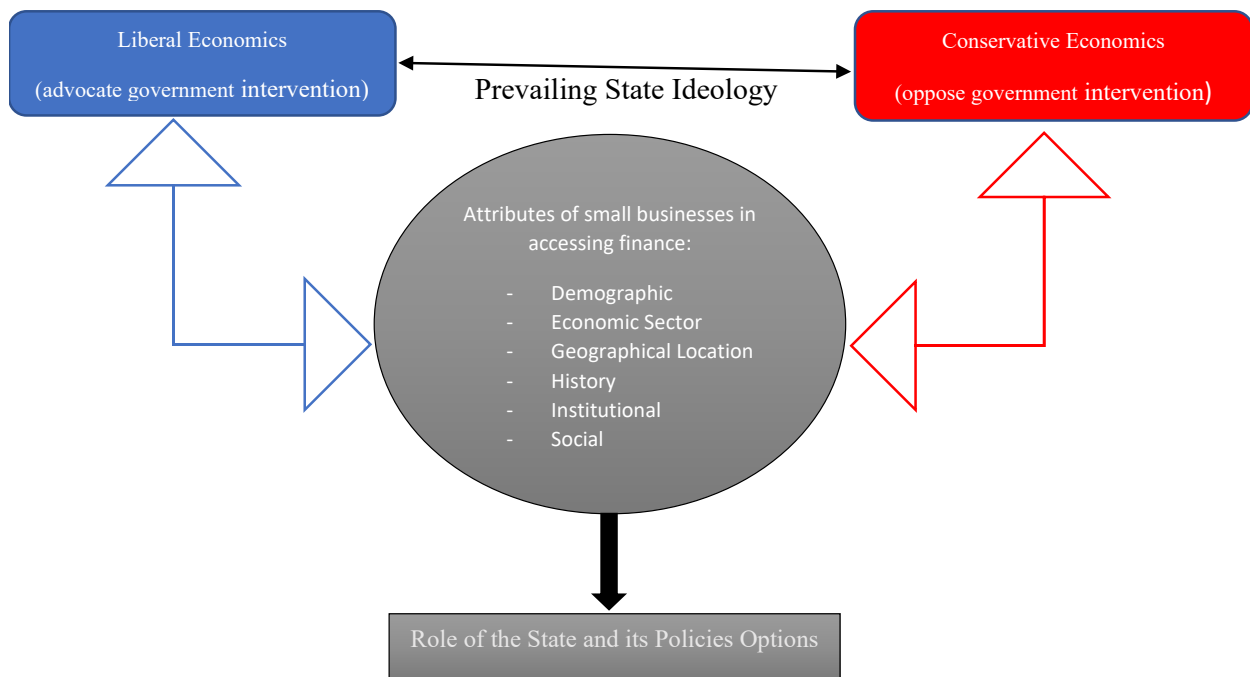


Government Policies on Small Business Financing & Economic Downturn

A conceptual model based on the debate between Keynes (1937) and Hayek (1944) on the role of the state in pulling the economic out of depression and economic downturns is developed to guide this discussion on small business financing. The tenets from the model are systematically researched for evidence-based recommendations that supports the tenet of the model. The ideologies that influence policy makers in decisions that affect small business owners, and factors inhibiting access to government funding are revealed in the tenets. Thus, the model provides tools for policy implementation and tools for stakeholders in ways to make effective and efficient policy and strategic decisions that support small businesses in growing and staying resilient during turbulence periods and beyond.

The conceptual model is depicted here and speaks to the prevailing and sometimes conflicting ideologies of many developed economic systems:



As depicted in the model, government policy decisions affect small businesses in their ability to access government funding regardless of the type of government; Liberal or Conservative. The difference lies in the degree of policy decision making that impact small business owners. Government policies may advocate for a high degree of government intervention especially during economic downturns or it may allow the dynamics of the market to dictate optimal levels of business operations.

The literature review that led to this blog looked at 20 studies that all similarly made the case for some level of government intervention especially during pandemics. Findings from the articles revealed similarities in many aspects even though they were not all set in the same demographic space and used somewhat different methodologies. Four of the articles presented a theoretical and, or, conceptual framework with schemes for government funding programs upon which future empirical studies can be based. Two of the articles were exploratory as they were intended merely to explore the research questions they posed and although they presented tools and strategies, they did not offer final and conclusive solutions to the existing problem (Saunders et al., 2012). Nine were designed using quantitative methods such as in a confirmatory or meta-analysis research. This kind of methodology tends to include formulations and or hypotheses which are posed and designed upfront and incorporated into developing research designs and methodological tools best suited to address the research question (Reiter, 2013, para 4). The remaining five articles were mainly qualitative and included surveys, interviews and narratives. They provided rich, contextual information and an epistemological perspective that provided a framework for predicting, describing, empowering, and deconstructing population-specific worldviews. These articles increase the base of knowledge that leads to enhanced understanding of the purpose behind qualitative research (Merriam, 2009).

The literature revealed that though most governments contend small businesses play an important role in the prosperity of its economic systems, small businesses are still plagued by problems of access to funds. For small businesses to continue to serve as the engine of economic growth, especially in creating jobs, and bringing about highly needed technological advancement and innovations during downturns they need the government's support. Small businesses create jobs, generate wealth, and foster economic growth (Blankson et al., 2017). When states make funding available to small businesses, special provisions are to be put in place to encourage them to access them. The literature indicates that small and medium businesses usually tend to external sources and indirect financing methods because of their lack of reputation in the conventional markets (Mishkin, 1995). Thus, they need state institutions that encourage flexible source of funding.

Conclusion

It is imperative that government institutions such as the Small Business Administration (SBA) in the U.S. encourage small businesses to apply for government relief funds by establishing and maintaining clarity and consistency of eligibility requirements. As evidenced by the conceptual framework developed for this review, demographic, economic, geographical, historical, institutional & social attributes of small businesses are important for the success of government funding programs. The role of the state in ensuring effective and responsive structures are in place to support small businesses through policy formulation, implementation and monitoring are needed. Individualistic approach that looks at collective sectors of small businesses in terms of the type of business, ownership, geographic, demographic and institutional makeup will be needed. A blanket scheme that does not consider these attributes may not reach the intended recipients and bound to offer very little help to small businesses.

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