



Rural Small Businesses: Facing Unique Challenges



10,000
small
businesses

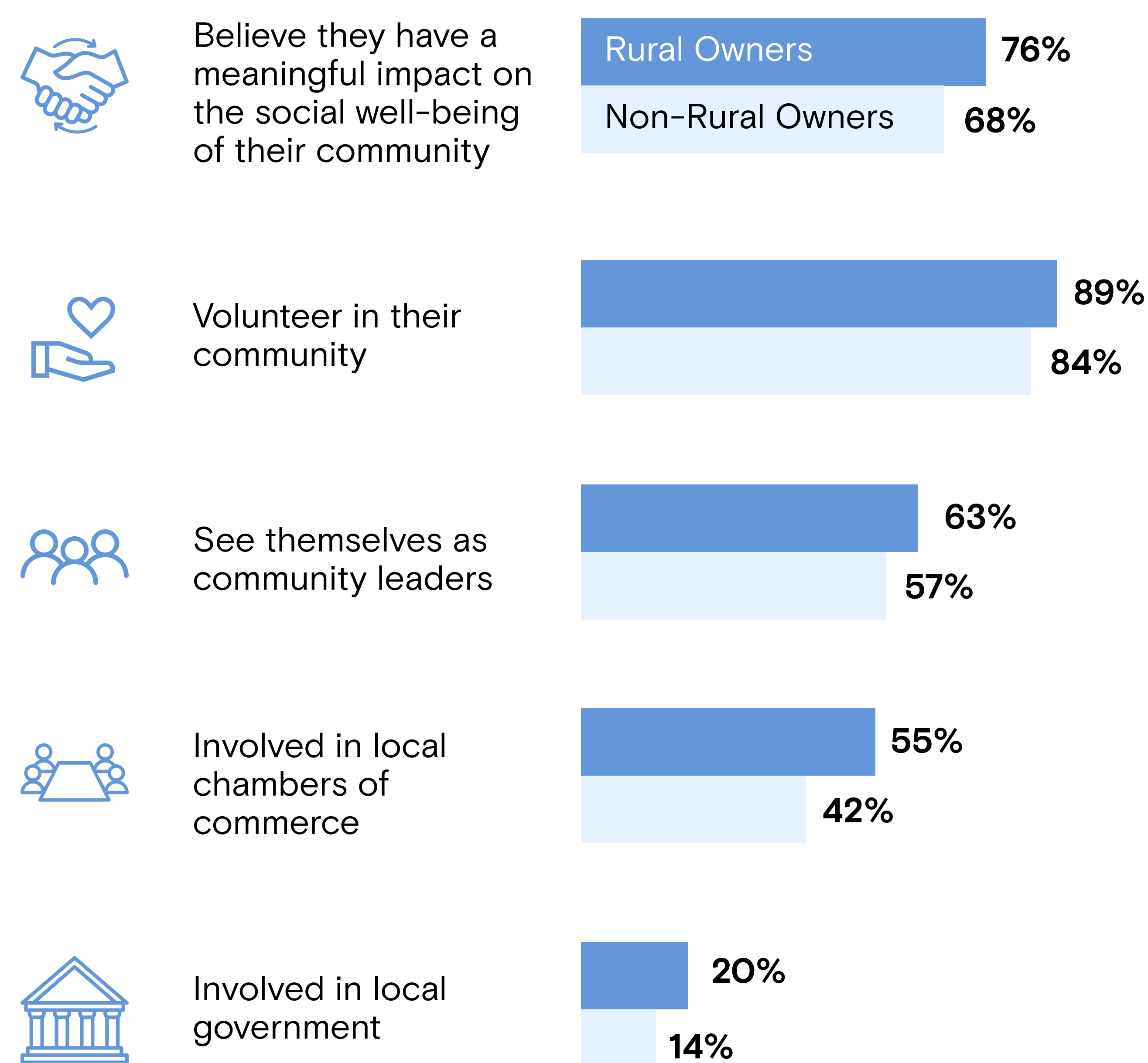
INTRODUCTION

Small businesses are the heart of rural communities across America. These businesses, often family-owned and deeply rooted in their local areas, are more than just economic engines; they are the social centers and bedrocks of their communities. Against this backdrop, rural small business owners face unique challenges – including in recruiting talent, accessing community necessities, and adapting to economic pressures and emerging technologies. A recent survey of over 2,200 Goldman Sachs *10,000 Small Businesses* graduates sheds light on the unique challenges and remarkable resilience of these small business owners, including rural enterprises.

Rural Small Businesses: Backbones of Their Communities

Rural small business owners are social and economic engines, volunteers, and leaders in their communities. According to the survey, 76% of them believe that their business has a meaningful impact on the social well-being of their community, and 73% believe that their business has a meaningful impact on their local economy. Rural small business owners are also more likely to volunteer and see themselves as leaders. Eighty-nine percent of rural small business owners volunteer and 63% see themselves as community leaders. They are also much more likely to be involved in their local chambers of commerce and local government than non-rural small business owners. It is against this backdrop, as some of the most trusted and engaged members of their local economies and communities, that they also express deep concerns in sustaining their success and achieving growth.

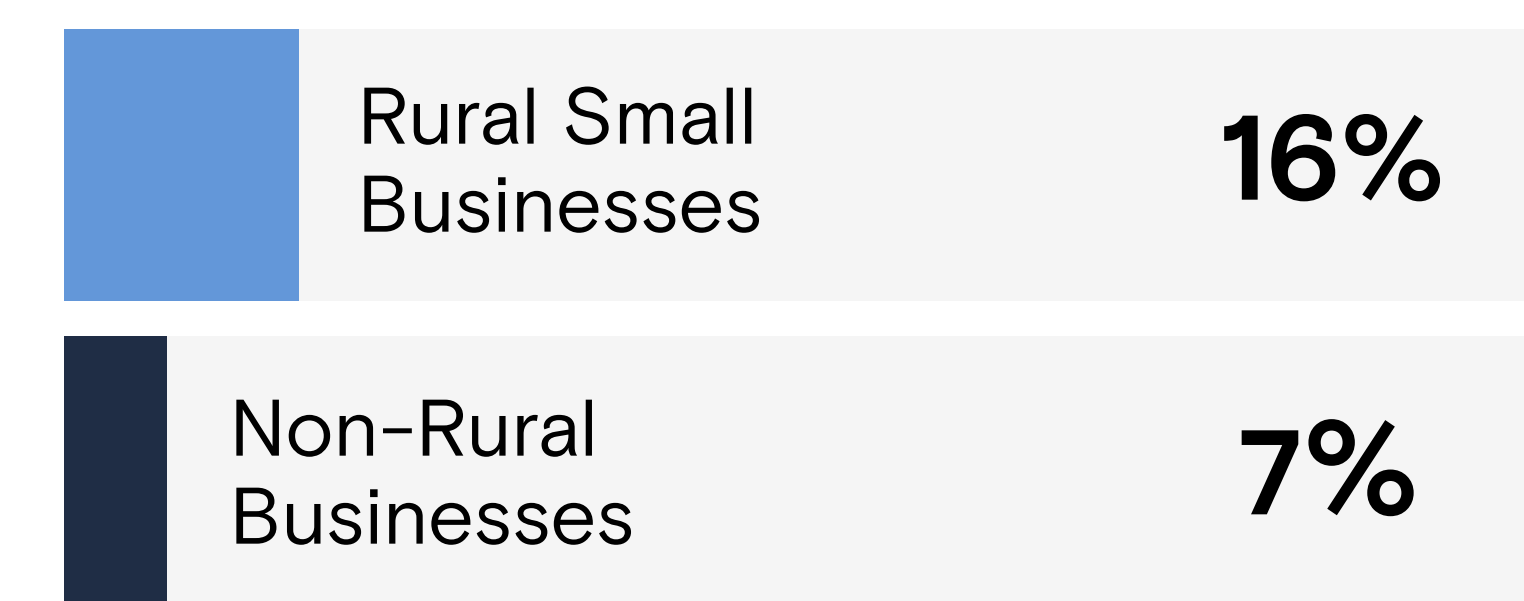
COMMUNITY IMPACT AT A GLANCE



Community Banks and Community: Financing Rural Small Business

This deep connection to community is embedded in rural small businesses from the start. Compared to their non-rural counterparts, rural small businesses are ~1.4x more likely to rely on friends and family and over twice as likely to rely on community banks to initially fund their businesses. Once they are up and running, they are also much more likely to rely on a community bank to grow — 63% of rural small businesses do, compared to just 49% of non-rural small businesses.

▶ Initially funded by community banks



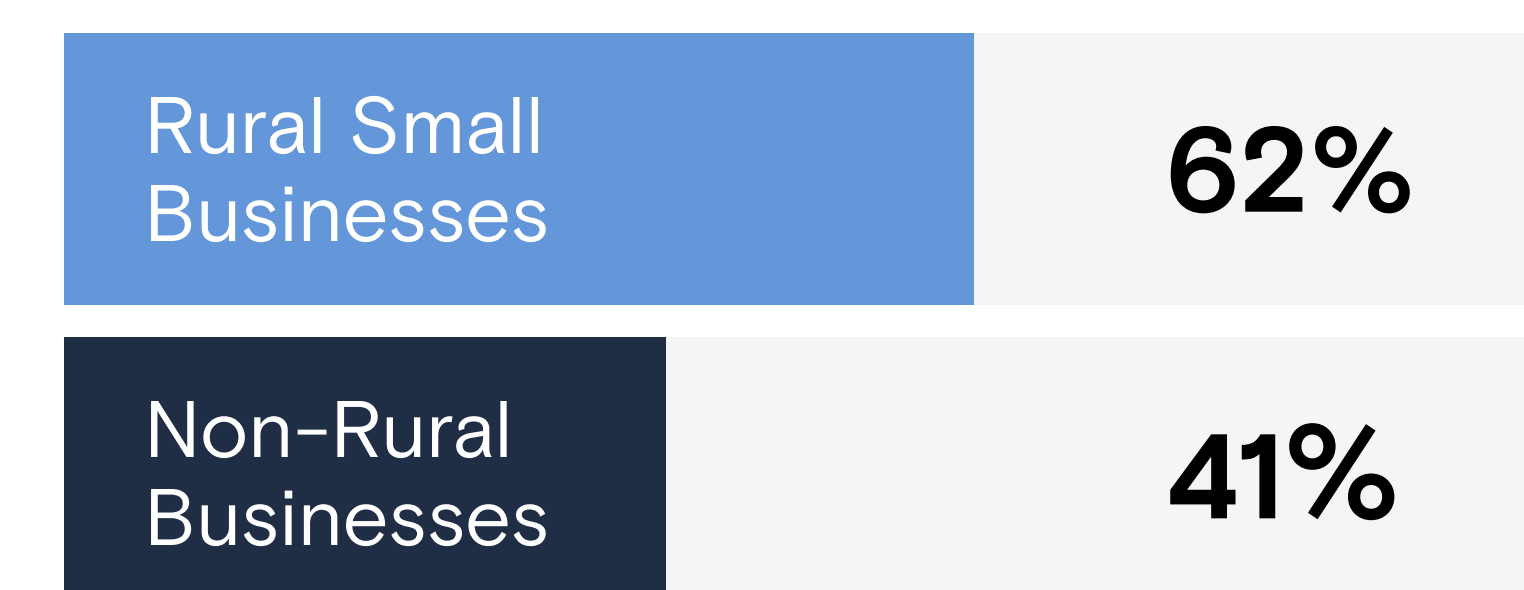
The Unique Challenges Facing Rural Small Businesses

Workforce: Hiring in Rural Communities is a Challenge Unlikely to Ease

Eighty percent of rural small businesses plan to grow — lower than the 88% of non-rural small businesses that plan to. This difference stems in part from difficulties rural small businesses face in adding employees. Among rural small business owners who do not plan to grow, difficulty in hiring people is the most cited reason. A key barrier is attracting workers to live and work in rural communities — 62% of rural small businesses say attracting workers to their community is a challenge. Rural small business owners point to a lack of affordable housing (76%), low wages (45%), a lack of high quality, affordable childcare (42%), and a lack of community amenities (39%) as the leading barriers to attracting employees to rural communities.

Compounding these difficulties, rural small business owners are also more likely to believe young talent will leave — 35% of them say it is unlikely that young talent will stay in their communities. And workforce training is a greater challenge in rural communities, with over half (55%) of rural respondents saying there is not enough available, compared to 46% of non-rural respondents.

▶ Face challenges attracting workers



▶ **35%**

of rural small businesses say it is **unlikely that young talent will stay** in their communities

The Economy: Rural Small Businesses Are More Pessimistic and Concerned About Inflation

Top Concerns for Rural Small Business Owners:

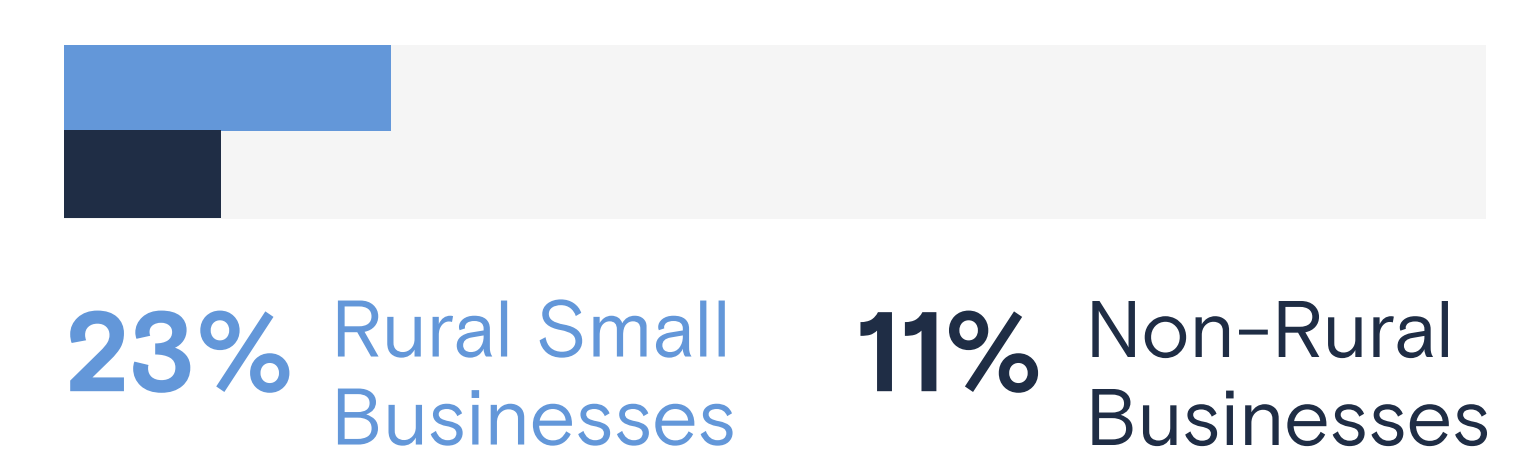
- ▶ Inflation
- ▶ Difficulty finding and retaining employees
- ▶ Access to affordable employee benefits

As they navigate these unique workforce challenges, rural small businesses are also significantly more pessimistic about the economy than their non-rural peers. One-third consider the economy poor or very poor, compared to only a quarter of non-rural businesses. Inflation is rural small business owners' top concern, with almost a third identifying it as the most pressing issue, just ahead of workforce challenges. Margins are increasingly tight, as 98% percent of rural businesses report that the cost of doing business has increased over the past five years, while only 36% have seen increased profitability.

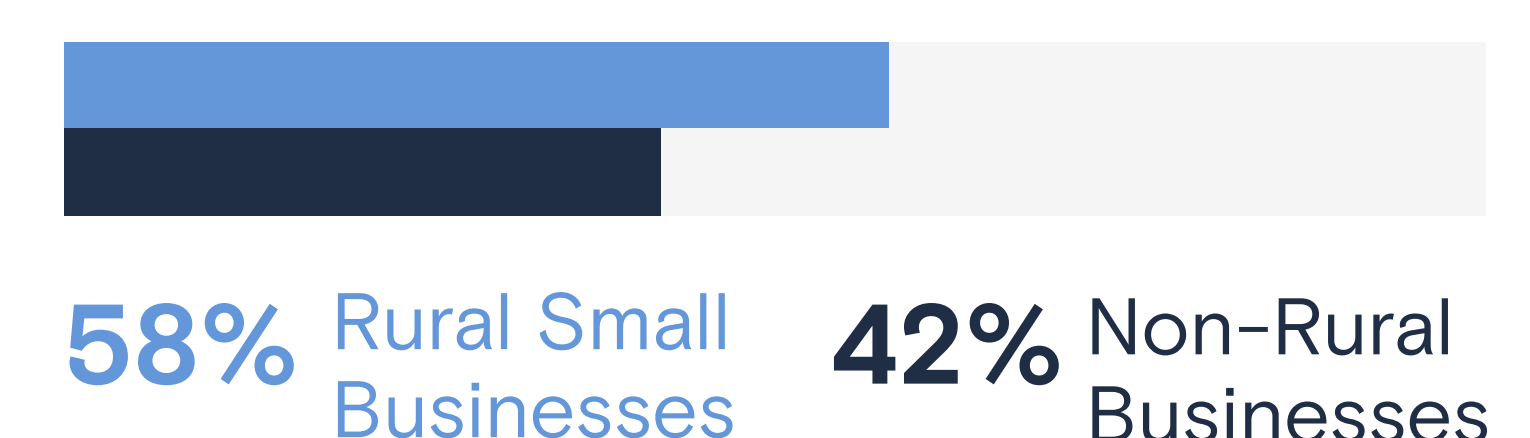
Rural Small Businesses Face Difficulty Accessing Basic Services

Rural small business owners also report greater difficulty in accessing basic community amenities and resources. Over 20% of rural small businesses report that they or their employees have to drive at least 15 miles for basic needs like affordable housing, medical care, and grocery stores. There are also stark contrasts in access to quality healthcare and childcare in rural communities. Rural small business owners are more than twice as likely to report a lack of high-quality healthcare than non-rural small business owners, and 58% of rural businesses report insufficient high-quality and affordable childcare programs where they live. The connection to workforce challenges is clear—nearly three-quarters (74%) of rural small businesses say this lack of childcare has a negative impact on employee recruitment and retention.

- ▶ Report a lack of high-quality healthcare



- ▶ Report insufficient high-quality & affordable childcare programs



AFFORDABLE HOUSING & CAPITAL

Regardless of where small business owners live or work, access to affordable housing and capital are top of mind.

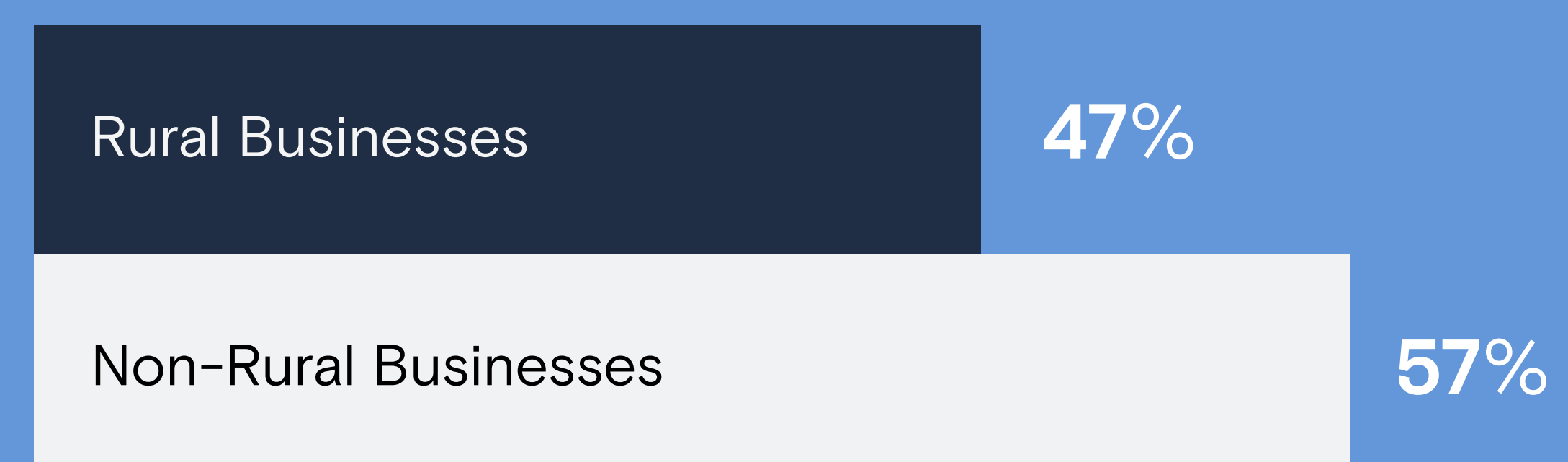
▶ **66%**
of all small business owners **believe there are not adequate affordable housing options** within their communities

▶ **72%**
of all small business owners **are concerned about accessing capital** for their businesses

ARTIFICIAL INTELLIGENCE

Rural small businesses appear to be falling behind in technology adoption, which may threaten their competitiveness down the line. Fewer than half (47%) of rural small businesses have begun to use AI tools, compared with 57% of their non-rural counterparts.

Using AI Tools



This compounds an already acute digital divide: rural small business owners are three times more likely to report that they lack affordable, reliable high-speed internet compared to non-rural ones (12% vs. 4%). But there has been progress since last year, when 19% of rural small businesses reported lacking access to affordable, reliable high-speed internet.

10,000 Small Businesses Is Investing in Rural Small Businesses

Despite the challenges, the rural alumni of Goldman Sachs 10,000 Small Businesses are **remarkably resilient**.

SINCE COMPLETING THE PROGRAM

- ▶ **60%**
report job growth
- ▶ **68%**
have increased revenue
- ▶ **87%**
are confident in their ability to execute their plans for growth
- ▶ **84%**
feel more resilient as a result of their participation in 10,000 Small Businesses
- ▶ **80%**
have plans to expand in their communities, primarily by reaching new customers and adding new products or services



Remarkably, the vast majority (68%) of rural small businesses say they would **turn to the 10,000 Small Businesses network** to improve their business skills, more than any other available resource, including the internet, individuals in their community, and local business associations.



Goldman Sachs 10,000 Small Businesses' \$100 million commitment to rural communities redoubles our efforts to help support these critical economic and social engines. With its focus on identifying opportunities for growth and accessing capital, the program provides rural small business owners with the skills and resources they need to grow and thrive. As alumni, they get access to over 15,500 like-minded business owners across the country, an especially valuable resource for rural entrepreneurs who have fewer peer small businesses in their area.

CONCLUSION

Rural small businesses are more than just economic entities; they are the heart and soul of their communities. They bring people together, support local economies, and foster a sense of belonging. Despite myriad challenges, from economic pressures to workforce shortages, their commitment to their communities and determination to grow is what keeps them going. With the right support and resources, these businesses can continue to thrive, ensuring that rural communities remain vibrant and resilient for generations to come.

Goldman Sachs *10,000 Small Businesses* can play an important role in strengthening rural small businesses and, in turn, their communities. By providing essential training, resources, and a supportive community, the program is helping empower rural business owners to overcome obstacles and achieve growth. The positive impact is clear: increased revenue, job creation, and a stronger sense of resilience among participants. As rural small businesses continue to navigate their unique challenges, the support and resources provided by programs like *10,000 Small Businesses* will be a key factor in helping them thrive and sustain their vital role in their communities.

Data drawn from a survey of 2,238 small business owners who participated in Goldman Sachs 10,000 Small Businesses program. 1,918 are categorized as non-rural and 320 as rural based on responses to the survey. All percentages rounded to the nearest percent.