

Strategies to Obtain Working Capital for Small Businesses: A Qualitative Multiple Case Study

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Abstract

Small business owners who cannot access working capital risk business survival through liquidity shortages, lost customers, and falling profitability. The purpose of this qualitative multiple case study grounded in the pecking order theory was to explore the strategies employed by small business owners to obtain working capital for business continuity beyond 5 years. The participants included 8 small business owners in Maryland with successful strategies to obtain working capital for business continuity beyond 5 years. Data were collected through semistructured 1-on-1 interviews. Thematic analysis followed Yin's (2017) 5-phase process of compiling, disassembling, reassembling, interpreting, and concluding. Five key themes emerged: (a) financing through retained earnings, (b) financing through nontraditional lending sources, (c) limited access to external funding in the early years, (d) reliance on external financing during later and critical business stages, and (e) minimizing operational costs and expenses. A key recommendation is that entrepreneurs use internal financing as much as possible to sustain operations, minimizing the need for external funds. One implication of these findings includes the potential for small business owners to sustain operations for more than 5 years, thereby providing jobs and generating tax revenue for citizens and communities.

Introduction/Background

Small and medium enterprises (SMEs) are critical to developed and developing U.S. and global economies. In 2020, SMEs employed 50 million individuals, constituting 45.9% of the private workforce (U.S. Small Business Administration Office of Advocacy, 2024). Globally, 90% of businesses are SMEs, comprising more than 50% of jobs worldwide (World Bank, 2022). SMEs contribute to international trade by positively influencing exports. In 2018, 97.5% of total U.S. exports were from SMEs, generating 32% of export earnings (United States Census Bureau, 2021). Despite their contributions to the economy, SMEs face challenges in accessing financing, which is the primary constraint to growth. Facilitating access to capital requires informing entrepreneurs, organizations, scholars, and policymakers on strategies that facilitate fund acquisition. This study provides insight into how SMEs can access funding.

Poor management skills, financial literacy, and an inability to access finances are the main reasons for business failure (Kindström et al., 2024). SMEs play a critical role in Maryland's economy by creating employment, promoting innovation, and expanding the tax base. In 2024, more than 1.2 million people worked for Maryland SMEs, comprising 48.6% of the private workforce (U.S. SBA Office of Advocacy, 2024). In Maryland, 19,266 small businesses opened and 15,192 closed between March 2022–2023. Access to financial resources is essential for operating expenses, debt, inventory, and business growth. Many business leaders attribute business failures to external factors, although internal management capabilities and approaches significantly impact business sustainability (Lattacher & Wdowiak, 2020).

SMEs encounter challenges obtaining working capital (U.S. Federal Reserve Bank, 2017). Insufficient access to funds, including lines of credit, leads to the failure of 29% of small businesses within the first 5 years of operation (Shabat, 2019). The general business problem is that some small business owners cannot access capital, threatening business survival through liquidity shortages, lost customers, and falling profitability. The business problem for this research is that some small business owners lack strategies to obtain working capital for business continuity beyond 5 years.

Literature Review

Scholars have looked beyond bank financing to uncover other ways for small business owners to sustain operations beyond 5 years. In Brooks's (2019) study, three small business owners participated in face-to-face, semistructured interviews to discuss strategies they used for business continuity. Data analysis found five themes: sufficient startup funding, access to private lenders, and business owners' motivation and awareness.

Small Business Funding

Small businesses, defined as commercial entities with fewer than 500 employees (U.S. SBA Office of Advocacy, 2020), play an essential role in economic growth through employment and trade (Ahmad et al., 2020; Malesios et al., 2021). Despite their economic contributions, SMEs face challenges in accessing financing, which is the primary constraint to their growth (World Bank, 2022). To grow faster than their sustainable growth rate, company leaders must have access to capital to fund working capital, increase inventories and employees, and purchase property, plant, and equipment. Challenges in accessing funding increase the risk of insolvency

and the loss of competitive advantage (Kalemlı-Ozcan et al., 2020). SMEs are disadvantaged in accessing finance compared to large organizations due to limited credit history, incomplete record-keeping, insufficient collateral, and a lack of business planning expertise (Brown et al., 2022; Huang et al., 2020; Roy & Shaw, 2021). Inadequate working capital could contribute to the failure of small business startups, as owners require funds during the initial years of operation to pay creditors, taxes, wages, and overhead costs (Mazzarol & Reboud, 2020).

Small businesses contribute to Maryland's economy by creating employment, promoting innovation, and expanding the tax base. According to the U.S. Small Business Association Office of Advocacy (2020), Maryland small businesses employed more than 1.2 million people in 2017. Small business insolvency in Maryland remains high, with over 3,911 small businesses exiting in 2019, resulting in 14,033 jobs lost. In response, government and private organizations have united to provide loans to small businesses in Maryland. The Small Business Development Financing Authority offers a range of funding programs to small businesses that do not meet the established requirements for commercial loans (Maryland Department of Commerce, 2021).

Some U.S. states, including Maryland, have implemented grants and programs for small business support and success. Access to financing remains challenging, and borrowers may become discouraged. Access to credit or other sources of financing is necessary for the success, growth, and economic sustainability of small businesses (Włodarczyk et al., 2018). Commerce incentive funds are a means to help business leaders create jobs, support the local economy, help disadvantaged small businesses, and promote startup businesses (Maryland Department of Commerce, 2021). In 2016, Maryland's incentive-based loans exceeded \$90 million.

Government agencies, such as the U.S. Small Business Association, provide loan guarantees to small businesses and encourage local banks to work with startups or established companies wanting to expand. The U.S. Small Business Association's microloan program provides loans of up to \$50,000 to small businesses. Microloan program loans have considerably lower interest rates than loans from other lending institutions, but there are restrictions. State and federal governments have implemented funding options for small businesses, including credit access, favorable banking regulations, debt and equity financing, and microfinancing.

Small business owners' strategies to acquire working capital are a common topic of scholarly inquiry (Ahmed, 2019; Durst & Gerstlberger, 2020; Smith, 2018; Wani, 2018). Durst and Gerstlberger (2020) explored support programs by governments worldwide to facilitate small business enterprises' access to capital. The researchers found significant regional differences in approaches to financing small business enterprises. Domestic banks are the leading financing providers in Canada, and U.S. government legislators have extensively used loans, equity financing, and surety bonds to promote small business owners' access to financing. Durst and Gerstlberger concluded that government policies play a critical role in small business owners' acquisition of a line of credit.

Pecking Order Theory

Pecking order theory addresses corporate finance by providing a model for the cost of financing as theoretically asymmetric (Myers & Majluf, 1984). The model suggests that business owners acquire financing from three primary sources: retained earnings, debt, and new equity. Retained earnings are the cheapest and preferred funding source, followed by debt and equity. The pecking order theory is particularly applicable to SMEs, as shown in studies of micro, small, and medium enterprises (Mittal & Raman, 2020; Rao et al., 2019). Smith (2018) used the

pecking order theory to investigate the strategies used by small business owners in the Southeast United States to secure working capital for continued operations. A review of company documents and semistructured interviews with six business owners showed that participants were more likely to have used personal funds, customer revenue streams, bootstrapping, and personal credit to initially fund their business.

COVID-19

Although the long-term impact of the COVID-19 global pandemic on small businesses is unknown, early responses were alternately encouraging and disheartening (DePietro, 2020; Dunkelberg, 2020). Positive outcomes have included low-interest or interest-free lines of credit, higher lines of credit, waived late fees, and deferred payments. COVID-19 increased the need for small business credit, as indicated by the demand for government-provided financial assistance. U.S. legislators introduced financial aid through small business loans to pay employees' salaries while businesses were not operating, with many loans forgivable.

Although small businesses often fare better during economic difficulty and uncertainty (Harel, 2021), the COVID-19 pandemic was an unprecedented economic catastrophe. SMEs are typically more credit-constrained than larger operations (Cao & Leung, 2020; Kumar & Francisco, 2005). Industry-sector small businesses often operate in niche and particular markets (Wong & Aspinwall, 2004). In the United States, most organizations are small businesses responsible for a substantial share of employment (Humphries et al., 2020). Small businesses in Maryland facing continued COVID-19 financial impacts were eligible for support from the Maryland government through the 2021 COVID-19 RELIEF Grant Program, which delivered \$10 million in funding. The grant provided working capital to assist qualifying Maryland small businesses with disrupted operations due to COVID-19.

The COVID-19 pandemic introduced more significant challenges in accessing capital due to national and international economic difficulties (Shafi et al., 2020), as the inability to access funding increased the risk of insolvency and the loss of competitive advantages (Kalemli-Ozcan et al., 2020). The Maryland Small Business COVID-19 RELIEF Grant Program helped during the 2020–2021 fiscal year when the state's small businesses faced continued financial impacts from the pandemic. In 2020, state leaders established the program through bipartisan legislation, offering no- and low-cost 5-year term loans ranging from \$25,000 to \$200,000 (Maryland Department of Commerce, 2021). Grant funding allowed qualifying Maryland small business owners to obtain working capital and offset disrupted operations due to COVID-19.

Methods

This qualitative descriptive multiple case study explored small business owners' strategies to obtain working capital for business continuity beyond 5 years. The population of the study was business owners of small manufacturing and wholesale businesses in Maryland with 500 or fewer employees. The sample comprised eight small business owners. Eligible participants (a) owned a small manufacturing and wholesale business in Maryland for at least 5 years, (b) employed 500 or fewer people, and (c) used successful strategies to obtain working capital for business continuity. Participants engaged in one-on-one semistructured interviews via Zoom. To ensure confidentiality, I used alphanumeric codes instead of names (e.g., P1, P2, P3

...). Because I did not acquire the participants' financial data, I searched publicly available documents to support this study. I located three pertinent documents on the U.S. Small Business Association website: financial statements, investment performance, and financial portfolios. I used NVivo 14 qualitative coding software to identify similar words and phrases and manually reviewed the data for redundancy, accuracy, and theme identification. In line with a multiple case study design, the thematic data analysis approach provided an enhanced understanding of the phenomenon and the participants' experiences.

Results and Discussion

Five major themes emerged from coding: (a) financing through retained earnings, (b) financing through nontraditional lending sources, (c) external funding not readily accessible in earlier years, (d) external financing used at later and critical stages of business, and (e) minimizing business operational costs and expenses (see Table 1). The themes are discussed in the following subsections.

Table 1
Main Themes and Frequencies

| Themes | <i>n</i> participants referencing the theme | <i>n</i> times referenced |
|---|--|------------------------------|
| 1. Financing through retained earnings | 8 | 8 |
| 2. Financing through nontraditional lending sources | 7 | 19 |
| 3. External funding not readily accessible in earlier years | 7 | 16 |
| 4. External financing used at later and critical stages of business | 6 | 21 |
| 5. Minimizing business operational costs and expenses | 4 | 13 |

Theme 1: Financing Through Retained Earnings

The small business owners interviewed in this study identified retained earnings as the most common financing approach. Most participants used this option to sustain operations and borrow as little as possible, especially in the first 5 years. P2 and P4 reported using 90% internal financing to incur minimal debt. P2 said, "*It makes the most sense to use business profits first. External financing is the last resort.*" P4 reported, "*By using retained earnings, I avoided paying unnecessary interest charges.*" With low or zero interest, internal funding has less risk and cost than other financing sources. P3 said, "*Each of these funding sources has associated costs, one more than the other. So, what I try to do is first utilize the cheapest one, of course. The cheapest one is my capital, so we use that first.*" Most participants preferred using business earnings (Theme 1) and personal financing (Theme 2 subtheme), with two drawing almost exclusively from company funds.

Theme 2: Financing Through Nontraditional Lending Sources

The participants employed less traditional efforts to minimize debt in their financing choice. Personal resources were common funding sources. P8 stated,

The first 5 years was personal funding, mainly personal funding. We didn't refinance our house like some entrepreneurs do. We chose not to do that. We used personal savings, withdrew from our 401(k), and [drew from] any other funds we could get.

P1 used self-funding to raise capital and sustain operations. In some instances, the participants preferred personal borrowing due to their inability to raise funds from other sources. P2 mentioned applying for a loan, receiving a rejection, and turning to her family to help sustain her business. Across the participants, nontraditional financing sources included personal funds ($n = 8$), personal borrowing ($n = 5$), family and spousal savings ($n = 4$), and franchising and payment plans ($n = 4$).

Subtheme 1: Personal Funds

All participants reported accessing personal funds or savings to finance business operations, which they identified as an easy internal funding strategy. The business owners discussed using their investments, savings, and salaries from the company and other jobs. P4 responded, *"It was mostly savings. I utilized my saved funds."* Some participants had side jobs and external salaries in their businesses' early stages. P1 stated, *"Most of our capital has been self-funded."*

Subtheme 2: Personal Borrowing

Five of the eight participants reported using financing options that required personal borrowing, such as retirement plan withdrawals, credit cards, and home equity loans. P1 reported using retirement funds to maintain business continuity. The participant said, *"When I have [a] need to fund anything, I take out money from my IRA and my 401(k) accounts."*

Some participants relied on credit or home equity for business funding. In some situations, the business owners obtained money from their or their family members' credit limits and credit cards. P2 said, *"When I have required short-term funds, I have to use my son's credit to access funding."* P3 recalled, *"We didn't borrow much. It was just personal savings, taking money out from our 401(k) accounts, using simple stuff like credit cards to purchase items ... required to operate the business."* P3 reported using his home's equity to finance his business.

Subtheme 3: Family–Spousal Savings

Four participants mentioned using family or spousal savings to fund their businesses in the early stages. In some cases, personal funds were necessary due to the inability to obtain external financing. P2 said, *"I actually tried to get a loan, but I didn't succeed. So, in my first year or so, I relied on family money."* Other participants reported using personal money to start

the business. P6 stated, *“We commenced operations in 2013 utilizing initial equity from family. So about 40% of startup capital was from family funds.”*

Subtheme 4: Franchising and Payment Plans

Four participants used franchising, and payment plans for continued operations. P1 and P6 developed payment plans with other companies to purchase high-value equipment. P6 explained, *“Our suppliers allowed us to spread out repayment over a period of time to avoid having to apply for bank loans.”* P1 reported, *“Spreading out payments allowed me to use internally generated cash flow. ... It’s only when we need to make a capital purchase that we seek external funding sources.”*

Theme 3: External Funding Not Readily Accessible in Earlier Years

The third theme from the interview data was that external funding was not readily accessible in the early years of the business. The small business owners found accessing loans and external funds challenging and sometimes impossible. Some participants were uninterested and skeptical of loans; others tried to obtain loans but could not. P2 stated, *“I actually tried to get a loan but was unsuccessful. So, I mostly used family money during my first year of operations.”* P2 shared a letter from a bank detailing a lack of credit history as the primary reason for denial. The participants interested in Small Business Association (SBA) loans said the application questions were cumbersome, and they could not handle the process at the time. Bank rates for new businesses were also unfavorable, which dissuaded participants from accessing the funds.

The owners found that the likelihood of obtaining favorable interest rates increased with the business’s years of existence. Only two participants had obtained bank loans within the first 5 years of operation. P6 stated, *“Following the first few years of operations, it became easier to access bank loans with more favorable interest rates, terms, and conditions.”* P7 said, *“After the first 3 years, I was able to get a loan from the bank. Though it was not much ... it helped me with my business.”*

Theme 4: External Financing Used at Later and Critical Stages of Business

Most small business owners reported using external financing after the first five years of operation. Theme 4 had four subthemes: external financing is often used at critical business stages ($n = 6$), careful consideration of external debt before use ($n = 5$), use of new equity ($n = 5$), and other sources of external financing ($n = 2$).

Subtheme 1: External Financing Often Used at Critical Stages of Business

In addition to using external funding in later years, the small business owners also reported pursuing outside funds to survive difficult times. P3 said, *“At a time when we had nowhere to turn or had no hope of survival, external funding really helped us sustain our operations and keep our doors open for business. External funding may sometimes be expensive, but that is the cost of keeping the business open.”*

The participants considered external financing options when their businesses did not generate sufficient revenue for profitable operations. When P5’s business had a positive cash

flow, she used the profits earned for operation. However, the COVID-19 pandemic had reduced the business's profitability, and she planned to take out a loan.

Subtheme 2: Careful Consideration of External Debt Before Use

The participants reported exhausting their internal funds before examining external financing options. Most small business owners in this study felt that although external financing could benefit the business, its pursuit required careful and thoughtful consideration. When external funding was necessary, the least expensive source was preferable. P2 stated,

I utilize external debt according to the associated cost of the funds. I utilize the loans with lower associated costs before the ones that have higher costs. However, I try not to draw down on the loans I consider to be expensive.

P4 and P7 considered all available sources' interest rates before choosing. P7 had access to bank loans, SBA loans, and credit with varying interest rates. The participant explained, "*I first consider what kind of operations I need the funds for. If it's a long-term opportunity, I go with the lowest interest rate for. If it's a short-term business opportunity, I'll take what I can get.*" P4 said that loan providers' interest rates must be reasonable for her to take a loan. Low interest rates and extended repayment periods emerged as preferences for securing external funding sources. Even with an extended repayment plan, P7 said, "*It's always better to pay the loan off within a year.*"

Loan terms were additional considerations. P7 stated,

It is important to note the terms and conditions written in loan documents, and a borrower needs to be very careful, as there are lots of details in the fine print. Not paying attention to these terms and conditions can be very costly if issues arise in the future.

Participants suggested obtaining external funding to improve and expand the business, not to operate the business or pay bills. P5 stated, "*We've used loans to fund improvements in our business but not [to] finance regular business operations.*" Although expansion may be beneficial, most participants recommended avoiding incurring significant debt to the business's detriment. P7 found that "*taking on loans and debt when you're trying to expand could end up hurting your business, especially if you use company income to pay back the debt.*" P2 "*avoid[ed] outside loans or credit as much as possible.*"

P6 and P7 reported acquiring loans to support their businesses during the first 5 years of operations. Both participants noted the positive impact on their businesses and their ability to repay the loans. P6 stated, "*To fund our business, we've maintained a 60/40 split between bank debt and internal cash. ... The equipment was expensive, and we didn't have enough internally generated cash to buy it.*" P7 reported receiving loan approval after 3 years of maintaining business records. P7 said, "*The only problem with bank loans is when a business owner cannot repay the funds.*"

Subtheme 3: Use of New Equity

Raising new equity was unattractive to most small business owners in the early stages. One participant had used new equity as a source of funding. Although equity providers had approached two participants, they were skeptical. P1, a clinical services provider, believed the private equity company would be too profit-focused, affecting the quality of his business's services and goodwill to clients. The participant said,

We are currently negotiating [a] potential equity investment from a company now, but I am not sure we will accept their investment offer. This is because we have concerns as to the quality of care that will be provided by these investors should they assume ownership of the company.

P3 used new equity to sustain the business at a difficult time, staying open because of the new equity plan. P3 stated,

New investors have really helped the business, especially in difficult times. Even though their support tends to be expensive, they keep the business open. Had it not been for new equity and debt, the business would have been closed due to a lack of inventory. The only asset the company would then have is the building, and that would have gone into foreclosure without any earnings.

Five participants discussed the option of private equity, and most reported choosing not to engage with a private equity firm. P4 said, "Early on, when I realized I needed more than my original investment to keep the business going, I looked into hiring a private equity firm. I wasn't willing to give up a share in my company's success." P5 stated, "If there are going to be stakeholders in the business, I'm going to decide who they are." P8 expressed similar sentiments, saying, "I'd rather let my Uncle Bob invest and get a portion of the profits than hire a private equity firm. And I don't like my Uncle Bob very much."

Subtheme 4: Other Sources of External Financing

Additional external financing sources included third-party debt funding, SBA loans, government grants, and moneylenders. Few participants had access to or used external funding sources. P7 could access and preferred to use multiple external funds as he did not want to "put all his eggs in one basket." He reported engaging with different financial institutions to "spread things around" and sustain his business. P7 shared two loan approval documents and pointed out the differences in some terms and conditions.

Two participants reported accessing SBA loans. P7 stated, "I have found the SBA loan quite beneficial to keeping my business on track. The terms can't be beat." P8 said,

When it came time to secure more money to grow my business, I researched all sorts of external options: bank loans, private lenders, and SBA loans. SBA was the best option, hands down. They had the lowest interest rates without requiring property as collateral. The SBA provides subsidized loans with favorable terms to help small businesses grow.

Unlike loan officers at the big banks who would not lend to P7, the SBA provided loans that allowed him to run his business. He said, "The best thing for any small business is to engage

with the SBA to access subsidized loans. I don't know what is happening in America regarding loans, but SBA is still the best source for loans."

Two small business owners reported different means of acquiring external funds. P1 had received a government grant to provide services to the local county jail. P3 was the only small business owner to report borrowing from a moneylender, obtaining a lower interest rate than the banks but with a shorter repayment period.

Theme 5: Minimizing Business Operational Costs and Expenses

The final theme was managing the business to reduce operational costs. As shown in prior themes, internal funding was the most frequently used source, and external financing was not readily accessible in the first 5 years of business operations. Because they did not have access to bank loans in the first 5 years of business operations, five of the eight participants used the financial strategy of operating and managing their businesses to minimize expenditures. Three subthemes emerged: minimizing business expenses ($n = 4$), not paying self ($n = 3$), and leveraging relationships ($n = 2$).

Four small business owners discussed minimizing expenses by reducing the number of employees, overworking, and taking on multiple roles to reduce payroll costs. P1 explained,

Business owners use various strategies to minimize their business expenses. So, the main thing for us is to ensure we didn't accumulate so much debt that would now begin to threaten our survival. To achieve this, we kept our operational expenses to a minimum.

P2 reported working overtime as the office manager, instructor, and coordinator. P2 remarked, *"I didn't even feel the pain of working long hours. I'll be in the office [from] about 7 in the morning until 11:30 p.m. I did that consistently throughout the year. I just spent my sweat and blood."* The participant was also conservative with her office space requirements. She explained, *"I don't need to impress anybody. I just need to meet the customer's needs."* P8 reported leasing all office equipment *"minus my Lexmark printer and Brother fax machine to minimize costs and manage cash flow."* Among the approaches the participants reported taking to keep their business expenses at a minimum, the most common was working extra hours.

Subtheme 2: Not Paying Self

The participants minimized operational costs by reinvesting their earnings in the business. P1, P2, and P8 did not pay themselves in the early years of business operations. P8 said, *"I did not pay myself at some points and took pay cuts at other times."* P1 remarked, *"We still use a lot of sweat equity. I have other sources of income, so I don't always earn a salary."* Three of this study's participants worked without pay for a time to ensure business continuity.

Subtheme 3: Leveraging Relationships

Other strategies included leveraging relationships and sharing office space. P2 explained, *"My friend allocates me a space within her office, and I pay her ... monthly without the burden of a lease. Also, I am surrounded by the right people."* P1 reported sharing office space with other physicians when starting his business to minimize costs. As the company progressed, he began to

expand. These two participants benefited from professional and personal relationships. Shared office space reduced their operational costs, enabling them to sustain operations.

Implications

The findings from this study may provide information for potential entrepreneurs to start sustainable small businesses and maintain operations for over 5 years. The lack of strategies to obtain working capital hinders the sustainability of some small businesses. SME owners face several constraints, including limited finances and low entrepreneurial knowledge (Nkwabi & Mboya, 2019). Unfortunately, external financing is not always readily accessible in the first 5 years of business operations. Given the high failure rate of small businesses and the associated level of risk, bank lenders have had to reallocate credit from riskier markets to safer ones (Cortés et al., 2020). This shift has led to decreased external debt available to small business owners and their subsequent preference for internal funding. Thus, careful consideration is urged when considering external funding sources.

As the pecking order theory suggests, small business owners typically use internally generated money or personal savings before seeking external debt or new equity (Myers & Majluf, 1984). Most of this study's participants' funding choices aligned with the pecking order theory. Entrepreneurs seeking to start a small business may devise helpful capital-sourcing strategies from this study's findings and business leaders may use this information to prepare themselves for the funding challenges ahead of them. One additional implication is that with the proper funding, small businesses that are successful and can sustain operations for more than 5 years provide tax revenue to citizens and communities. Small business sustainability has a significant social impact on the local economy and citizens' livelihoods.

Limitations

Qualitative findings are specific to the individuals studied and not transferable to other populations, settings, or phenomena. Using a qualitative thematic data analysis was a limitation because reliability and validity depend on the researcher's determination of relevant themes and data saturation. Another limitation was the time-intensive data analysis in case studies, particularly those with participant interviews. In one-on-one interviews, social desirability bias may result when participants provide answers to present themselves in the best light rather than answering truthfully.

Recommendations and Conclusions

Small businesses play an essential role in economic development (Ayandibu & Houghton, 2017; Dar et al., 2017; Mills, 2018; Ribeiro-Soriano, 2017), and their high failure rates negatively impact state, local, and global economies. This qualitative descriptive multiple case study focused on how small business owners accessed financing to sustain operations. The five themes from participant interviews represented strategies the successful small business owners used to obtain funding. A small business's long-term survivability extends from sustainability beyond the first 5 years. Given the high failure rate of small businesses,

entrepreneurs must increase their financial knowledge and strategic understanding of funding operations.

One recommendation is for entrepreneurs to use internal financing to sustain operations, as this study's participants often did, minimizing the need for external funds. Small business owners could consider using personal funds, including savings, home equity, investments, outside salaries, and personal loans.

Another recommendation is investing business profit into expanding and sustaining operations. Small business owners should use lower-cost sources of funds for as long as possible before pursuing external financing. Although often necessary at critical operating stages, external debt requires informed and thoughtful consideration. Small business owners must understand funding terms and conditions and examine interest rates across sources, including bank and SBA loans.

As shown in Theme 4, small business owners should minimize business expenses to reduce operational costs and ensure sustainability. One way to reduce costs is by leveraging business relationships. P8 leased all office equipment to maintain cash flow, and P1 and P2 leveraged relationships to obtain a business site.

Future Research

Future researchers could repeat this study but increase the number of participants and expand the geographical range. A quantitative approach could show correlations between variables, such as business type, credit history, and internal and external financing. A mixed methods study would benefit from a qualitative participant perspective combined with quantitative data.

This study involved eight participants from diverse industries and sectors, and the sample size and composition were appropriate to obtain different entrepreneur experiences. Future researchers may want to adopt a narrower scope centered on the perspectives of successful small business owners in a single sector or industry. Focused studies could be helpful for industry professionals and organizations.

This qualitative study focused on the owners of successful small businesses in Maryland. Future research should conduct a similar study in other states, cities, or countries. Using participants across a broader geographical range could improve reliability and validity.

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