



BY BRUNO K. HANSEN

# ACCESSING CAPITAL

Indigenous businesses are breaking barriers of the past

**A**s the General Manager for Nuu-cha-h-nulth Economic Development Corporation (NEDC), Al Little has watched the size of Indigenous-owned businesses, and their loans, grow in a positive trend over the last several years in Canada.

NEDC is an Aboriginal Financial Institution (AFI) that was founded by the fourteen Nuu-cha-h-nulth tribes in 1984. NEDC helps Indigenous Peoples start, acquire and expand businesses, and is one of the most active members of the AFI network.

There has been so much growth in Indigenous businesses that a new investment fund, the Indigenous Growth Fund (IGF), was established earlier this year. The IGF is under the management of the National Aboriginal Capital Corporations Association (NACAA) and will provide much-needed access to capital for small and medium-sized Indigenous enterprises; Indigenous entrepreneurs from any industry will be able to access the IGF through AFIs such as NEDC.

"NEDC is the first AFI in Canada to access funding through the IGF," says Little. "It allows Indigenous businesses to continue doing what they're doing, and to keep growing like they have been."

With such growth, additional capital from the IGF is needed to allow AFIs like NEDC to continue assisting Indigenous businesses realize their visions. NACAA understands both the unique nature and the values of Indigenous businesses, which are integral to successfully obtain financing.

Access to capital has been a historical challenge for Indigenous entrepreneurs, especially from non-AFI banks who may be unfamiliar with Indigenous culture and history. "Walking into a bank as an Indigenous person, you were less likely to get financing," states Little of the not-so-distant past. He says one of the reasons behind this was misconceptions at the bank. "Non-familiarity with the *Indian Act* had everyone painted with a broad brush, whether you're on reserve or off reserve."

The *Indian Act* can pose challenges for essential business loan elements, such as the securing of collateral. "The *Indian Act* has restrictions on how you can secure assets for a lender on reserve," says Little. Lending institutions that are not well-acquainted with Indigenous-specific circumstances such as the *Indian Act* tend to categorize the unfamiliarity as a risk, which creates obstacles. "Accessing capital was the biggest issue, so AFIs like NEDC specialize in Indigenous business and are able to provide affordable financing."

What differentiates NEDC from other lenders is a mandate for developmental lending specifically to Indigenous businesses, removing the misconceived or misunderstood risks of Indigenous circumstances. "We don't operate as a bank," says Little. "We're not set to compete with a bank, although some practices are similar."

And as for the validity of past misconceptions? "NEDC has not lost a penny," states Little. "The [loan] default rate over the past 30 years [for] First Nations is zero."

Additional challenges arise when Indigenous entrepreneurs are considering a start-up business. "It's a challenge at the best of times looking to finance start-ups," says Little. "They're hard to finance because there isn't a track record for the business. An established business has financial statements, and you can see what's happened in the past and project it forward. Start-ups are brand new."

When asked for tips on financing success for new Indigenous businesses, Little places emphasis on the importance of the planning phase. "The most important thing is having a sound business. The business has to make sense," he says. "There has to be a degree of viability to the business, and that's key."

According to Little, this is especially important for small operations. "With small businesses, there really isn't a lot of collateral that is available," he says. "So if the business doesn't work out for some reason, there isn't a lot left that can pay down, or pay out, the loan."

When it comes to addressing challenges such as business planning, Little says there is plenty of support available to help. "Organizations like NEDC provide financing, but they also go beyond that," he explains. "They can provide business support, and there are many Indigenous supports across the country that assist businesses with different workshops on all aspects of business – marketing, planning, bookkeeping – really any area."

"There are more tools coming online now," he adds. "Business plan workbooks make it easier to complete a business plan, especially when you're not familiar with them or haven't done it in the past." Little also notes there are many resources available for Indigenous women, specifically, who face additional challenges in business and financing.

Beyond business planning activities, Little says NEDC also provides support to Indigenous businesses in other areas, such as the provision of after care. "Whether it's mentor programs, or just guidance and assistance," he says, "if a business

hits a bump, we'd rather get a call to help than have to collect on a loan. It's more relationship building with the client."

Little has been with NEDC for 25 years – long enough to see a new generation of Indigenous businesspeople enter the spotlight. "Businesses have established and grown," he says. "They are in the next generation when adult children of clients come in and, in most cases, have even more business savvy than their parents."

"Indigenous children are really carrying their own," Little smiles. "They grew up watching parents working their businesses, and are following in their footsteps." ■