

INVESTING IN Rural Prosperity

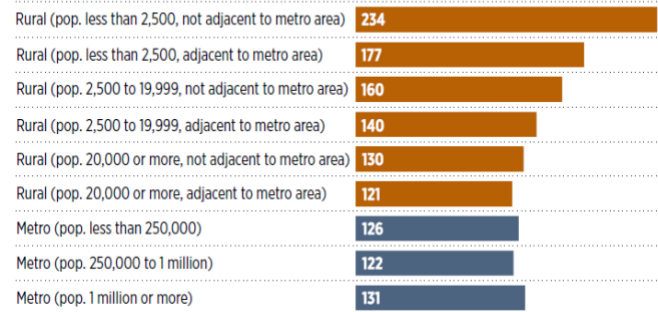
The Opportunity: Small Business and Entrepreneurship

Background

Small businesses and entrepreneurs have long been important to rural economies. In fact, the number of proprietors per 1,000 residents is highest in remote rural communities.¹ This is consistent with recent research that found counties with more historical experience as frontier communities have higher rates of new business starts.² However, consistent with trends in the broader economy, rural entrepreneurship has been declining in recent years, with more firms closing than opening in rural areas every year from 2008 to 2018. In fact, there were fewer rural firms active in the United States in 2018 than at any time since 1987.³ And yet, past trends need not dictate the future, and many rural communities are actively creating fertile conditions for new businesses to form.

Entrepreneurship per 1,000 Residents

Most people mistakenly believe that startups occur overwhelmingly in metropolitan areas. Yet it is in fact rural counties that have higher rates of self-employed business proprietors.



SOURCE: PBS NewsHour analysis of Bureau of Economic Analysis data

Examples of Local Efforts

In Ohio, the **Great Lakes Community Action Partnership** supports entrepreneurship through its Entrepreneurial Communities Initiative, which helps communities identify the resources available locally to support entrepreneurs, interview entrepreneurs to understand their needs and develop action plans, and also provides training on how to successfully create a supportive environment for entrepreneurs.⁴

In Maine, **Coastal Enterprises, Inc.** (CEI) operates the StartSmart program, which provides no-cost, confidential, and linguistically and culturally sensitive business advice to refugee or immigrant community members looking to start or expand businesses. CEI also supports the financing needs of local businesses, including with a Sharia-compliant financing product for Muslim entrepreneurs.⁵

In Mississippi, **Higher Purpose Co.** is supporting a community of Black entrepreneurs, artists and farmers through the Higher Purpose Funding Network, the Higher Purpose Business Fellowship and the Higher Purpose Institute for Black Entrepreneurship. Together, these programs seek to rethink capital and how Black entrepreneurs and small-business owners access it with the aim of building community wealth among Black Mississippians.⁶

Across the United States, the **Center on Rural Innovation** is helping local communities build digital economies that support tech jobs and entrepreneurship through its Rural Innovation Network. An example of a network member is Codefi in Cape Girardeau, Missouri, which operates the 1ST50K Startup Competition that draws applicants from around the world each year. Winners move to Cape Girardeau for at least a year, where Codefi and its partners work to help them launch and grow their companies.⁷

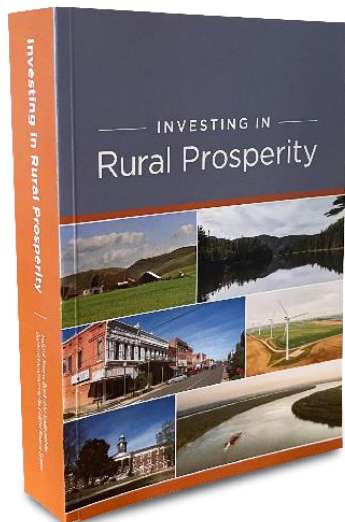
Keys to Success

- Collaborate across the government, private, nonprofit and philanthropic sectors to identify needs and coordinate available resources.⁸
- Encourage local leaders to make a deep, long-term commitment to support entrepreneurs and small businesses.⁹
- Create a tailored strategy dedicated to capitalizing on unique local assets and opportunities.¹⁰
- Invest in local entrepreneurship support capacity and regional relationships.¹¹
- Recognize diversity and inclusiveness as competitive advantages to be fostered and leveraged.¹²

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For More Information

- ¹ Ohle, Nathan; and Kapp, Joseph. “[Building Locally Rooted Wealth: Achieving Results by Leveraging Community Assets, Leadership Development and Collaboration.](#)” *Investing in Rural Prosperity*, Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve System, 2021, pp. 383-95.
- ² Barrios, John M.; Hochberg, Yael; and Macciocchi, Daniele. [Rugged Entrepreneurs: The Geographic and Cultural Contours of New Business Formation.](#) National Bureau of Economic Research, Working Paper 28606, March 2021.
- ³ Fikri, Kenan. “[Restoring Well-Being and Entrepreneurship in Rural America.](#)” *Investing in Rural Prosperity*, Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve System, 2021, pp. 93-105.
- ⁴ Martin, Deb. “[Fostering a Culture of Entrepreneurship and Innovation in Rural Communities.](#)” *Investing in Rural Prosperity*, Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve System, 2021, pp. 265-77.
- ⁵ Rogers, Elizabeth L.; Scribner, John; and Thibault, Leah B. “[Promoting Economic Inclusion in Maine: Systems Change in Rural Communities, One Business at a Time.](#)” *Investing in Rural Prosperity*, Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve System, 2021, pp. 293-302.
- ⁶ Lampkin, Tim. “[Elevating Black Business Ownership and Community Wealth in Mississippi.](#)” *Investing in Rural Prosperity*, Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve System, 2021, pp. 397-408.
- ⁷ Dunne, Matt. “[Small-Town Tech Towns: Where Scalable Entrepreneurship Is Propelling Rural Growth.](#)” *Investing in Rural Prosperity*, Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve System, 2021, pp. 317-32.
- ⁸ Dabson, Brian; and McFarland, Christiana K. “[Collaborative Rural Development and Regional Economic Connectivity.](#)” *Investing in Rural Prosperity*, Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve System, 2021, pp. 193-201.
- ⁹ Radley, Steve; and Macke, Don. “[Entrepreneurial Ecosystem-Building in Rural America.](#)” *Investing in Rural Prosperity*, Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve System, 2021, pp. 303-16.
- ¹⁰ Topolsky, Janet. “[Turning Points: Doing Rural Development Differently.](#)” *Investing in Rural Prosperity*, Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve System, 2021, pp. 153-67.
- ¹¹ Radley and Macke (2021); and Kackar, Sarah; and Harris, Susan Fitter. “[Building Local Capacity in Rural People, Places and Systems.](#)” *Investing in Rural Prosperity*, Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve System, 2021, pp. 461-74.
- ¹² Poyo, Noel Andrés. “[Inclusive Development: A Competitive Advantage for Rural Communities.](#)” *Investing in Rural Prosperity*, Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve System, 2021, pp. 181-91.



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