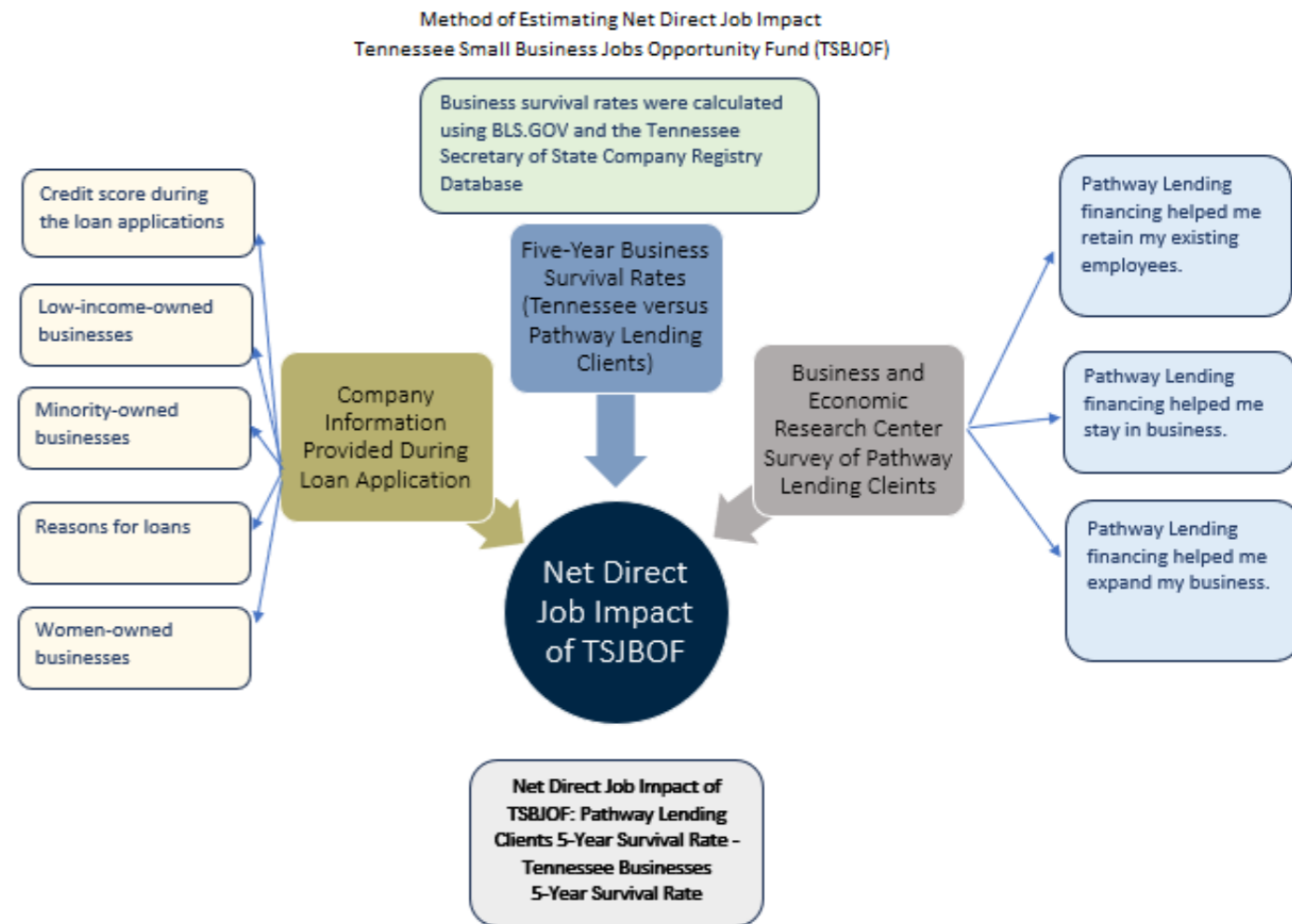
Methodology

To measure the economic and fiscal impact of Pathway Lending's TNSBJOF loans on the Tennessee economy, BEREC used the following major assumptions:

Study Region: The state of Tennessee is considered as the study region for this analysis.

Counterfactual Approach: This study counterfactually removed the net direct jobs associated with the sectors of Pathway Lending's client companies to determine the impact of the TNSBJOF loans on Tennessee's economy.

Survival Rates: BEREC calculated the 5-year survival rates for the Tennessee companies and Pathway Lending's TNSBJOF client companies. BEREC used the difference in 5-year survival rates to calculate the net direct job impact.



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