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Financial Strategies of Small Businesses to Gain Access to Capital

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Abstract

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MBA, Strayer University, 2010

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Doctoral Study Submitted in Partial Fulfillment

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Abstract

In the United States, total small business outstanding loans declined by 2.5 % in 2013, compared to a 10.4% increase in 2012. Scholars and business practitioners have indicated that small business entrepreneurs experience constraints in accessing capital to grow their businesses. Many small firm owners lack the financial strategies for gaining access to capital to sustain their businesses. Building on system functionality theory, the purpose of this exploratory multiple case study was to explore the financial strategies among 3 purposefully-selected small business owners in Washington DC metro area who successfully overcame the financial constraints. Six themes emerged from the thematic analysis of interview data: credit cards, family and friends, own financing, bank financing, crowdfunding, and government grants and loans. These small firm owners preferred to use their own financing or to borrow from family and friends rather than lending from the banks because of borrowing constraints. Some of the lending limitations included high-interest rates, lack of collateral, provision of a robust business plan, and availability of good financial records. The findings from this study may contribute to social change by providing business owners with more knowledge on financial strategies to use in accessing capital to sustain their businesses. With the improvement in business profitability, business owners will contribute to the economic growth of the local community through the provision of employment opportunities and social amenities.

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Dedication

I dedicate this doctoral study to my lovely wife Mrs. Rukiya Owusu for the unconditional love, loyalty, and immersed support to our family. To my children: Jerzey Owusu-Boating, Ryan Owusu-Aboagye, Ruky-Malieka Owusu, and Riley Owusu-Boateng, thank you all for your patience with daddy and dedication to family. A special thanks to my parents, Mr. P. K. Owusu and Comfort Manu, for your financial and moral support. Especially for not giving up on me despite my educational struggles in my early age. Lastly, I dedicate this study to the men and women of the 1st Aviation Combat Brigade who served during Operation Iraq Freedom at Cob Speicher. In remembrance of my good friend Specialist Green (RIP).

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Section 1: Foundation of the Study

Policy-makers interested in small businesses' access to capital are likely to find out that small businesses in the District of Columbia (DC) metro area face various challenges. Such challenges include (a) a limited amount of start-up capital, (b) the economic downturn, and (c) a lack of business experience (Corner, 2013). Despite the existence of a large pool of capital investment opportunities in the United States (US), small businesses continue to struggle financially (Hamrouni & Akkari, 2012). The risk of doing business with an untested new entrepreneur is so high that financial institutions and banks shy away from businesses without a proven record of success (Palmer, 2013). Banks played a critical role in the business expansion and provided support for small business growth and access to capital, but banks tightened small business loans while making it easier for large corporations to gain access to capital after the 2008 recession (Nijskens & Wagner, 2012).

Background of the Problem

Between 1870 and 1910, large businesses were a prominent feature of the American economy (High, 2011). Financial institutions have played a significant role in supporting small businesses resulting in business expansion and growth in the United States and the global financial market. Several financial institutions such as commercial banks, thrifts, savings and loan associations, and federal savings institutions exist and operate in the DC metro area. A concern among entrepreneurs regarding access to funding to expand their businesses is real. An impatient loan applicant remains constrained indefinitely, whereas a patient candidate becomes a future entrepreneur

(Demirguc-Kunt, Klapper, & Singer, 2013). Business owners are going out of business partly because of denied access to capital (Seghers, Manigart, & Vanacker, 2012). Despite the slow improvement, most small business owners are optimistic about the U.S. economy (Geho & Frakes, 2013). In the 2008 financial crisis, the federal government purchased assets and equity from financial institutions to strengthen the financial sector through the Troubled Assets Relief Program (TARP; Piotrowski & Armstrong, 2012). This program helped restore the financial stability of the nation and restart economic growth (Piotrowski & Armstrong, 2012). Despite help from the federal TARP program, small businesses in the DC metro area continue to face financial challenges. Governments around the DC metro area could replicate their own small-scale TARP program.

Problem Statement

Small business owners have limited access to formal sources of external finances compared to large firms (Abdesamed & Abd-Wahab, 2014). In the United States, the total small business outstanding loans declined by 2.5 % in 2013, compared to a 10.4 % increase the previous year (U.S. Small Business Administration [SBA], 2012a). The general business problem was that borrowing constraints affect the profitability and sustainability of small businesses. The specific business problem was that some small business owners in the DC metro area lack the financial strategies for gaining access to capital to sustain their businesses.

Purpose Statement

The purpose of this qualitative, multiple case study was to explore the financial strategies small business owners in the Washington DC metro area use to gain access to capital to sustain their businesses. The study population consisted of three small business owners in the DC metro area who I selected because they had successfully overcome borrowing constraints and obtained financing to sustain their small businesses. The results of this study may contribute to positive social change through increasing profit and employment opportunities and enhancing local community economic growth.

Nature of the Study

The research method I used in this study was qualitative, and the design was an exploratory multiple case study. Researchers tend to use the qualitative method to capture the voice of the participants (Frels & Onwuegbuzie, 2013). The qualitative approach was my preferred method because of the flexibility of the approach and the number of research participants involved (see Yin, 2014). Researchers use the quantitative method when testing theories or using a measuring instrument to establish relation or correlation among variables (Klassen et al., 2012). In a mixed methods study, researchers collect and analyze both quantitative and qualitative data (Agerfalk, 2013; Starr, 2014). Researchers use the mixed methods approach to draw on the strength of both approaches (Klassen, Creswell, Plano Clark, Smith, & Meissner, 2012). The mixed methods approach was not appropriate for this study because of time sensitivity, the subjective nature of the strategies available to small business owners, and the absence of abstract concepts such as construct latent variables (see Punch, 2013). The quantitative or mixed methods approaches were not suitable for this study.

Some types of qualitative designs include ethnographic, phenomenology, and case study. The relatively small nature of the study area made the case study approach appropriate for an in-depth analysis of the situation (see Starr, 2014). The complex and subjective nature of contemporary financial strategies of small business owners also made the case study approach appropriate (see Yin, 2014) because in a case study, the researcher explores participants subjective and multiple meanings (Roulston & Shelton, 2015). The case study approach focuses on various meanings held by different study participants (Agerfalk, 2013; Jennings & Brush, 2013; Yin, 2014). The case study design was also appropriate for this study because of the subjective nature of the financial constraints faced by small business owners.

A researchers may use a phenomenology design to identify and understand philosophical assumptions of events based on lived experiences (Moustakas, 1994). Ethnography is ideal for researching a complex cultural phenomenon (Jerolmack & Khan, 2014). In the ethnographic approach, researchers seek meanings of a cultural event by getting close to the experience of the incident (Markham, 2016). The ethnographic design requires prolonging fieldwork for extensive data collection and a deeper understanding of the social-cultural systems (Jerolmack & Khan, 2014). Ethnography is essential to understanding a local cultural event (Murthy, 2013). Researchers use the ethnographic approach to hear the voices of participants, identify localized meanings, and comprehend the local culture (Markham, 2016). Although the financial challenge of small business owners is a complex phenomenon, it does not qualify cultural phenomenon as so the ethnographic design was not appropriate for this study.

Research Question

The overarching research question for this study was: What financial strategies do small business owners in the DC metro area use to gain access to capital to sustain their businesses?

Interview Questions

Participants responded to the following questions:

1 What borrowing constraints do you encounter as a small business owner?

2 What can small business owners do to increase their chances of obtaining a business loan?

3 What are funding options available to small business owners?

4 How can the federal government assist small business owners to increase access to funding?

5 What financial strategies do small business owners use to access capital?

6 What other information can you provide on financial strategies small business owners can use to increase access capital?

Conceptual Framework

I used the system functionality theory as the conceptual framework for this study. Anokhin first proposed the theory in 1935 around the idea that the realization of a system objective includes a combination of variables (Egiazaryan & Sudakov, 2007). The harmonious interaction of the system components can help small business owners achieve robust results, useful for the system itself and the organization (see Anokhin, 1935). The complex interacting multilevel functional hierarchies can transform a chaotic multitude of components into an operational system with measurable results (Sudakov, 1998).

The system functional theory provides schemes for prediction, decision-making, action selection, and understanding that appear in the operating systems advanced to meet the financial needs of small businesses (see Egiazaryan & Sudakov, 2007). In this context, the principles of systems functionality enable working principles to create an adaptive goal-oriented behavior to survive in ever-changing market conditions (see Sudakov, 1998). The working principles include the participation in a knowledge sharing system, substantial remodeling, and adaptation to changing needs (see Anokhin, 1935). One critical area was the replication of information about the common goal, plans, and actions within the U.S. financial system. System functional theory was suitable as the conceptual framework for this study because it helps to explain how various operational variables interact to achieve a common purpose (see Anokhin, 1935). System functional theory shows how a chaotic situation can change when discrete variables work together through collaboration, networking, and a shared vision (see Egiazaryan & Sudakov, 2007). Using the system functional theory, the stakeholders in the U.S financial system can collaborate to solve shared challenges.

Operational Definitions

In this subsection, I provide operational definitions for terms used in this study:

Business angels: Wealthy individuals who offer risk-related capital to unlisted firms, without any family relation (Mitter, 2012)

Bootstrapping: Reducing business start-up expenses using cost cutting strategies and money-saving techniques (Barringer & Ireland, 2010).

Collateral: A personal or business assets used as a guarantee in case the cash generated by a small business is not sufficient to repay the loan. If a potential borrower has no collateral, the borrower will need a cosigner who has collateral to pledge. Otherwise, it may be difficult to obtain a loan (SBA, 2013).

Crowdfunding: A funding strategy where an entrepreneur raises external financing from a large audience, in which each provides a slight amount, instead of soliciting a little group of sophisticated investors to finance small business creative ideas (Belleflamme, Lambert, & Schwienbacher, 2014; Kuppuswamy & Bayus, 2014).

DC metro area: The metropolitan area centered on Washington, DC, the capital of the United States. The area includes the federal district and parts Maryland and Virginia, along with a small portion of West Virginia (Office of Management and Budget, 2015).

Equity financing: The exchange of partial ownership of the firm in the form of stock (SBA, 2012a).

Initial public offering (IPO): A company's first sale of stock to the public. At a major stock exchange, the stock is traded (Barringer & Ireland, 2010).

Lemons problem: A situation where low-quality projects drive out high-quality start-ups out of the market (Tomboc, 2013).

Small business: An independently owned and operated business, organized for profit, and not dominant in its field. Depending on the industry, the size standard eligibility is based on the average number of employees for the preceding 12 months or sales volume averaged over a 3-year period.

Small business loan: For the purpose of this study, a loan under $1 million is a small business loan. SBA (2012a) categorizes small business loans into $100,000 or less, $100,000 plus through $250,000 and $250,000 plus through $1 million.

Assumptions, Limitations, and Delimitations

Assumptions

Assumptions are unverified facts that did not need to be satisfied (Marshall & Rossman, 2016). My first assumptions in this study were that interview participants would answer the questions honestly, and participants would not decline participation during the interview. Another assumption was that the participants could articulate their experiences without hesitation. The diverse views expressed by participants helped generate multiple themes. My final assumption was that the views expressed by participants would be understandable.

Limitations

Limitations are the weaknesses of a study (Brutus, Aguinis, & Wassmer, 2012). The focus of this study was on the strategies successful small business owners in the DC metro area used to gain access to capital. The use of varied data collection methods can be time-consuming (Klassen et al., 2012; Lewis, 2015). Only participants who volunteered participated in this study. Other participants were not selected because they felt hesitant to talk about their personal experience of the financial constraints.

One limitation of the study was the narrow range of the sampling strategy I used and the difficulty in finding interview participants who were small business owners and willing to share their insights on financial strategies. Suspending personal understanding and experience during data interpretation was daunting as different people hold deeply ingrained personal beliefs and philosophical assumptions (Klassen et al., 2012). Another challenge was the task of organizing the statements of participants into themes based on a deeper understanding of the study event (Morsea, Lowerya, & Steurya, 2014). My reading the transcripts over an extended period for understanding and describing the essence of the study involved an exhaustive research on the event (see Klassen et al., 2012).

Delimitations

Delimitations are the boundaries established to control the parameters of the study (Coenen, Stamm, Stucki, & Cieza, 2012). Washington DC is the capital of the United States, and the geographical scope includes the federal district and parts of Maryland and Virginia, along with a small portion of West Virginia (OMB, 2015). The study delimitation included the broadness of the geographical area with various local statutes that could affect the generalization of research findings and implications. The geographical study area included the federal district, part of Maryland and Northern Virginia and a small portion of West Virginia. I excluded small business owners located outside the study area.

Significance of the Study

Contribution to Business Practice

New entrepreneurs may use the findings of this study in their fundraising plans. The results of this study may contribute to business practice by identifying the financial constraints small businesses face in DC metro area. The results could add to the body of knowledge relating to financial options and strategies of small businesses. The findings could also contribute to information sharing, collaboration, and teamwork among small business owners seeking funding assistance. New and emerging small businesses may benefit from this information through creation of awareness on the financial constraints confronting small businesses. Finally, small business owners may also use the findings of this study to identify factors that affect their access to funding from the financial institutions and best practices.

Implications for Social Change

Through the awareness created, potential small business owners may be exposed to the financial challenges facing small businesses in the DC areas and successful strategies for overcoming those problems. Small business owners could be empowered to increase their chances of obtaining funds from the financial institution, survive the economic condition, and expand business operations. The information generated from this study will contribute to public knowledge on financing strategies that contribute to small business sustainability and profitability. The findings from the study might make a social impact by helping small business owners identify borrowing best practices to improve profitability, expand business operations, and contribute to local community growth. The business expansion could contribute to the creation of jobs for local people in the communities. An increase in profit and employment opportunities may enhance community economic growth. The improvement in the community could positively affect the life of people and local economic growth. Communities may benefit from the diverse perspectives and recommendations in this study on how to increase access to financing, expand business operations, and increase employment opportunities for the youth. A booming business climate among ethnic minority entrepreneurs because of access to funds could help provide employment to the jobless youth.

A Review of the Professional and Academic Literature

The borrowing constraints of small business owners affect their profitability and sustainability. Small businesses in the DC metro area are experiencing borrowing challenges in an uncertain business environment, which affects their ability to expand business operations and increase the return on investment (Palmer, 2013). My focus in this study was on the small business owners in the DC metro area. My objective was to gather insights relating to the financial strategies used by successful small business owners to gain access to capital for business sustainability. The accounting records of a business such as a journal and a ledger, also helped shed light on the borrowing success of the business.

In addition to general information regarding entrepreneurial challenges, my review of the literature in the field included materials critical to the borrowing constraints affecting small businesses and successful borrowing strategies for sustainability. A comparative analysis of the historical perspective and lending environment for small enterprises captured in peer-reviewed and scholarly sources helped me understand the challenges small business owners encounter in the DC metro area. A qualitative data analysis technique such as constant comparison analysis, domain analysis, taxonomic analysis, componential analysis, and theme analysis is useful in the literature review process (Frels & Onwuegbuzie, 2013). Thematic analysis is used by a researcher to help in finding the theme (Fugard & Potts, 2015). In this review, I found the technique of thematic analysis necessary for identifying the essence of the study.

The purpose of this literature review was to establish the framework for the study. My strategy was to summarize various opinions on small businesses borrowing strategies in the DC metro area, consistent with the research question. My review of the literature included books, journals, and other published peer-reviewed and scholarly materials. The keyword search terms I used to locate materials included *financial challenges, borrowing strategies, commercial loan, collateral, entrepreneurial challenge, financing options, sustainable business, bootstrapping, business angels, venture capital (VC), IPO, start-ups, fundraising strategies, system theory, DC metro area, crowdfunding, small business,* and *SBA loan guaranteed*. The resource materials I found included peer-reviewed articles by experienced authors on the financial constraints of businesses and differing perspectives of strategies to overcoming the constraints. My review included 216 references, of which 204 were published less than 5 years from my anticipated graduation date. The 199 peer -reviewed reference sources represent 92% of the total reference sources. Among the 92 references I used in the literature review, 86 were peer reviewed with 97% published between 2012 and 2017. Relevant theories to this study included chaotic theory, bureaucratic management theory, and system functionality theory. The chaotic and random environment discussed in chaotic theory is similar to the U.S. financial environment for small business owners. A chaotic system is an element of chaotic theory where complexity and uncertainty of a given situation are prevalent (Vaidyanathan, Sampath, & Azar, 2015). Just as in chaotic system and system theory, the complexity of the U.S. financial environment requires structural adjustments and the interplay of components to maintain stability (see McNamara, 2015). Instead of mutual benefit, the relationship between financial institutions and small business owner is hierarchical, full of authority and control (see Vaidyanathan, Sampath, & Azar, 2015). The hierarchical relationship is similar to the hierarchical authority described by McNamara (2015) in bureaucratic management theory by Max Weber. The fear is that a chaotic system can evolve and become complicated, leading to eventful collapse (see Weichhart, 2013). In the financial environment, stakeholders must depend on one another for survival, as systems depend on individual components to survive and accomplish required task (see Anokhin, 1935). The environment is compased of a mutualistic cooperation focused on similar intent to survive under a range of environmental conditions (Moris et al., 2013). The coordination should include the flow of information between system elements and not just an information transfer. The exchange of ideas on best practices is a prerequisite for the unification of the system components (Drack, 2015).

The approach of small business owners in dealing with the financial institutions requires a paradigm shift and vice versa. System components must network, collaborate, and share feedback for profitability and survival (see Anokhin, 1935). Significant changes have occurred in organizations that embrace the application of the functional system theory framework in their operations (McNamara, 2015). The application of system functionality theory helped me identify the required actions necessary (see Van Beurden, Kia, Zask, Dietrich, & Rose, 2013) to meet financial challenges of small business owners in the DC metro area.

I grouped the thematic areas of the literature review under broad categories: (a) system functionality theory, (b) US financial environment, (c) small business and economic growth, (d) small business financial constraints, (e) small business funding strategies, and (f) discrimination. Personal financing, equity, and debt financing are examples of fundraising strategies. The equity subcategories include business angels, VC, and IPO. Under each thematic area, the compared opinions constitute a summary and contrast of other researchers' points of view and ideas.

The System Functionality Theory

I used the system functionality theory as proposed by Anokhin as the conceptual framework for this study. The theory of functional systems is a part of the general theory of systems (Egiazaryan & Sudakov, 2007). The U.S. financial environment is similar to a diverse set of functional systems, which overlap and integrate different qualities into a cohesive experience for thoughts and actions (see Bzdok, Laird, Zilles, Fox, & Eickhoff, 2013). The system theory conceptual framework can be helpful in identifying appropriate measures (Van Beurden et al., 2013) necessary to integrate different qualities in the U.S. financial environment.

In this study, I defined a system as a team of agents or constituents working together, with a relationship between their stated objects and attributes for a common objective (see McNamara, 2015; Weichhart, 2013). My focus was to identify and bring down barriers among the constituents to overcome challenges and perform according to the objective of the system (see Weichhart & Wachholder, 2014). My assumption was that business owners face similar financial constraints that they have to overcome to increase their success for profitability. A chaotic complex environment involves multiple regulations level (Weichhart, 2013) and in a chaotic financial market, a common objective may occur along different strategies. In the absence of interoperability, the maximization of operational performance is unattainable (Weichhart & Wachholder, 2014). The small business is like a living organism that ought to grow and prosper (see Weichhart, 2013). The U.S. financial market is like a chaotic operational environment. Parts of the systems are themselves subsystems that replicate the behavior of the system (Weichhart & Wachholder, 2014). Addressing issues relating to small business financial constraints requires a systematic, collaborative, and holistic perspective (Fiksel, Bruins, Gatchett, Gilliland, & Ten Brink, 2014). The comprehensive approach should include a verification and validation of the system components (O'Halloran, Jensen, Tumer, Kurtoglu, & Stone, 2013). An approach that excludes stakeholders creates a conflict within the system (Frank et al., 2012). Instead of the agent-based solution to system deficiencies, Oppl and Stary (2014) supported the use of a conceptual framework that bridges barriers to solving operational problems.

Small business financial constraints are a concern to both policymakers and academia as evidenced by the existence of journals focused on small business financial difficulties including *Financing Patterns of Minority-Owned Small Business, The Role of Demographics in Small Business Loan Pricing,* among others. The findings of this study may prove useful for researchers to frame future studies. The information on funding strategies may be helpful to small business owners to develop strategies for the thorough improvement of their skill set (see Seghers et al., 2012). Researchers can use system theory to underscore how different agents can come together and form a simple or complex relationship to confront a challenging situation. The theory emphasized the essence of unity in diversity in the U.S. financial environment. The relationship between financial institutions and business owners is like a complex system with less interdependence. In the era of the information network, financial institutions rely on information across multiple companies for success. The efficiency of systems productivity does not depend on other fragmentation (Grimme & Steinmetz, 2013) but the holistic approach to challenges. Linking information from diverse functional systems can be challenging at times (Bzdok et al., 2013).

In this study, the system theory theoretical framework included the complex interaction and hierarchical structure, interrelationships and communication, holistic decision-making approach and processes, and harmonious collaboration and interpretability among constituents. Systems theory is relevant to the financial constraints of small businesses because it can be used to show small business owners how to adapt to the U.S. financial environment through the principle of change. The argument hinges on the premises of limited individual ability of a small business owner to survive in the financial market. The commercial environment is complex so the small business owner should adapt to a holistic approach, including a broad range of adaptive possibilities that serves both collective and individual interest (Fiksel et al., 2015). The ability of small businesses to progress in any economic condition without consideration to the existing financial structure is an unrealistic ambition. Small business loan applicants cannot depend on the internal processes of their financial institutions alone to succeed. The financial institutions have certain requirements including past experience and cash flow that needs to be met by the applicant to qualify for a loan.

Systems components work together with their environment to obtain qualitative properties (Drack, 2015). Organizations should interact with other groups outside their environments through networking. A change in the financial sector includes attitudinal and behavior changes expected from stakeholders, including the business owners, financial institutions, and government policy on small business funding (see Anokhin, 1935). The small business owner should use a holistic approach, including new strategies to acquire funding from non traditional sources to respond to such changes. Instead of the interdependence of the individual constituents, efforts should be on structure and processes that enable an efficient function of the total system. The interplay between the business owner, policy maker, and financial institution to tackle constraints affecting small business funding is an inclusive approach. The system should contain a collaborative and interactive mechanism for the financial institutions and business owners facing similar restrictions.

Systems function efficiently when adaptable to unforeseen events through continuous adaptation and learning (see Anokhin, 1935). Systems failure occurs when a functional element in the system does not live up to their expectation to perform intended tasks (O'Halloran et al., 2013). As the U.S. financial environment evolves, a small change in the part of the system can result in a significant difference in some distance part of the system. The emergence of the concept Web 2.0 and related technologies has created access to information through ideas sharing, communicating, and collaboration to enhance knowledge and learning (Hsu, Ching, & Grabowski, 2014). Information is useful to influence changes in the system and its environment (Oinas-Kukkonen, 2013). The traditional method for dealing with uncertainty sometimes leads to a workable solution, and such results being not optimized can lead to wasted resources (O'Halloran et al., 2013). The solutions to the challenges require the collaboration of stakeholders to develop a shared understanding of the situation in a semantically open and nonintrusive way (Oppl & Stary, 2014). The harmonious interaction of the system components can help achieve robust results, useful for the system itself and the organization (Anokhin, 1935). The system should contain a collaboration and interaction mechanism for the financial institutions and business owners facing similar constraints. Companies' information systems include the communication channels available to effect change. The interplay and interdependence between constituents through these communication channels promote cohesion to fulfill mutual interest. The competitive business environment requires continuous collaboration based on the exchange of meaningful information and knowledge.

Incompatible system components prevent successful interaction among constituents see (see Kannengiesser & Weichhart, 2015. System interoperability focuses on identifying and bringing down barriers in situations where systems parts are not able to interact (Kannengiesser & Weichhart, 2015). Interoperability is the ability of system constituent with distinct functions and backgrounds to work together without the individual effort of the user (Horbach, 2013). Kannengiesser and Weichhart (2015) opined that a system fully integrated shows lower resilience because of the higher probability of integration and less failure. Coordination and interoperability are important aspects that enable business performance and survival in global computing business environment (see Kannengiesser & Weichhart, 2015). The effect is the flow of materials and information across the constituent network. Business owners can link information across diverse functional systems, which can overlap, correlate, and integrate different qualities into a cohesive experience (Bzdok et al., 2013).

The complex interrelationship made up of diverse interests can be complicated and time-consuming. The relationship between financial institutions and business owners is an example of complex interdependence adaptable to change and to learn from experiences. The system of duality in solving a standard issue extended to network systems, aimed at synchronized information gathering and sharing among network constituents (Modares, Nageshrao, Lopes, Babuska & Lewis, 2016). Addressing issues resulting from interoperability in the network ensures sustainability in the system (Ducq, Chen, & Doumeingts, 2012). A network must also be adaptable to the changing and dynamic structure (Weichhart, 2013) driven by policy initiative. Networking can help small businesses survive, grow, and prosper. The systems can be proactive and adaptable to the continuously changing economic environments if stakeholders come together.

The continuous evolution of financial condition and government policy on small business funding requires several strategies that consider mutual gains of stakeholders. Cooperation focused on benefit for constituents to survive with minimum resources (Morris, Henneberger, Huber, & Moissl-Eichinger, 2013). In the global network environment, companies are unable to achieve success without the understanding and exchange of shared information needs. Entrepreneurial networking provides strong ties and access to scarce resources through collaborations (Li, de Zubielqui, & O'Connor, 2015). The partnership includes the capability to perform processes on behalf of other constituents. Integration also means a degree of functional dependence (Dassisti et al., 2013). The functional dependency of small businesses is not possible without interoperability among the interested parties with a mutual interest. The U.S. financial environment is equal to the concept of non interoperability. No interoperability exists when the constituent of the system does not work toward cohesion or not fully integrated (Weichhart, 2013). The business system must contain interacting or interrelating groups of activities useful to the member of the enterprise community. Separating the system constituent from the network can reduce the effectiveness of the system (Weichhart, 2013), so small business owners must not resolve to confront their financial constraints alone

Another area of concern is the structure of the U.S. financial environment. The structure depends on the external fields imposed and controlled by the system, resulting in significant change in the system hierarchical structure (Wang, Chen, Li, & Fu, 2014). The structure of the organization and relationship between stakeholders can take any form, but most preferably hierarchical. Small business owners must strike a balance between weak and stronger ties to gain access to resources, and maintain diverse information sources through cohesion and healthy relationships (Li et al., 2015). The benefit should not be limited to the transfer of ideas, but the exchange of best practices for the common good (Moris et al., 2013). Small business owners can embrace the system of duality (Modares et al., 2016) through networking and information sharing to overcome the hierarchical structure.

Assessment of the U.S. Financial Environment

Entrepreneurs face various challenges of a different nature, often controlled by the socioeconomic, geographical, or cultural grounds and others reasons (Rahman & Ramos, 2014). Since 2008, the U.S. Federal Reserve has engaged with other agencies to stabilize the financial system and the economy (Bernanke, 2010). Through the Term Asset-Backed Securities Loan Facility program, the Federal Reserve coordinated with the securities markets for capital to small businesses (Bernanke, 2010).

Startups and young businesses are essential components of job creation in the United States (Haltiwanger, Jarmin, & Miranda, 2013). Some small business owners lack access to capital and fixed assets requirements critical for success and sustainability (Byrd, Ross, & Glackin, 2013). The financial constraints affect the average growth rate of small businesses (Bottazzi, Secchi, & Tamagni, 2014). The contributing factors to small business success are previous working experience, management team, professional and personal networks, university education, and geographical location and funding availability (Ford & Petersen, 2011). The same conditions and factors hold in the 21st century. Among these factors, access to finance is a determinant of business success or failure. In this age of globalization, companies exist in an environment characterized by both adverse internal and external factors that affect their survival. The global economic meltdown has shown that speculative investments are not healthy for the financial market. The resultant effect of speculative investment is financial meltdowns, leading to widespread bankruptcies, unnecessary corporate restrictions, government bailout, and structural adjustment, which affect the availability of funds for small businesses (see Asekome & Agbonkhese, 2015).

In the United States, some states have erected barriers to bank branch expansion, while open States policies encourage borrowing from banks (Cornaggia, Mao, Tian, & Wolfe, 2015). Successful startups are uncommon, and startups that go public and result in financials success like Facebook are even more exceptional (Cusumano, 2013). Strict lending practices at banks and other institutions, including government agencies, affect the morale for small business loan applications (Federal Reserve System's Small Business Meeting Series, 2010). Small and medium-sized enterprises (SMEs) previously focused their attention on the banking sector because of the financially limited opportunities available through alternative channels. Microentrepreneurs and small businesses are struggling to obtain funding from banks and other financial institutions (Maiangwa, 2013). The majority of U.S. firms (55%) depend on personal credit while a significant proportion of business owners also use a business (44%) and trade (24%) credit to start businesses (Cole & Sokolyk, 2013). Small business owners have difficulty in obtaining funding from financial institutions, in the absence of collateral security and cash flow (Menkhoff, Neuberger, & Rungruxsirivorn, 2012). New business owners rely on an entrepreneurial credit card because of the absence of capital (Cole & Sokolyk, 2013). One of the most difficult tasks in starting and sustaining a new business is accessing capital resources for growth (Markova & Petkovska-Mircevska, 2013). Small business owners are struggling to raise capital from potential investors. Evidence shows that the contribution of young firms has declined almost by 30% in the last 30 years in the United States (Decker, Haltiwanger, Jarmin, & Miranda, 2014). The rate of business startups and the pace of employment are not encouraging in the United States, partly because the investment opportunities for new small firms are diminishing.

Reasons accounting for small business failure differs among countries around the world. One principle reason for small business failure is the lack of access to funding sources (Mitter, 2012). Entrepreneurship is about experimentation, so until the owner commits resources, the probably of the business success is small (Kerr, Nanda, & Rhodes-Kropf, 2014). One assumption is that nearly all small businesses lack access to capital to expand their business operations. Entrepreneurial activities dependent on finance availability and the lack is a contributing factor to job and absence of critical community services (Hamrouni & Akkari, 2012). The success of a company is at high risk if owners of the company have difficulty obtaining capital from the financial institutions (Palmer, 2013). Palmer conducted a study on small business access to capital in Brooklyn, New York and identified 95% of the small business owners in Brooklyn have difficulty in raising money from financial institutions. Small business owners are experiencing stagnation in the economic condition, leading to the business decline and closure (Mitter, 2012). Geho and Frakes (2013), attributed entrepreneurial financial hardship to (a) a lack of managerial skills and leadership, (b) inadequate entrepreneurial education, (c) liability of newness, (d) escalating number of entrepreneurial firms, (e) high venture capitalist investments cost, (f) poor market response level, (g) risk, (h) IPO failures, and (i) a lack of start-up and working capital by scholars. Such constraints affect their ability to borrow, expand, and increase employment opportunities and productivity.

Decentralized banks managers have autonomy over lending decisions to approve or disapprove larger loans to small firms and to expand lending when faced with competition. Disparate treatments exist concerning lending conditions (Agier & Szafarz, 2013a). Managers can select customers and restrict loans to small business owners when they control the lending market (Canales & Nanda, 2012). Local lending institutions are unwilling to invest in small businesses because of the level of risk associated with new entrepreneurial enterprises (Palmer, 2013). Small businesses owners have little collateral security and short credit histories, which makes it difficult to access funding from the banks (Menkhoff et al., 2012). Small business owners with previous startups are less likely to use credit while firms with better credit scores are likely to use business credit (Cole & Sokolyk, 2013). Low success probability borrowers finance projects mostly without collateral and with high-interest rates, whereas high success probability borrowers accept loans with collateral and low-interest rates (Comeig, Del Brio, & Fernandez-Blanco, 2014). The availability and use of alternative capital can help small business owners develop comprehensively financial strategies that consider their unique situation (Van Auken & Horton, 2015). Small business owners may want to consider seeking help from the public instead of business angels, banks, or venture capitalist through social networking (Belleflamme et al., 2014). In the uncertain economic condition, small businesses supported by mutual guarantee institutions less likely experience economic tensions (Bartoli, Ferri, Murro, & Rotondi, 2013). Small banks' competitive advantage in lending is favorable for lending to the largest firms (Berger, Goulding, & Rice, 2014). Another assumption is that older and larger firms are less likely discouraged in their quest for funding because the U.S. financial policy mostly favors large corporations. Small business undercapitalization continues to be a principle cause of small business failure (Nadim & Lussier, 2012).

Venture capitalists provide enterprises with knowledge and capital; the lack of access to VC is the primary challenge for small and new entrepreneurs. The presumption is those small business owners applying for financial assistance for business enterprise risk losing their businesses to investors. Inadequate financial capital has exposed many small business owner and entrepreneurs to these risks (Dutta & Folta, 2016). Despite the large pool of investment capital available in the United States, small businesses continue to face financial hardship (Geho & Frakes, 2013). Policy changes and improvements in the economic environment can help encourage entrepreneurial growth (Demirguc-Kunt et al., 2013).

Small Business and Economic Development

The 2008 recession has drowned renewed interest and attention to small businesses contribution to economic growth, leading to the emergence of local policies to influence the growth of small businesses. Small businesses are the engines of economic growth (Young, Higgins, Lacombe, & Sell, 2014). Start-ups and young businesses are essential components of job creation in the United States (Haltiwanger et al., 2013). Although some scholars have disputed small businesses are the drivers of job creation, no one doubts smaller firms are contributors to new job creation (Lawless, 2014). Small businesses are 99.7% of the U.S. employers firms and created 63% new jobs between 1993 and 2013 (SBA, 2014). Small business owners employ approximately 59% of the working population and contribute to economic growth in the United States (SBA, 2014) yet small business financing has not received the deserved recognition. Despite the contribution of small businesses to national development, economic growth, and employment, small companies in DC metro area are constrained by access to funding sources. When funding is available, there is a disproportionate bank loan approval rate against ethnic minority business owners (SBA, 2013). The difficulty in accessing external fund complicates the mistrust of financial institutions held by ethnic minority small business owner.

Local government regulatory policies affect small businesses operations and access to funding. Local authorities programs encourage flexible access to capital. Notwithstanding, stricter standards and borrowing practices against small businesses have affected access to funding of small business owners (Federal Reserve System's Small

Business Meeting Series, 2010). For example, the small business loan applicant must not qualify for the traditional lending in the open market, to qualify for local government financing program. The risk to the local government must not be above average (Board of Governors of the Federal Reserve System, 2014), contrary to the economic characteristics of new small businesses in DC metro area. Local policies significantly affect small business growth when supportive culture between the local public and private sectors and the provision of regulatory assistance are encouraged (McFarland & McConnell, 2013).

The assertion that small businesses create the most jobs in the U.S. is appealing to policymakers and small business advocates (Haltiwanger et al., 2013). The slowdown of job creation in the United States, confirms small businesses are an essential component of the national economy (Reedy & Strom, 2012; SBA, 2012b). The accepted wisdom is that big businesses are the engine of job creation, but new small businesses are contributors to job creation. No relationships exist between a firm size and growth when controlling the age of the company (Haltiwanger et al., 2013). The assertion supports the Gibrat’s law prediction that a firm size and growth are independent, once the firm moves beyond the startup stage (Lawless, 2014).

In the United States, startups create an average of 3 million new jobs annually (Reedy & Strom, 2012) so every serious policy to promote employment growth in DC must include consideration for startup firm within the metro area. In the federal acquisition marketplace, small businesses activities encourage participation, innovation, and competition (Bublak, 2013). Small businesses contributions to economic development and growth of the national economy are a positive indicator for upward mobility and economic growth (Young et al., 2014).

The SBA provides advice and guarantees loans to small business owners and assumes the risk should the default (SBA, 2012a) partly because of small business contributions to job creation, which encourages local community growth and national development. Economic policies that promote lending to small businesses yield substantial economy-wide returns (Young et al., 2014). The policy of the U.S. government is that small business concerns shall receive the highest practicable opportunity to participate in the performance of contracts let by any federal agency (Far, 19.201a). The good news is that small businesses react to local policies differently because they have different development characteristics (McFarland & McConnell, 2013).

Mixed feeling opinions exist about the role of government in small business access to funding. Small business owners need sufficient funding to contribute to economic growth, create jobs, and remain competitive (Markova & Petkovska-Mircevska, 2013). Governments should stop subsidizing the formation start-up funding and focus only on the subset of businesses with growth potential (Shane & Nicolaou, 2015). The idea that small businesses create most private sector jobs and employ half of U.S. workers is misleading (Shane & Nicolaou, 2015). Only a few U.S. entrepreneurs create jobs, reduce unemployment, and enhance economic growth (Mason & Brown, 2013; Shane & Nicolaou, 2015). Another misconception is that most government policies are a waste of tax resources on little growth potential firms that do not necessarily reduce market failures (Acs, Astebro, Audretsch, & Robinson, 2016). Shane and Nicolaou explained that start-up companies are mostly not innovative, create fewer jobs, and generate little wealth. The real intention of governments financial programs are in direct response to expected market failure and not to increase funding access small business owners (Mason & Brown, 2013). Some small firms generate fewer jobs with low-growth intentions and lack the interest in innovating to require government intervention (Acs et al., 2016). Shane and Nicolaou asserted that government intervention in the financial market impedes economic growth because many government operations are inefficient and not always in line with the public interests. Government policies to promote small business are ineffective because they only address other market failures (Acs et al., 2016). The idea that policymakers can use entrepreneurship to reduce wealth disparity between Black and White families is a myth because the upward mobility of black entrepreneurs is equal to their White counterparts (Bradford, 2014). Government intervention in the open market is a linear distortion of demand and supply in the financial market that has dire consequences (see Shane & Nicolaou, 2015). Although small businesses are vulnerable to the changes in economic condition, they can be adaptability and flexibility in dealing with the effects they have no control over (see Smallbone, Deakins, Battisti, & Kitching, 2012).

Small Business Financial Constraints

Among the various reasons cited for new business failure rate in the U.S. limited access to funding has gained the most attention. Despite the proliferation of research in entrepreneurship, our understanding of entrepreneurial learning remains limited

(Chrisman, McMullan, Kirk Ring, & Holt, 2012). Many entrepreneurial leaders are poorly educated and lack leadership skills (Wang & Chugh, 2014). The ability of a manager and business strategies affect the performance of business (Dani, Idrus, Nimran, & Sudiro, 2012). The financial strategy of a company has a lasting implication on business operations and profitability. Even with leadership and educational credentials, most managers fail to notice critical situations timely partly because of incompetent or delayed action (Ropega, 2011). Most small business owners apply wrong business strategies to solving entrepreneurial constraints by focusing on entrepreneurially soft skills instead of capital provision. The absence of money has become a nightmare for small businesses and the root of small business failures (Palmer, 2013).

The business literacy rate among different-sex affects individuals differently. Male loan applicants are financially literate than female while old age and education are signs of financial experience and knowledge (Lusardi, Mitchell, & Curto, 2014). Most entrepreneurs believe education in management skills is instrumental in approving or denying startup and working capital applications (Lawrence, Phillips, & Tracey, 2012). On the contrary, some scholars believe the educational background has nothing to do with the request for funding of small business owners. The availability of a business plan does not directly affect loan application. The assumption is that a thoughtfully structured business plan can help unravel unknowns in advance, before raising funds and implementing planned activities (Blank, 2013). Blanks described a business plan as an essential research exercise written in isolation. Knowledge management is a necessary aspect of small and medium-sized enterprises success (Durst & Wilhelm, 2014). The inability of the small business to increase productivity and retain highly qualified employees increases the potential danger of knowledge loss because of turnover (Durst & Wilhelm, 2014). Abdesamed and Abd-Wahab (2014) questioned if entrepreneurial experience, education, and business plan unquestionably influence SMEs start-up bank loans.

Investors are wary of businesses owners without a proven record of success. Small business lending terms are easing up, but the standards remained higher compared to large business loans (SBA, 2012b). The banking institutions have tightened lending to small businesses while aggressively pursuing corporations (Nijskens & Wagner, 2012). Tightened underwriting standards affect who qualifies for the capital, making access to capital more challenging compared to the days of the global economic downturn. Changes in underwriting standards and determinants in the United States affect small and new businesses (Yellen, 2016). Additional collateral security requirements, excessive scrutiny on business cash flow and higher credit score or threshold are some of the challenging underwriting issues small business owners deal with daily(Bernanke, 2010). Collateral security and interest are self-selection mechanism during business loan application (Comeig el at., 2014). Business owners who meet bank-lending criteria do not intend to add additional debt to their balance sheet during the economic uncertainty (Geho & Frakes, 2013). Meisenzahl (2014) noted that induced financing constraints for small businesses are stalling the economic recovery in the United States.

The financial institutions continue to use individual variables and methods for modern credit scoring models for small business funding (SBA, 2013). Banks emphasize three factors when deciding whether to grant loans: the relationship factor, the financial statement factor, and the collateral factor (Ogura & Uchida, 2014). The financial institutions, primarily the banking institution are constraint by resources availability to deal with program changes, regulatory burden, underwriting effect, and banks closure (Federal Reserve System's Small Business Meeting Series, 2010). A small business lending research indicated that small business reliance on external debt has a significant correlation with tangible assets, distribution profit status, and size (Berger et al., 2014). Government programs designed to help reduce the financial challenges of small businesses are difficult to implement (Bates & Robb, 2013). Tightened underwriting and regulatory requirements in the U.S. financial market are unnecessary restrictions. Cases of conflicting regulations and overzealous scrutiny by loan application examiners affect moral (Bernanake, 2010). The requirement constraints are affecting the willingness of small business owners to apply for business loans. To acquired debt, an ethnic minority small business owner is required to provide various supporting documentation, which is mostly unavailable to the applicant (Van Auken & Horton, 2015).

New evidence indicates only a few rejected small business loan applications. Most small business owners are discouraged from applying for business loans because of the fear of denial (Freel, Carter, Tagg, & Mason, 2012). The discouraging factors include strategy, sector, prior entrepreneurial experience, and banking relationships (Freel et al., 2012). The use of increased line of credit, personal resources, and payment adjustment terms are some of the common alternative sources available for small business owners (Bates & Robb, 2013). Small business owners are unable to thrive, develop, and grow their business operation for profitability without access to funding sources (Mitter, 2012). Government policies on small business should include strategies that consider the local environment when devising policy interventions (Mason & Brown, 2013). Governments can ensure the principle of equal opportunities in the business loan applications process. The principle of equality of opportunity involves equal access provision to all entrepreneurs, municipalities, and particular categories of population (Amin, Danakin, & Divichenko, 2016).

Small Business Funding Options and Sources

The SBA gives advice, provides loans guarantee, and encourages banks to lend to entrepreneurs willing to provide sufficiently marketable collateral (SBA, 2012a). The SBA secures loans and unable to provide finance to entrepreneurs expanding or starting a business (SBA, 2012a). Some ambitious business owners operate their businesses, despite an unsuccessful attempt to raise capital from traditional financial institutions (Geho & Frakes, 2013). Banking institutions should consider cash flow and the management team of the loan applicant, instead of collateral security or strength of the balance sheet (Barringer & Ireland, 2010). The question of why some business loans granted without collateral and others denied despite possessing a business collateral security has intrigued scholars (Bammens, Notelaers, & Van Gils, 2015). Bankers have eased their standard and terms on loans categories, including underwriting standards but restraining lending and borrowing in the small business financial market (SBA, 2012b).

Globalization has changed the ways to approached problems, including the application of a multitude of skills for solving complex challenges (Ampantzi, Psyllou, Diagkou, & Glykas, 2013). McFarland and McConnell (2013) asserted that small businesses have different development characteristics. Some similarities exist in the small business composition and the methods of financing (Smallbone et al., 2012). The holistic approach involves multiple strategies to addressing the borrowing challenges of entrepreneurs in DC metro area. As Bernanke (2010) noted there are no one-size-fits-all solutions to the financial challenges of small businesses. Successful ventures have incentive and access to capital to renew or expand their businesses operation.

Governments have started rewarding productive entrepreneurship, and unproductive entrepreneurship discouraged (Ahl & Nelson, 2015). A capital-constrained entrepreneur can wait to raise significant capital or use limited resources before approaching large investors such as venture capitalists for funding (Belleflamme et al., 2014). Adequate preparation and planning are critical to building a healthy credit history and entrepreneurial knowledge on financial option available to small business owners. Equally essential to survival is the ability to network with the peer-to-peer lending network instead of accessing funding from investors. The capacity to create strong ties with customer network creates a valuable and unique resource for entrepreneurial success (Li et al., 2015). The strategy has lasting implications on early development stage when small business owners need to build a community of individuals for future interaction (Belleflamme et al., 2014).

Accessing funding is a balancing act; loan applicant can use a combination various sources and methods (Barringer & Ireland, 2010). As Bernanke (2010) noted there are no one-size-fits-all solutions to the financial challenges of small businesses.

Small business owners should consider what option works best for their situation, reviewing other factors such as short or long-term implications of their actions. Small businesses have access to other sources of funding including family and friends, suppliers, finance companies and other sources (SBA, 2012b). Crowdfunding may be a potential means to raise funds for small projects, high-growth startups financed by business angels, and VC funds (Tomboc, 2013). A VC can create value to a business but the magnitude of the success depend on the age of the company, pre vs. post-IPO status and the level of uncertainties (Rosenbusch et al., 2013). Crowdfunding initiatives structured as nonprofit organizations are mostly successful in attracting funding because of community interest instead of the profit motive (Belleflamme et al., 2014; Mollick, 2014). Entrepreneurs can pursue different strategies to achieve similar goals.

Small Business Funding Strategies

The performance implications of innovation in small and medium-sized enterprises have interested academic scholars and practitioners (Rosenbusch, Brinckmann, & Bausch, 2013). Microfinancing is a poverty alleviation strategy in developed and developing countries (Barinaga, 2014). The adaptability to just-do-it strategy, ability to establish and incorporate managerial skill and experience in bootstrapping activities of small business owners affect fundraising strategies (Santiago, Barbosa, Cheng, Reis, & Jamil, 2014). A business owner can obtain an initial debt through SBA guaranteed loans or government grants (Van Auken & Horton, 2015). In the absence of resources and finance availability, business owners can pursue a bootstrapping strategy to fulfill their financial needs (Jayawarna, Jones, & Marlow, 2015). More small business owners are turning to credit cards instead of bank loans for fear of loan application refusal (Federal Reserve System's Small Business Meeting Series, 2010).

The Great Depression and the 2008 Recession resulted in new ways of thinking about economic phenomena (Yellen, 2016), including how to address the financial challenges of small business owners. The risk globalized financial marketplace required sound financial decisions. The financial literacy and perceptions of small business owners, about borrowing process can affect their willingness to borrow (Van Auken & Horton, 2015). The dedication to the strategic business planning of an entrepreneur, fundraising experience, and full disclosure partly influences fundraising types and strategies (Santiago et al., 2014). Many business owners are over-relying on personal resources such as home equity line of credit, personal credit cards, and retirement savings (Bernanke, 2010).

Small business owners with poor perception of the loan application process are favoring bootstrapping techniques over traditional methods (Grichnik, Brinckmann, Singh, & Manigart, 2014). In the same way, bootstrapping method is mostly preferred over personal financial when the funder is unsure about their skill in using personal financing techniques (Van Auken & Horton, 2015). Bootstrapping techniques have proven to be practical to implement in the U.S. (Bates & Robb, 2013). Firms with declining growth, falling institutional ownership, and low stock turnover is more likely to go private in the quest for funding (Mehran & Peristiani, 2010). On the contrary, firms with more and tangible assets probably use trade and business loans, and less liable to use personal credit (Cole & Sokolyk, 2013). Business owners who extensively use bootstrapping techniques boost their short-term profits (Barringer & Ireland, 2010).

Since the early 1960s, the provision of subsidized loans encouraged by the U.S. government has been a poverty alleviation strategy to improve the lives of low-income families (Bates & Robb, 2013). Governments are promoting informal VC, whether crowdfunding is a meaningful alternative to angel finance and VC (Marcus, Malen, & Ellis, 2013; Tomboc, 2013). Venture capitalists raise capital from others while business angels invest their money and at their risk (Mitter, 2012). Some researchers have postulated that VC can bring the resource to increase the performance of a funded business with little evidence to support the findings (Rosenbusch et al., 2013). Few unanswered questions about the role of VC in the financial market exist. Small business owners must create and maintain strong ties with the network for a valuable and unique resource to contribute to success (Li et al., 2015). A business angel can provide capital and add value to a firm by providing personal skills and networks (Mitter, 2012).

Crowdfunding has come to be an acceptable funding option for artist and entrepreneurs to solicit funds across the globe. The unique characteristic of crowd funding is the social network communication channel among a broad geographic dispersion of investors and borrowers (Agrawal, Catalini, & Goldfarb, 2015). Various opinions exist on whether distance contributes to crowdfunding strategy. Distance is not a barrier to using crowdfunding to raise funds (Agrawal et al., 2015). Crowdfunding does not eliminate the social-related frictions (Mollick, 2014). Without financial intermediaries, small business owners can draw small contributions from a large number of individuals using the internet (Belleflamme et al., 2014; Kuppuswamy & Bayus, 2014; Mollick, 2014). Examples of crowdfunding platforms include Grow VC, AngelList, CrowdCube, sellaband, and Kickstarter. Asymmetrical information is a major concern in the crowd-funding market that can lead to a lemons problem (Tomboc, 2013). Scholars have proposed various means to prevent information asymmetrically. Tomboc (2013) suggested the use of reputable systems application, friendship networks, and discussion board to assess start-up quality.

Another fundraising strategy is VC. Venture quality can be a critical factor in fundraising success (Mitter, 2012). One significant difference between business angels and venture capitalist is that venture capitalists raise capital from others while business angels invest their money and at their risk (Mitter, 2012). The benefit of VC on performance is mainly noticeable in the growth of the company and not on profitability (Rosenbusch et al., 2013). Business angels may only help provide funds during the early stage of business set-up. Retaining equity and sharing risk related information could positively affect the funding success. On the contrary, social and intellectual capitals have little influence on fundraising success (Ahlers, Cumming, Gunther, & Schweizer, 2015).

IPO is another means to raise capital to fund a business. Going public is an optional strategy, but the business owner must be ready to accept underpricing issues that signal quality (Banerjee, Gucbilmez, & Pawlina, 2016). Although, VC-backed IPOs experience less financial distress risk after offering compared to non-VC-backed IPOs, companies backed by reputable VCs exhibit higher levels of financial distress risk

(Megginson, Meles, Sampagnaro, & Verdoliva, 2016). An underwriter can use underpricing as a hedge against Section 11 lawsuits, but full disclosure is an effective hedge against the types of lawsuits (Hanley & Hoberg, 2012).

Discrimination in Business Funding

The differences in states' branching restrictions affect lending practices, as banking institutions can expand across state lines limited by branch expansions (Cornaggia et al., 2015). Banking institutions mostly lend money to relatively large informational transparent firms using hard data while small banks use sensitive data on less transparent companies (Berger et al., 2014). Even when the information is available to the public, several banking officials can use non-quantifiable data to reach different borrowing decisions (Wilson, 2015).

Social banking institutions are paying attention to noneconomic criteria to charge below market interest rates for social projects regardless of their worthiness (Cornee & Szafarz, 2013). This strategy encourages borrowers to opt for favorable lending terms, which lower their probability of default (Cornee & Szafarz, 2013). Although, the use of commercial funding reduces the exit rates of new firms, the difference between racial groups is not that significant (Gai & Minniti, 2015). Discriminatory evidence in loan application denial exists among racial minority groups and different access to external and commercial loans (Cheng, 2014). While loan officers do not intentionally discriminate against female business owners, the subjective lending criteria and processes give room for discrimination tendencies (Wilson, 2015).

Every loan program requires, at least, some form of collateral (SBA, 2013). Collateral security is one of the challenges of new business owners in acquiring a business loan to pursue their dreams (Bernanke, 2010). Some racial minority groups in the US have limited access to funding, partly because of the lack of collateral security (Demirguc-Kunt et al., 2013). Minority business enterprises depend on financial institutions for loans than other sources combined (Bates & Robb, 2013). Ethnic minority-owned small businesses mostly use their equity to finance initial operations (Van Auken & Horton, 2015). Black-owned firms are less likely to use personal credit to fund their vision (Cole & Sokolyk, 2013). Compared to African Americans, Latinos, and Asians with the same business characteristics and credit scores, White businesses owners are favored in business loan applications (Gai & Minniti, 2015). The existence of barriers to resource access and higher failure rates are contributing factors for nonexistence entrepreneurial dreams among African Americans instead of lack of business traditions (Gai & Minniti, 2015). The failure rate in business loan application among ethnic minority small business owners is 24% higher compared to White-owned firms (Mijid & Bernasek, 2013a). Minority business enterprises have higher loan applications rejected rate, receive smaller loans, and experience higher loan costs than White borrowers (Bates & Robb, 2013). On the contrary, Gonzalez and Loureiro (2014) explained that business closure rates for ethnic minority entrepreneurs, not as higher than those for White business owners did. This finding does not support the existence of gender bias against certain ethnic minority entrepreneurs.

A relationship exists between sex and business success because gender affects differentials in business survival and growth patterns (Demirguc-Kunt et al., 2013). Reported higher loan denial rates among women compared to men are common (Demirguc-Kunt et al., 2013). Racial or gender discrimination influence small business credit score of would-be borrowers' (Henderson, Herring, Horton, & Thomas, 2015). In the United States, differential treatment of borrowers based on their gender is illegal such as the outlawed differential treatment of female loan applicants. In the line of loan application, male borrowers are favorably treated (Henderson et al., 2015). Compared to their male counterparts, female sole proprietors are likely charged higher point (Wu & Chua, 2012).

That likely explains why women seem to be withdrawing from the financial market than discriminated against by banking institution (Mijid & Bernasek, 2013b). Approved women-owned business loans are likely charged higher interest rates compared to their male counterparts (SBA, 2013; Wu & Chua, 2012). The personal characteristic of a borrower determines the outcome and the age of a loan applicant is a sign of competence. A college-age signals low ability, middle age indicates little competence; but attractiveness has no effect on lending success (Gonzalez & Loureiro, 2014). According to Gonzalez and Loureiro (2014), age and attractiveness influence loan application determination of small business owners. Attractiveness negatively affects applicant success when lender and borrower are of the same gender.

New research in the United States contradicts the notion that traditional bank and lenders discriminate against female borrowers. Female borrowers have better chances of obtaining loans than men (Barasinska & Schafer, 2014). On the other hand, business environmental factors disproportionately affect the decision of women to operate a business. Women tend to pursue low capital-intensive ventures requiring less capital, but those investments have lower growth potential (Demirguc-Kunt et al., 2013). Women-owned businesses are more likely to be constrained financially (Brana, 2013; Presbitero, Rabellotti, & Piras, 2014). An approved female entrepreneurs loans applications are likely charged higher interest rates compared to male-managed counterparts (Brana, 2013; Jennings & Brush, 2013). Not everyone believes in the existence of discriminatory tendencies against female loan applicants. Barasinska and Schafer (2014) asserted that no gender effect exists on the individual chance of the borrower to receive funding. Female entrepreneurs are pursuing low capital-intensive ventures (Demirguc-Kunt et al., 2013). Gender-based explanations are leading to the exaggeration of the self-employment choices by women (Saridakis, Marlow, & Storey, 2014). The gender gap in loan success or failure size increases disproportionately regarding the scale of the project borrower (Agier & Szafarz, 2013b).

The idea that bank lending practices to the ethnic minority are ethical and fair is questionable (Wilson, 2015). Although, most customers of microfinance institutions are female, the subjectivity of the lending approval process affects the confidence level of ethnic minority Black female borrowers and their chances of success (Agier & Szafarz, 2013a). These support the existence of reciprocity in the U.S. financial market (Cornee & Szafarz, 2013). Business lending in the United States is declining, but at a declining rate for small businesses (SBA, 2012b).

The effect of small business lending includes reduced lending quality and confidence level, technical requirement needs and interest in government contracting and entrepreneurship (Federal Reserve System's Small Business Meeting Series, 2010). Among the factors that influence the fundraising ability of start-up firms, the educational background of the applicant has a significant effect on the ability to raise funds by the applicant (Talaia, Pisoni, & Onetti, 2016). Financial institutions are turning to the background of business loan applicant for additional information for decision-making. Government policies should create a fair competition that targets small businesses with certain characteristics and promote the exchange of ideas and social responsibility (Amin et al., 2016). Mikic et al. (2016) noted that small business owners should systematically and holistically develop a business plan to obtain a bank loan. Rostamkalaei and Freel (2016) indicated that small businesses are more disadvantaged than large firm in accessing bank finance because of their information opacity, excessive high monitoring costs, and the relative scarcity of collateral assets.

Transition

Section 1 included the narrative of the financial constraints of small businesses owners in DC metro, which affect their profitability and sustainability. Section 1 also included the foundation and background of the borrowing challenges of small businesses owners in the DC metro area, the problem and purpose statements, the central research question, and interview question. Some of the other issues, I discussed in this section were the nature of the study, definition of terms, the significance of the study, assumptions, limitation, and delimitations of the study.

Section 1 ended with the academic literature review. The issues I identified included conflicting and contradictory ideas in the literature review section and findings and documentation on the topic by various authors. The thematic areas in this literature review were grouped together under broad categories: (a) system functionality theory, (b) U.S. financial environment, (c) small business and economic growth, (d) financial constraints, (e) funding strategies, and (f) discrimination.

In Section 2 of the study, I will restate the purpose statement, discuss the role of the researcher, and provide a description of the research participants and the selection process. In Section 3, I will discuss the findings of the study. The discussion will include the data analysis and the identified themes about the system functionality theory. The section will also included the implications for social change, application to professional practices, recommendations for action, recommendations for further research, my reflections, and a summary and study conclusions.

Section 2: The Project

Section 1 included the foundation and background, the problem and purpose statements, the central research question, and interview question. In Section 2, I will provide a detailed description of the research methodology and design, population and sampling, data collection instruments, and techniques. Section 2 will also include a narrative description of the data collection method and organizational techniques, data analysis techniques, reliability, and validity, followed by a detailed analysis of the empirical evidence tied to the research question and the conceptual framework.

Purpose Statement

The purpose of this qualitative, multiple case study was to explore the financial strategies small business owners in the Washington DC metro area used to gain access to capital to sustain their businesses. The study population consisted of three small business owners in the DC metro area who I selected because they have successfully overcome borrowing constraints and obtained financing to sustain their small businesses. The results of the study may contribute to positive social change including an increasing profit and employment opportunities and enhancing local community economic growth.

Role of the Researcher

Researchers and participants have different roles in the research interview process. The primary function of the researcher is to collect data from appropriate sources (Rubin & Rubin, 2012). In a qualitative study, the researcher serves as the primary instrument for data collection and analysis (Kyvik, 2013). The facilitating role of the interviewer enables and encourages participants to explain their thoughts, feelings, views, and experiences on the topic (Lewis, 2015). The researcher's role includes collecting audio data, transcribing, and managing the interview process to ensure the reliability and validity of the data (see Klassen et al., 2012). It is essential to use suitable techniques and methods such a member checking, triangulation, and providing a quality record to validate the study findings (see Marais, 2012). At the time of the study, I resided in the DC metro area and had no prior knowledge of or relationship with any of the research participants.

A researcher should strive to gain potential participants trust, find common ground, and negotiate conditional access and bounded consent (Neusar, 2014). The active participation of a researcher in a study can help strengthen the response of a participant, aid rapport, and promote empathy (Houghton, Casey, Shaw, & Murphy, 2013; Yin, 2014). I disclosed any possible research-related risk to the interview participants, respected their views, and ensured participants completed the consent forms before the interviews began. My use of a random numeric code for each participant helped preserve the identity of the participant and mitigate bias. Coding is a generic but organized process that categorizes data, based on themes, concepts, or similar features of manageable groups and meaningful interpretation (Mangioni & McKerchar, 2013).

I completed the National Institute of Health web-based training program on how to protect research participants (see Appendix A) and remained compliant with Belmont Report Protocol. It is necessary to reflect on personal actions associated with the interview process (Tufford & Newman, 2012). Separating personal opinions and reporting the response of the participants strengthened the validity of this study (see Yin, 2014). Managing research bias is a significant challenge confronting qualitative researchers using the interview as a data generation method (Roulston & Shelton, 2015). Ensuring validity, reliability, and authenticity during data interpretation can help reduce bias (Street & Ward, 2012). A researcher must be unbiased by a preconceived notion of the situation, be sensitive to conflicting information, and provide a timely response to the conflicting information (Yin, 2014). Another way to ensure a study validity and reliability is taking steps to reduce personal bias (Roulston & Shelton, 2015). Researchers mitigate bias by separating personal experience and feelings and report viewpoints of the participants (Street & Ward, 2012). As an entrepreneur in the retail supermarket business, I mitigated bias by separating my personal experience, knowledge, feelings, and thoughts, and reported the viewpoints of the participants without a preconceived notion.

Researchers should eschew judgment on the length of response time, the use of open-ended and probing questions techniques to demonstrate interest, and encourage participants to share their experience on the topic without reservation (Yin, 2014). An experienced interviewer is sensitive to and tries to observe both the verbal and non verbal clues of the study participants (Bublak, 2013; Denzin, 2012). I asked interview questions, listened, observed, and noted both verbal and nonverbal clues of all research participants and followed-up with questions when necessary. An investigator should have an informed knowledge of the event understudied to reduce information into meaningful data and avoid incorrect analysis (Yin, 2014). My background in business administration will be helpful in reducing the information into meaningful data for analysis. The researcher must be adaptive and flexible throughout the interview process (Merriam, 2014; Pietkiewicz & Smith, 2014). I clearly explained the purpose of the study to the interviewee and provided immediate responses to steered interviewee back to the topic at hand when they strayed from it.

Participants

Consistent with a case study approach, I used a purposive sample type to select three participants for research interviews. The participants included business owners exclusively located in the DC metro area. Personal and business networking was a useful strategy for gaining access to the small business owners within the study area. Only participants who met the required criteria received a written invitation from me to participate the interview process. The selected participants purposefully promoted the broader meanings of the problem statement of the study. Personal judgment is essential in approving recommended participants to the interview based on the review criteria (Leedy & Ormrod, 2013). After each interview, I asked the participant to recommend other business owners in their locality. My assumption was that any business owner unwilling to provide evidence of successful financial record was not qualified to participate in the study.

A researcher may decide whether participants may receive compensation in a study or not (Wang, Noe, & Wang, 2014). In this study, I chose to not compensate the participants. To maintain a cordial working relationship, a researcher must be courteous and respect the choice and decisions of the research participants (Jarvik et al., 2014). Reporting different perspectives of the study participants and exhibiting excellent communication and organizational skills can ensure good working relationships (Musoba, Jacob, & Robinson, 2014). I collaborated with participants and maintained a good interpersonal relationship throughout the interview process.

I collected the data after receiving the approval from Walden University Institutional Review Board (IRB). Upon obtaining the IRB approval, the identified research participants were asked to complete the statement of consent to participate or withdraw voluntarily. Participants could have declined participation before the interview either verbally, with written notice, or both. A unique but randomly selected identifiable numeric code can protect participants identity (Mangioni & McKerchar, 2013). I used an assigned code to identify the participants by location. Fo example, B1LV meant a small business owner in Virginia, while B2LM meant, a small business owner based in Maryland.

Research Method and Design

The qualitative method was appropriate for my aim with this study. In an exploratory qualitative case study, researchers are most likely to use the word *explore* to describe their aims (Gringeri, Barusch, & Cambron, 2013b). The purpose of this qualitative case study was to explore the financial borrowing challenges small business owners are facing in the DC metro area and the successful financial strategies for overcoming those challenges. Qualitative research enables researchers to record accurate observations of personal written and verbal expressions exhibited by individuals and to uncover perceptions held by participants (Denzin, 2012; Newington & Metcalfe, 2014).

The application of the qualitative approach enabled me to interpret the complex financial environment and the diverse meanings expressed by the study participants.

The most appropriate design for this study was a multiple exploratory case study because of the complexity of the constraints and diverse meanings held by the research participants (see Klassen et al., 2012). According to Yin (2014) a case study can be a single or multiple designs. Unlike a single case study, a multiple case study design has an analytical benefit including the opportunity to compare and contrast situations (Yin, 2014). In this multiple case study, I compared the diverse perspectives of the study participants. In an exploratory case study, the researcher conducts in-depth interviews with salient research participants (Singh, 2014). The method is inductive by nature and reflects a post-positivist perspective where individual aspects are a critical component of reality (Pietkiewicz & Smith, 2014). Participants's viewpoints are essential when conducting a qualitative study. A case study researcher should pursue the rigorous exploration of the subjective experiences and social cognitions (Barusch, Gringeri, & George, 2013; Denzin, 2012). I pursued a rigorous exploration of the subjective experiences and social cognitions by holding in-depth interviews with the participants.

Research Method

The choice of research method is valuable to researchers as it has a direct effect on the quality of the findings (Butt, 2010). The type of research question, the extent of control, and the degree of focus determines the type of research method (Yin, 2014). The purpose and type of the research question helped me to select the qualitative method for this study. Qualitative research is not appropriate to answer every research question

(Klassen et al., 2012). In a qualitative study, the interviewer may observe the behavior and attitudes of the participants, give room for multiple realities, and maintain an open mind during the data analysis process (Lewis, 2015; Marshall & Rossman, 2016; Pietkiewicz & Smith, 2014). In this study, my application of open-ended questions and an objective presentation of multiple views of the situation called for a qualitative approach (see Starr, 2014).

The quantitative approach is appropriate when testing theories or using a measuring instrument to establish relation or correlation among variables (Klassen et al., 2012). In the quantitative study, the researcher is concerned with the numerical changes in numerical characteristics of a study population, and use the closed-ended question to illicit response for data analysis (Yin, 2014). In this study, I used open-ended questions to explore the phenomenon, without regard to the numerical characteristics of the data.

The mixed methods approach enables a researcher to draw on the strength of both qualitative and quantitative approaches (Agerfalk, 2013; Punch, 2013). The mixed methods approach is applicable to abstract concepts such as construct latent variables (Punch, 2013). Reconciling conflicting findings can be time-consuming and so the mixed methods approach is not convenient for time-sensitive research (Agerfalk, 2013). The mixed methods approach was not applicable to this study because of time sensitivity, the subjective nature of the constraints, and the absence of abstract concepts such as construct latent variables. The individual nature of financial challenges faced by small business owners requires a qualitative approach.

Research Design

Qualitative research approaches include ethnography, grounded theory, case study, and phenomenology (Moustakas, 1994). Selecting an appropriate design was an essential element of this qualitative study. My in-depth exploration of the situation called for a case study approach (see Yin, 2014), and this was particularly relevant to exploring the financial challenges and successfully strategies to overcoming those challenges.

A case study approach is ideal for the interpretation of broader meanings as expressed by the participants. The case study design is appropriate when the researcher cannot manipulate consistent behavior (Starr, 2014). The understanding of the philosophical and methodological foundations that guide the process is necessary for novice researchers (Pereira, 2012). The philosophical assumption underlying the method justifies the research design. I used the case study approach without manipulating the complex contemporary financial constraints of small business in DC metro area.

A phenomenological design requires the identification and understanding of the philosophical assumptions of the event (Lewis, 2015; Merwe, 2014). The underlying assumptions may appear as abstract concepts that can be convoluting (see Klassen et al., 2012). A phenomenological design involves "*bracketing*" preconceptions and experiences of the study event, which can be daunting (Moustakas, 1994; Pietkiewicz & Smith, 2014; Tufford & Newman, 2012). The phenomenological design was not appropriate for this study because as a small business owner in the DC metro area, I have had a first-hand experience of the financial constraints small businesses owners encounter

. The emphasis to separate personal experience can be a daunting task to a novice researcher.

Ethnography design requires a prolong fieldwork for extensive data collection and a deeper understanding of the cultural systems (Jerolmack & Khan, 2014). The ethnographic research involves initial planning, and exploration of the study setting and scheduled visits. The researcher must seek permission for observation and participation (Moustakas, 1994). In this study, the focus was on a descriptive analysis of multiple experiences outside the cultural systems, making ethnographic design unsuitable.

Sampling size issues in a study can invalidate research findings (Gile, Johnston, & Salganik, 2015). The guiding principle in sampling was the concept of saturation (Emmel, 2015). To justify a study sample size, researchers interview participants until data saturation (Marshall, Cardon, Poddar, & Fontenot, 2013; Morsea et al., 2014). No agreed method of establishing data saturation exists (Emmel, 2015; Fugard & Potts, 2015). I conducted member checking and repeated interviews with the three participants. Researchers need to be adaptive and flexible when dealing with sampling strategy (Marshall et al., 2013). I continued to interview research participants to identify missing facts or until no new theme emerged to achieve saturation (Merwe, 2014; Morsea et al., 2014). The study sample size and the occurrence and understanding of assigned code were useful for ensuring saturation. Drawing multiple perspectives from different locations guaranteed heterogeneity in a population size (Fugard & Potts, 2015). A researcher must separate personal view, desist from hasty generalization and unbiased by preconceived notions (Lewis, 2015; Street & Ward, 2012; Yin, 2014). Bracketing in qualitative research is a method used to reduce effects that may affect the research process (Tufford & Newman, 2012). I resisted hasty generalization and preconceived notion.

Population and Sampling

The population for this study consisted of three small business owners in the DC metro area of United States. About 28.2 million small businesses existed in the United States in 2011 (SBA, 2012b). Lacking accurate sample size information may hurt the creditability of research conclusions (Newington & Metcalfe, 2014; Westland, 2012). An unnecessarily large sample size can raise ethical concerns in a study (Emerson, 2015). According to Dworkin (2012), a small sample size is ideal for qualitative study. I used a sample size of three participants for this qualitative study. A convenience size can reduce bias and result in an in-depth exploration of the situation (Bernard, 2013; Draper & Swift, 2012; Fugard & Potts, 2015; Gile et al., 2015). I preestablished a sample size based on convenience instead of theoretical saturation.

Researchers reach data saturation by repeatedly interviewing participants until no new themes emerge (Emmel, 2015; Fusch & Ness, 2015; Merwe, 2014). To reach data saturation, I continued to interview participants until no new information emerged. The researcher technique shall ensure the relevance of the sample population to improve validity (Fugard & Potts, 2015; Suri, 2013). In this study, I used the purposive sampling techniques. Bublak (2013) used a purposive sample to explore reasons why contracting officers in the United States do not award a higher percentage of overseas federal contracts to small businesses using preselected sampling criteria. Bublak explained that purposeful sampling is a non-probability sampling that helps ensure appropriate representation of the population pool and homogeneity. Patton (1990) frequently cited in purposeful sampling literature, identified different purposeful sampling techniques. One of the techniques was criterion-sampling technique. Using criterion-sampling technique, researchers interview participants who meet certain already established criteria (Gile et al., 2015; Patton, 1990; Suri, 2013). The sampling method for this qualitative multiple - case study was criterion sampling. I preestablished that small business owners with businesses in the metro area with not more than 500 employees can participate. The targeted research participants were exclusively from the Washington DC metro area. I consulted the Washington DC SBA resource guide for a list of small businesses in the metro area. Identified potential small businesses that meet the research criteria, and select at least 18-years old business owner with an informed understanding of the situation and capable of articulating their experience to participate in the study. The requirements for participation were on the consent form. The participants reviewed the consent form before the interview date and signed the form in my presence.

Ethical Research

The prevailing ethical regulation in contemporary research requires a fair treatment of research participants (Musoba et al., 2014). After obtaining the Walden University IRB approval, I requested research participants to complete the statement of consent form. In the consent form, I explained the content, nature, purpose, the significance of the study, and advised participants about their right to decline participation and the withdrawal process. Participants could have withdrawn before the interview began by either verbal or written notice. Participants received a copy of the statement of consent form by e-mail, to review and complete without signing. The intent was to provide participants the opportunity to make an informed decision without feeling pressured to participate.

I located a suitable meeting site before each interview began, ensured an informed representation of the interview participants, and followed the interview protocol (see Appendix B). Participants signed the completed statement of consent to participant in my presence. I kept the signed consent form and explained to participants the duration of the process, their right to withdraw, and any associated risk with the interview process (see Appendix C).

Participants provided their contract information upon request and received no incentive for participation. Before the interview, I noted the date, time, the title of the interviewee, and the already assigned code. I abided by the Walden University research guidelines regarding the use of human participation in the study and applied ethics throughout the research process (see Herron & Skinner, 2013). The research participants did not include minors, children, or the mentally challenged. I audio-recorded the interviews and reviewed instantly for accuracy and reflection of intentions of the research participants.

Qualitative scholars have devoted less attention to the ethical issues such as confidentiality standards in research (Damianakis & Woodford, 2012). In a research, it is essential to be mindful of the study effect on those involved while simultaneously being ethically sensitive and morally competent (Houghton et al., 2013). I assured participants of their privacy, paid particular attention to what happened in the interview process, and protected the privacy of the research participants (Southgate & Shying, 2014). Damianakis and Woodford (2012) noted that ethical confidentiality is a matter of concern to researchers. The responses of the participants and their organizations remained confidential.

The final doctoral manuscript includes the school IRB approval number 03-23-17-0393540. A hard copy data from the interview transcript was stored in a file cabinet under lock while the electronic files saved on a computer hard drive, and an external hard drive protected with a password. I tested and verify the backup on the secondary storage regularly. After 5 year duration, I will delete the electronic data and shred the stored hard paper. Each participant will receive a copy of the study results within a week of completion of this study.

Data Collection Instruments

Data collection process involves a series of activities including gaining permission, conducting sampling strategies, recording and storing the data, and expecting ethical issues that may arise (Karikoski, 2012). According to Moustakas (1994), the researcher is the primary research instrument in qualitative research. Leedy and Ormrod (2013) noted that researchers mostly create a data collection instrument or reuse an already designed instrument. The data collection tools were iPhone 7 Plus digital voice recorder and Livescribe 3 smartpen. I used iPhone 7 Plus recorder and Livescribe 3 smartpen to transcript opinions of the participants. The iPhone and smartpen have an advantage over other audio recorders such as Olympus Digital Voice Recorder WS852 and Dictaphone MP3 Audio Voice Recorder because of the software capability and the ability to compress large data into a single file. The Livescribe 3 smartpen can pair with other smartphone applications, convert written letters to words, organized, tagged, and make the data searchable.

The Olympus Digital Voice Recorder WS852 and Dictaphone MP3 Audio Voice Recorder have inbuilt microphone designed for professional recordings but expensive. I elicited responses to a series of open-ended questions, followed-up with probing issues to support the core question (see Appendix D). I applied a combination of creative data collection technique. The data gathering included interviewing and recording the response of participants during the 45 minutes interview.

A researcher should create conditions for the interviewee to feel comfortable and reflect upon the issues after the interview (Pietkiewicz & Smith, 2014). To ensure participants feel comfortable, I conducted the interview at a quiet place and assured respondents of their confidentiality. Engagement with interview participants, member checking, and quality recording of the interview can ensure reliability and validity (Marais, 2012; Marshall & Rossman, 2016). I reviewed the interview transcript for accuracy, reflect on participant's intentions, and conducted member checking by requesting participants to validate the response via email. Participants had a week to ensure the accurate interpretation of the responses.

Data Collection Technique

The face-to-face in-depth interview involved one participant at a time. In a qualitative semistructured interview, the researcher can ask the interview questions in a timely order (Pietkiewicz & Smith, 2014). The interview process can be flexible instead of relying solely on predetermined questions (Lewis, 2015; Rubin & Rubin, 2012). In this study, the semistructured interview questions did not follow a particular order. The strategy helped me maintain a long-lasting relationship throughout the interview process. Open-ended questions enable participants to provide a detailed description of their financial experience followed with probing questions for details (Roulston, 2014). During the interview, I listened carefully and asked additional questions for clarification while observing non verbal clues of the participants. The idea was to understand participants' points of view based on their experience.

I confirmed the availability of each interviewee in advance and scheduled the date and time based on their availability. After meeting the participant at an agreed location, each participant signed and returned the consent form, and received a briefing about the purpose of the interview and significance of the study, the estimated time for completion, and expected protocol. The flexible interview process lasted between 35 to 45 minutes depending on how participants answered the questions. Some open-ended questions required additional or follow-up questions. The interview questions were semistructured to uncover viewpoints of the participants on their financial strategies.

The data collection tools included the interview template and iPhone 7 Plus digital voice recorder and Livescribe 3 smartpen. I used handwritten notes and personal observations to support the audio recorder. The data collection techniques included the audio recording, handwritten notes, and detailed comments. The observation techniques enable a view of a real live event rather than depending solely on hearing (Leedy &

Ormrod, 2013). The interview process can be time-consuming and could be intrusive to the respondent (Rubin & Rubin, 2012). To make the process less intrusive, I conducted the interview at a quiet location and ensured the confidentiality of the identity of participants. Document review is unconstructive and less expensive to substantiate issues from other sources (Lewis, 2015). Collecting additional information from other sources of the company can ensure methodological traingulation (Yin, 2014)

I concluded the interview by thanking each respondent and requested permission for follow-up information when necessary. Comparing handwritten notes with the audio recorded data ensured triangulation. I re-listened to the audio-recorded data over an extended period for reflection and understanding. Member checking is a participant validation technique that can help improve the reliability of information gathered for a study (Mero-Jaffe, 2011). Harper and Cole (2012) described member checking as a quality control measure that encourages interview participants to provide feedback. I used member checking to verify the accuracy of information from the participants. After paraphrasing the interview transcript, participants had the opportunity to validate their response via a follow-up e-mail. Participants were provided 24 hours to ensure the accurate interpretation of the responses.

Data Organization Technique

The information obtained from participants enabled me to organize the findings from themes and topics and drew out key issues by participants. I created a research log in the form of a matrix based on the themes and structure. A matrix is a spreadsheet containing several cells into which summarized data in columns and rows (Gale, Heath, Cameron, Rashid, & Redwood, 2013). Excel spreadsheet includes the plurality of theme in a breakdown structure. I separated each theme and the corresponding section of columns on the Excel spreadsheet and stored the paper copy in a file cabinet. The electronic data was password protected and the hard copy under lock to be protected for the 5-year duration. Separating themes was helpful for the collection of an in-depth and multiple data forms that identified the complexity of the case for analysis.

Data Analysis

Comparing and contrasting data was relevant to the qualitative data analysis. Data analysis technique includes analyzing the data across the theme, as well as within thematic area (Leedy & Ormrod, 2013). Data analysis is not off-the-shelf manageable to suit a particular situation (Miles, Huberman, & Saldana, 2013). The researcher must be adaptive and flexible in combining strategies that generate and organize themes in the data analysis process (Leedy & Ormrod, 2013). Qualitative researchers mostly assign a descriptive label to the excerpts of the raw data (Gale et al., 2013). The data analysis process included preparation and organization of the data for comprehensive analysis. I read the transcript, identified new associations, and articulated the details by listening to the audio-recorded transcript repeatedly (Leedy & Ormrod, 2013). I highlighted and examined remarkable statements, and organized phrases into concepts that clustered together using the words of the participants. The data analysis helped provide larger meanings to the codes (Mangioni & McKerchar, 2013; Pietkiewicz & Smith, 2014).

One principle reason accounting for bias in the qualitative study is over-trusting the data and inappropriate generalizing of the study results (Neusar, 2014). The computer-aided analytical tools are making data analysis processes meaningful (Klassen et al., 2012). A qualitative researcher needs an in-depth understanding of the event for exploratory analysis (Silverman, 2013). A data analysis technique that compares between and within themes is appropriate for the thematic analysis of semistructured interview transcripts (Gale et al., 2013; Mangioni & McKerchar, 2013). Nvivo is Qualitative Data Analysis (QDA) computer software that can improve the quality of a study by reducing most manual tasks, discovering tendencies, recognizing themes, and deriving conclusions (Hilal & Alabri, 2013). The decision to use a particular type of a qualitative data analysis tool depends on the size of the data, the competence of the researcher in data interpretation and the level of engagement (Sotiriadou, Brouwers, & Le, 2014). NVivo was flexible than other software package and ideal for thematic analysis (Basak, 2015). I was confident about Nvivo due to the size of the data and the need to compares between and within themes.

I used and applied NVivo 11 Plus software instead of MAXQDA or Hyper RESEARCH to stored, organized and digitally tracked the assigned codes. MAXQDA and HyperRESEARCH do not provide the same type of functionality as NVivo (Basak, 2015). Unlike Nvivo, HyperResearch is with fewer shortcuts and a limited way of initiating actions (Department of Sociology, University of Surrey, 2016). The unit of analysis is the case and not the file, resulting in slow auto coding (Department of Sociology, University of Surrey, 2016). One significantly advantage of MAXQDA is the ability to collaborate different projects, share work and resources, but the search function can be clunky for complex data (Schmieder, 2014).

NVivo 11 Plus software has the capability to import and analyze documents, and review coding with coding stripes and highlights (Basak, 2015). The hierarchical visualizations, mind maps, and comparison diagrams feature help in data analysis (Hilal & Alabri, *2*013). I used the themes associated with each code to identify commonalities of the constraints and successful strategies used by the small business owner. NVivo 11 Plus software is adaptable and easily obtained in the U.S. market. Representation of findings followed the data interpretation structure. I drew up a list of themes, indicating clustering and hierarchy, and discarded weaker themes.

Reliability and Validity

Validity and reliability require careful attention in both qualitative and quantitative study (Denzin, 2012; MacKenzie). Qualitative researchers mostly seek to provide an understanding of the human situation, and not merely to generalize ideas (Elo et al., 2014). There are no criteria standards for judging rigor in a qualitative study (Barusch et al., 2013; Goffin, Raja, Claes, Szwejckzewski, & Martinez, 2012; Lincoln & Guba, 1985). Researchers use multiple strategies to ensure rigor (Ali & Yusof, 2012). A detailed description of data instrument and gathering processes, coding techniques, and analysis, and proper presentation technique provides rigor (Mangioni & McKerchar, 2013; Singh, 2014; Srivastava & Misra, 2014). I ensured the application of rigor to the data by listening, recording, and transcribing interview notes and comparing information provided by participants.

Reliability

Research reliability mostly focuses on replication of findings and trustworthiness of the study results (Ali & Yusof, 2012; Marshall & Rossman, 2016). The case study research should follow a systematic procedure (Yin, 2014). A detailed and thorough description of the data collection and analysis process can help to identify associations during interpretations (Ali & Yusof, 2012; Barusch et al., 2013; Fugard & Potts, 2015). In this study, reliability also means the application of data analysis and procedure techniques that ensure replication of study finding to similar conditions (Barusch et al., 2013). The data collection procedures, coding techniques, and analysis can improve reliability in a study (Barusch et al., 2013; Mangioni & McKerchar, 2013). I provided a detailed description of the data instrument, data gathering, and coding techniques.

Dependability. In a qualitative study, the researcher should address dependability issues that can lead to false research findings (Lishner, 2015). Qualitative researchers address dependability by conducting member checking, triangulation, and transcript review (Fusch & Ness, 2015; Marias, 2012; Merwe, 2014). Lishner recommended dependability practices, including the application of direct study replication and adaptation, and the promotion of truth-seeking mindset. I ensured dependability by conducting member checking and transcript reviews.

Validity

Validity refers to the degree to which a measuring instrument measure what it predicted to measure (MacKenzie et al., 2016; Oluwatayo, 2012). In a qualitative study, the validity techniques should be well-stated (MacKenzie et al., 2016). To ensure reliability and validity in a study, a researcher should establish the element of creditability, dependability, confirmability, and transferability (Cope, 2014; Elo et al., 2014; Houghton et al., 2013). Validity includes creditability, confirmability, and transferability.

Creditability. Creditability is a critical element in a qualitative study. Different means to confirm the creditability of a study include member checking and participant transcript review (Harper & Cole, 2012). The researcher should not only apply appropriate research design and data collection strategies but should also ensure the authenticity of the findings (Singh, 2014). One way of ensuring creditability is by scrutinizing every phase of the data analysis process, including the preparation, organization, and reporting of the results (Elo et al., 2014). In a qualitative study, the researcher should pursue rigorous data gathering and analysis techniques (Goffin et al., 2012; Mangioni & McKerchar, 2013). It is ethical to remain truthful to the study participants (Ali & Yusof, 2012). During the interview, I was objective in my dealing with interview participants and asked follow-up questions only when necessary. Qualitative researcher mostly provides the opportunity for the interviewee to review their statements for accuracy (Dworkin, 2012; Harper & Cole, 2012). Avoiding bias, providing an extensive description of the study event and collaborating interviewees opinions with other data sources could enhance creditability (Tufford & Newman, 2012). One way of avoiding bias is remaining transparent throughout the study (Elo et al., 2014; Singh, 2014). Creditability issues can influence the validity of a qualitative study (Munn, Porritt, Lockwood, Aromataris, & Pearson, 2014). The concepts of creditability in a qualitative study are similar to internal validity in a quantitative study (Munn et al., 2014). Applying data analysis software such as NVivo or Hyper RESEARCH can help track assigned codes in a study. A researcher can conduct member checking and ensure participants confirm their interview responses (Fusch & Ness, 2015; Marias, 2012; Merwe, 2014). A researcher may use triangulation to measure the validity of a qualitative study (Bekhet & Zauszniewski, 2012; Munn, 2014). The use of multiple evidence to contradict or confirm the accurate interpretation of participants' experience can assure triangulation in qualitative research (Marshall & Rossman, 2016; Singh, 2014; Woodside, 2015).

Confirmability. In a qualitative study, researchers are concerned with inconsistencies. Researchers seek evidence to confirm or contradict the observations and conclusions (Bernard, 2013). When a researcher provides an extensive description of a study event, unexpected conclusions are undeniable (Government Accountability Office, 1990). In most studies, participants have the opportunity to review their statements for accuracy and confirmation (Dworkin, 2012; Harper & Cole, 2012; Merwe, 2014). To confirm the conclusion, researchers identify alternative explanations, lay out the chain of reasoning, and states which conclusions confirm the evidence (Lewis, 2015). I observed participants during the interview and asked interviewees probing questions when necessary. The interview questions provided participants the opportunity to describe the situation, transcribed in words of the participants. I ensured the stability of the data by comparing the handwritten notes with the audio recording and other data source for triangulation, and identified patterns and explicitly stated opinions to establish patterns. The research is confirmed when the pattern fits (Woodside, 2015).

Transferability. Researchers are concerned about the ability to enable others to generalize the study finding to another setting (Goffin et al., 2012). Transferability includes generalization of the study findings to persons other than the original study population (Grossoehme, 2014). The criteria for selecting research participants, data collection and analysis, and the interpretation of the findings must encourage replications that arrive at the same conclusion, irrespective of location (Singh, 2014). A researcher must ensure the same result is observable in a different context (Burchett, Mayhew, Lavis, & Dobrow, 2013). A thorough description of the data collection and analysis process is necessary to identify associations and interpretations (Barusch et al., 2013). I ensured that results were observable in a different context by presenting a rich description of the viewpoint of the participants.

Data Saturation. Reaching saturation ensures that these elements are observable in the study findings (Cope, 2014). Researchers mostly ensure data saturation by continuously interviewing participants until the themes are exhausted, and no new themes emerge (Marias, 2012; Merwe, 2014; Poghosyan et al., 2013). I ensured data saturation by continuing to interview research participants until no new themes or information emerged. Complete member checking is a sign of data saturation (Merwe, 2014). I checked the data for accuracy and consistency with the research method and audited the research process while following the directives of the doctoral study committee members of Walden University.

Transition and Summary

Section 2 of the study included the purpose statement, the role of the researcher, research participants, research method and design, population and sampling, ethical issues, data collection instrument, data collection and organization techniques, and data analysis. I concluded section 2 with the reliability and validity of the study.

In Section 3, I will present the study findings based on the results of the analysis of the data provided by participants, the application for professional practices, and implications for social change. I will also make recommendations for a future study and conclusion.

Section 3: Application to Professional Practice and Implications for Change

Introduction

The purpose of this qualitative, multiple case study was to explore the financial strategies small business owners in the Washington DC metro area used to gain access to capital to sustain their businesses. Three small business owners participated in this study and provided me with the data to answer my research question. Based on the participants' responses to the interview questions, I identified six themes: (a) credit cards, (b) family and friends, (c) own financing, (d) bank financing, (e) crowdfunding, and (f) government grants and loans. The study findings confirmed that small business owners gained access to capital through both external and internal sources of funding. Section 3 will comprise of a presentation of the findings, applications to professional practice, implications for social change, my recommendations for action and further research, my reflections, and a conclusion.

Presentation of the Findings

The overarching research question for this study was: What financial strategies do small business owners in the DC metro area use to gain access to capital to sustain their businesses?. Researchers have demonstrated that access to adequate financial capital could result in the superior performance of small businesses (Ibrahim & Shariff, 2016). Small business owners face the unique challenge of choosing the source of financing (Mikic, Novoselec, & Primorac, 2016). In the following subsections, I will present the six themes that emerged from my thematic analysis of the participants' responses to the interview questions.

Theme 1: Credit Cards

Small business owners use credit cards to gain access to capital (Federal Reserve System's Small Business Meeting Series, 2010). Hoang and Otake (2014) reported that small business owners are increasingly using credit card debt to gain access to capital because credit cards offer instant borrowing and enable them to create higher value by moving investment opportunities from the future to the present. Mikic et al. (2016) opined that small business owners incur personal debt through the use of credit cards to gain access to capital for sustain their businesses. Two of the research participants echoed Mikic et al.'s opinion, attesting that they used credit cards to access money to support their activities.

Participants B1LV's and B3LD's responses to Interview Questions 1 and 3 indicated that small business owners use credit cards, which is a financial strategy. In response to Interview Question 1, B1LV said, "I made sure all my credit cards were paid off. The computers, we bought them but put them on the credit card. I extended my credit card line and put everything else on the credit card." Responding to Interview Question 3, B3LD stated, "Once a small business has achieved a record of accomplishment of business success, lines of credit are available for a short-term cash issue." B1LV's and B3LD's statements are consistent with the findings of Mikic et al. (2016) and Hoang and Otake (2014), who reported that small business owners use credit cards to gain access to finance.

Theme 2: Family and Friends

Small business owners primarily rely on informal sources of finance from friends and family (Khan, 2015; Kumar & Rao, 2015). Mikic et al. (2016) reported that informal investors from family and friends are a source of financing available to entrepreneurs. Small business owners prefer to borrow from family and friends because of the detachment of a high-interest rate and their noninterference in doing things (Mikic et al., 2016). Daskalakis, Jarvis, and Schizas (2013) indicated that most small business owners' first choice of financing for their investment is to raise new funds from their family. Two of the participants confirmed sourcing funding from family and friends.

Interview Questions 3 and 5 explored the funding options and financial strategies small business owners used to access capital. The informal source of finance from family and friends is one of thed sources of finance available to business small owners to obtain capital (Khan, 2015; Mikic et al., 2016). B2LM's and B1LV's responses to Interview Questions 2, 3, 5, and 6 showed that research participants obtained financial assistance from family and friends. In response to Interview Question 2, B2LM stated, "The other thing is taking the effort to borrow from family, relatives, and friends" and "Personally, I advertised to other people about the type of business, and this allowed these people to lend me some funds of which I paid back." Responding to Interview Question 3, B1LV said, "There are also private investors out there, and there are family and friends."

In response to Interview Question 5, B2LM stated, "You need to have knowledge about the source of funding and financially putting your house in order so that financial institution, family members, government, or any financial institution can provide the support." Responding to Interview Question 6, B2LM said,

> Although the financial institutions are available for assistance, you will need to put your personal finances history in good shape before making any efforts to obtain funding. The other sources such as the federal government, friends, and family members if available to the business owner can be a good starting point.

Participant B3LD's response to Interview Question 5 noted small business owners needed to have good financial performance history, efficient management of growth and expenditures, and proper evaluation of value creation of spendings. All the participants' responses to Interview Question 2 were echoed by the study of Leoveanu (2016) and Vasilescu (2014), who stated that small firm owners' development of a good business plan is crucial in successful access to capital.

Theme 3: Own Financing

Small business owners rely on their retained earnings and internal funds (Khan, 2015; Kumar & Rao, 2015). Most entrepreneurs launch businesses with personal property, in particular, the savings acquired over the years (Mikic et al., 2016). The theme of own financing emerged from Interview Questions 2 and 3. Two of the participants indicated they used their personal finance to access capital to sustain their business. B2LM stated, "I used my own finance as a seed. A couple of years ago, I prepared myself in advance and was able to save the seed within a couple of years," and "One of the options available is your own personal savings set aside." B1LV said, "If you do have money in your retirement plan … your retirement plan must go into an investment fund," BILV also added "If you create the proper planning on that, you can use the funds from your retirement and keep a 100% of it for investment into your business venture."

The participants' responses to the interview questions aligned with Mikic et al.'s (2016) statement that small business owners use personal funds to finance their business. The participants indicated that they started their business with their resources including home equity, a line of credit, personal credit cards, and retirement savings. Responding to Interview Question 3, participant B3LD said, "In our company, we strive to reduce cost and thereby avoid the need for borrowing or dependence on external funding".

Theme 4: Bank Financing

Mills and McCarthy (2014) opined that bank credit is a vital lifeline for small businesses. Banks are the primary provider of external finance for small businesses (Rostamkalaei & Freel, 2016; Talbot, Mac an Bhaird, & Whittam, 2015; Vasilescu, 2014). The most important source of finance for small businesses is external sources, involving bank overdrafts and bank loans (Vasilescu & Tudor, 2015). Bates and Robb (2016) noted the importance of small business owners having access to bank loans because banks account for over 90% of small business debt financing and make up more than a combination of all other financial sources.

The theme of bank financing emerged from Interview Questions 2, 3, 5, and 6. In response to Interview Question 2, B2LM stated, "I withdrew some funds from my Thrift Saving Plan (TSP) and used my property as collateral to secure a little bank loan." The participants indicated the constraints of providing collateral for securing bank loans. Responding to Interview Question 3, B2LM said, "There is no free money, so you will need to provide collateral to secure a loan from the financial institutions." In response to

Interview Question 5, B2LM stated, "The most effective strategy is the obtain collateral in advance so to be able to borrow from the bank or financial institutions." Responding to Interview Question 6, B2LM advised, "Although the financial institutions are available for assistance, you will need to put your personal finances history in good shape before making any efforts to obtain funding."

The most common and frequently used source of external financing for small businesses is bank loans (Belanova, 2015; Kumar & Rao, 2015, 2016; Mikic et al., 2016). However, Czemiel-Grzybowska (2013) reported that small business owners to a large extend use bank financing than medium and large companies. Orobia, Byabashaija, Munene, Sejjaaka, and Musinguzi (2013) posited that small business owners do not understand working capital management because they do not have separation of ownership and management controls and lack formal systems, structures, and procedures. Small business owners use their business skills and social context to manage their business (Orobia et al., 2013). Small business owners could use working capital management as a financial strategy to improve profitability and sustain the growth of their businesses (Attom, 2016).

Small businesses are at a greater disadvantage and face many difficulties compared to large enterprises when seeking to obtain financial assistance from the bank (Belanova, 2015; Czemiel-Grzybowska, 2013; Egwakhe & Kabasha, 2016). Banks and other traditional financial institutions may assume that small businesses pose a greater risk than large firms and respond by charging higher interest rates (Belanová, 2015). Hoang and Otake (2014) reported that 75% small business owners attempted to obtain bank loans, but 30% of them were satisfied. Eighty-six percent of small business owners sought for bank loans, overdrafts, or mortgages (Lee & Drever, 2014). Bank loans are historically critical for the sustainability of small businesses (Mills & McCarthy, 2014). Vasilescu and Tudor (2015) posited that most small business owners rely on debt financing by banks.

Theme 5: Crowdfunding

An alternative and new source of capital to traditional VC investment which small business owners could use to gain access to capital is crowdfunding (Belanova, 2015; Kumar & Rao, 2015). According to Shinozaki (2014), crowdfunding is an approach where individuals lend to each other or small businesses through specialized lending websites that recorded an annual growth rate of 81% in 2012. The four types of crowdfunding are donation based, reward based, lending based, and equity-based (Belanová, 2015). The U.S. Jumpstart Our Business Startups Act 2012 provides the legal support for small entrepreneurs to use crowdfunding to access capital through online and social media (Shinozaki, 2014).

The theme crowdfunding emerged from Interview Question 3. Participant B3LD stated, “In the long term, the borrow can either pursue crowdfunding or venture capital, especially when the borrower has sustained the first few years of operation.” The participant’s response aligned with Belanova (2015) and Kumar and Rao (2015) who stated that small firm owners could use crowdfunding to access capital to finance their business.

Theme 6: Government Grants and Loans

Daskalakis et al. (2013) posited that small firm owners lack knowledge on grant financing and co-financed programs. Because of the informational gap, small business owners should be better educated and inspired to participate in government subsidies (Daskalakis et al., 2013). Butler, Galassi, and Ruffo (2016) indicated that government improved small business activities through the provision of funding and technical assistance to entrepreneurs. The theme government grants and loans emerged from Interview Questions 3, 4, 5, and 6. In response to Interview Question 3, B2LM said, “The local government and the federal government provides sources of assistance such as grants and loans that need to be paid back.” Responding to Interview Question 3, B1LV stated,

> There is small business administration (SBA) quarantine loan for minority and as well as non minority. It is easy for minority or woman to get SBA loan, but anybody can have SBA loan if you have a proper plan and a couple of year of experience in the business you are starting.

In response to Interview Question 4, B3LD advised the government to review financing legislations and stated, “The most critical thing that the Government could do to help small businesses with funding issues is to revise the rules governing capital expenditures and borrowing regulation.” Responding to Interview Question 4, B2LM stated, “Some local communities can provide a grant, tax credit, and other opportunities that allow small business owners to showcase their activities and the community to highlight their needs.” B1LV said,

> The government can give as many funds as they want to the people because the

> government is taxing everybody and collecting money. Some people cannot get loans from the banks and other people so the government should assist them. However, the government needs to invest money in educating the start-up business or small businesses, so it minimizes their chances of their failure. More government guaranteed loans available to small businesses will be very helpful.

B1LV advised the government to "give tax credit and incentives to allow small business owners to carry back the losses to recover what they have already paid for because they are using the funds as after-tax money." On further explanation, B1LV stated, "The government should give your tax credit with those losses and allow it to be carried back and also should educate you before they provide the loans, and have you meet a certain educational requirement." The participants' responses aligned with Butler et al. (2016) that government could provide funding and technical assistance to small business owners.

In response to Interview Question 5, B2LM stated, "You need to have knowledge about the source of funding, and financially putting your house in order so that … the government can provide the support." Responding to Interview Question 5, B1LV advised small business owners to develop good business plan, and said, "The best strategy is the proper plan and assuring people what is in for them." In response to Interview Question 6, B2LM opined,

> Although the financial institutions are available for assistance, you will need to put your personal finances history in good shape before making any efforts to

obtain fundings. The other sources such as the federal government, friends, and family members if available to the business owner can be a good starting point.

Systems functionality theory postulated by Anokhin in 1935 was the conceptual framework for this study. The findings indicated that small business owners could achieve common purpose through harmonious interaction of system components. In a financial systems, an entrepreneurial network collaboration and shared vision is required to solving a shared challenge and achieving a common purpose. Kumar and Rao (2015) posited that informal funding is more prevalent among small business owners than formal funding. As applied in this study, business owners, financial institutions, and government should collaborate to achieve a common goal. All participants confirmed the systems functionality theory relating to collaboration with family and friends, banks, and government to gain access to capital to sustain their business.

Egiazaryan and Sudakov (2007) opined that systems functionality theory is an element of the general theory systems. Bzdok et al. (2013) demonstrated that U.S. financial environment function in a diverse manner which interact and integrate different systems into a cohesive experience to achieve a common purpose. Van Beurden et al. (2013) opined that systems functionality theory could help financial experts to identify appropriate actions that are essential to the growth and sustainability of the financial sector. As applied to this study, all participants responses echoed Bzdok et al.'s statement on the need for financial institutions and entrepreneurs to function as a system to achieve their common objectives.

Weichhart and Wachholder (2014) stated that interaction between components of a system helps to identify and eliminate barriers to overcome challenges and reach the goal of the system. Fiksel et al. (2014) advised small business owners to use the systematic approach in solving their financial constraints. Bzdok et al. (2013) posited that small business owners could link information across diverse systems to achieve a common purpose. As applied in this study, all participants attested to use of diversified means to gain access to funds to grow and sustain their business.

Applications to Professional Practice

Identifying the financial strategies small business owners use to get access to capital is crucial to the growth and sustainability of small firms, and economic development of a country. Khan (2015) identified three major financial sources that SMEs use to access to capital to sustain their businesses. The funding sources include: (a) formal sources from banks and nonbanks financial institution; (b) retained earnings, internal funds, and equity; and (c) informal sources from friends and family, credit from a supplier, and advances from customers. The findings from the study could contribute to information sharing, collaboration, and teamwork among small business owners seeking funding assistance.

Small business owners prefer internal sources of fund to external sources (Kumar & Rao, 2015). Lee and Drever (2014) posited that firms in deprived areas might perceive access to finance is a problem but opined that geographic disparity does not influence small business owners' access to capital. Based on the study findings, the most significant contribution to professional practice may be the identification of potential financial constraints and strategies small business owners face and use to gain access to capital to sustain their business. New entrepreneurs may use the findings of study in their fundraising plans.

The participants' responses align with Leoveanu (2016) on two basic forms of financing small businesses - internal and external sources. Leoveanu (2016) and Vasilescu (2014) outlined some the constraints that small business owners face many while sourcing for funds. The limitations are (a) nature of business, (b) lack of collateral or capital, (c) lack of standardized or comprehensive financial data, (d) poorly developed business plan, and (e) low profitability. Others include (a) information asymmetries, (b) transaction costs, (c) institutional and legal frameworks, and (d) poor business skills and literacy. All the participants attested experiencing most of the constraints, which hindered their access to capital. The findings may help potential business owners become conversant with the potential factor that may affect their access to funding and adequately prepare in advance. Mikic et al. (2016) reported the 85% of small business owners did not know or did not fully understand the details of accessing capital from business angels and venture capital funds. An indication that financial education is necessary for small business owners to succede in their quest for funding. Mills and McCarthy (2014) posited that banks lend to small businesses but are having trouble finding creditworthy borrowers. Study findings may assist new and emerging small business owners to bridge the knowledge gap on available sources of funds to grow and sustain their business.

Adequate access to finance is crucial for small firms' survival and growth, but small business owners face a major problem of having access to finance (Shinozaki, 2014; Vasilescu, 2014). All respondents acknowledged experiencing poor access to finance to sustain their businesses. Talbot et al. (2015) posited that small firm owners experience difficulty in obtaining adequate funding from external sources. Small business owners might use the findings of this study to identify factors that affect their access to financing from the financial institutions and best practices. Research participants recommended intervention of the government regarding tax credit and incentives, grants and loans, and technical assistance and training would improve access to capital and minimize their chances of failure. Policy makers interested in small business financing may use this information in policy decision making.

Implications for Social Change

The major obstacle small business owners face is easy access to suitable and sufficient means of finance (El-Said, Al-Said, & Zaki, 2015). Access to finance can improve small business productivity and profitability (El-Said et al., 2015). As illustrated in my study findings, the access to adequate funds might assist small business owners to sustain their business and continue to provide job opportunities to their communities.

The study findings contribute to social change by helping small business owners to understand the financial challenges small firms face in the DC areas and gain adequate knowledge to develop successful strategies to overcome the problems. With improved knowledge, small business owners have better chances of having access to capital to grow and sustain their business. With the improved profitability and expansion of business operations, the small business owners could create more job opportunities for the local community and contribute to the economic growth in the community.

The small business will pay more tax which the community leaders could use to provide social amenities such as schools, health centers, and libraries to the community. The small businesses will be able to perform their corporate social responsibilities and assist the communities leaders with the building of infrastructures such as hospitals, roads, and housing for the local communities. The general public might learn from the financial strategies small business owners use to grow and sustain their business.

Recommendations for Action

Access to capital is crucial to the growth and sustainability of small businesses. Small business owners should explore new sources of gaining access to capital to decrease dependence on bank finance (Kumar & Rao, 2016). Banks and other financial institutions should encourage and promote small business development through the development of comprehensive framework containing specific requirements for eligibility, a procedure for application and approval of loans (Ahmad & Muhammad-Arif, 2015). I recommend that small business owners explore new financial strategies to gain access to capital to sustain their business.

Small business owners face strict financial regulations while attempting to source for adequate funds to grow and maintain their business. Policymakers should monitor important indicators that limit small business owners' access to capital to generate data that would be useful to public authorities, investors, and creditors (Czemiel-Grzybowska, 2013). Policymakers and heads of financial governing bodies should adopt a country-specific approach that supports diversified financing models accessible for small businesses and specify the intervention role of government (Khan, 2015; Shinozaki, 2014). Policy makers should improve lending infrastructure and related technologies while managers should design optimal capital structure for their firms (Kumar & Rao, 2015). I recommend that policy makers implement financial frameworks that support small business owners access to adequate capital.

The study findings indicated that small business owners with a good business plan and financial records stand more chances of gaining access to sufficient fund from internal and external sources. I recommend small business owners to develop a good business plan and maintain good financial records to improve their chances of gaining access to diverse sources of funds. I will disseminate the research findings to various stakeholders through publications in academic and business journals and presentations at training, seminars, and conferences on finance and entrepreneurship.

Recommendations for Further Research

The aim of this study was to explore financial strategies small business owners use to gain access to capital to sustain their businesses. Researchers have examined the effect of small business owner race, gender, nature of business, and geographic contexts on access to capital (Ahmad & Muhammad-Arif, 2015; Bates & Robb, 2016; Egwakhe & Kabasha, 2016; Ibrahim & Shariff, 2016; Lee & Drever, 2014). This study was limited to cross-sectional, qualitative, multiple case study involving small business owners at DC metro. Future studies should use longitudinal study mixed methods, various participants (owners, managers, financiers) and different geographical locations.

The study was also limited to the sample size of three business owners. Robinson (2014) noted that use of larger sample size might generate different themes. I recommend further research study with larger sample size. Another limitation was my limited knowledge in the doctoral research study. Morsea et al. (2014) posited that novice researchers experience a significant challenge in organizing the statement of participants into themes to gain a deeper understanding of the study event. I recommend further study involving research experts using large number of participants and a wide sampling strategy over an extended period.

Reflections

In conducting this qualitative multiple case study, I explored the financial strategies small business owners use to gain access to capital to sustain their business. From the research findings, I realized that small business owners use internal and external sources of fund to raise capital to finance their business. Reflecting on my experiences within the doctoral study process, I found that I gained a better understanding and knowledge of research process which positively changed my personal biases and preconceived ideas and values.

The purposive sampling technique enabled me to select three small business owners who had relevant knowledge and experience to answer the research question. Using the qualitative research method, I conducted semistructured interviews and interacted with the participants, which improved my communication and interpersonal skills. Doing the interview at participants' current environment enabled the respondents to freely express themselves, which offered me the opportunity to gain an in-depth understanding of the research problem.

Reflecting on the participants' responses to the interview questions, I found that small business owners use similar sources of finance to fund their business. Of particular interest is the knowledge that small business owners use their own financing to support their business, encounter constraints in accessing bank finance, and suggested possible assistance from the government. The study findings changed my personal biases and preconceived ideas and values on the financing of for small business because I have gained knowledge and understanding from three business owners.

Conclusion

The biggest challenges small business owners in DC face are limited access to capital and borrowing constraints from banks and other financial institutions which affect their business profitability and sustainability. The aim of this qualitative multiple case study was to explore the financial strategies small business owners use to gain access to capital to sustain their businesses. Utilizing open-ended questions, I interviewed three business owners to gather data to answer the research question. Six themes emerged during the data analysis indicating the financial strategies small firm owners in DC use to gain access to capital to sustain their businesses. The themes involved (a) credit cards, (b) family and friends, (c) own financing, (d) bank financing, (e) crowdfunding, and (f) government grants and loans.

Small business owners use internal and external sources of finance to raise funds to grow and sustain their business. Most small firm owners prefer to use own financing or borrow from family and friends rather than lending from the banks because of borrowing constraints. Some of the limitations include high-interest rate, lack of collateral, provision of a robust business plan, and availability of good financial records. The findings from the study indicated a need for the government to implement economic policies to support small businesses to gain access to funds.

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Appendix A: Certificate of Completion – National Institutes of Health

Certificate of Completion
The National Institutes of Health (NIH) Office of Extramural Research certifies that **atta owusu** successfully completed the NIH Web-based training course "Protecting Human Research Participants".

Date of completion: 03/17/2013

Certification Number: 1144113

Appendix B: Interview Protocol

Financial Strategies of Small Businesses to Gain Access to Capital

Are you 18 years or older? Yes or No Do you speak English? Yes or No.

Time of Interview: Date:

Place: Contact Number

Interviewee Code: Position of interviewee:

The purpose of this case study is to explore the success strategies used by small business owners to overcome their financial challenges and sustainability. The contribution to positive social change of this study may include an increase in profit and employment opportunities, and enhance local community economic growth.

New business owners may use this information for their business planning and success. The interview process is flexible and the questions can take any order, lasting between 35 to 45 minutes. The interview will be audio-recorded while you respond to open-ended and semistructured questions. When necessary, you will also respond to the follow-up questions.

1 What borrowing constraints do you encounter as a small business owner?

2 What funding options are available to small business owners?

3 What funding strategies are available for small business owners to raise funds?

Appendix C: Consent Form

Dear Potential Participant,

I am Atta B. Owusu, a doctoral student at Walden University pursuing Business Administration. You are reading this statement because you are at least 18 years old business owner within DC metro area. I invite you to participant in the study titled: *Financial Strategies of Small Businesses to Gain Access to Capital*. As a doctoral student, I am seeking your consent in exploring small businesses financial strategies in the DC metro area. Attached is an "Informed Consent Form" to advise you of your free right to accept or decline participation. Please be advised you can decline to participate during the interview process. You may keep a copy of the informed consent form.

Purpose of the Study

The purpose of this case study is to explore the success strategies used by small business owners to overcome their financial challenges and sustainability. The contribution to positive social change of this study may include an increase in profit and employment opportunities, and enhance local community economic growth.

Study Participation Requirement Criteria

- All the study participants must be small business owner
- All the study participants must be in the DC metro area
- All the study participants must be 18 years and older

Procedures:

Sign to participate in the study, if in agreement to the following:

- The interview process is adaptive and flexible lasting 30-45 minutes
- The interview is an open-ended question with follow-ups questions when necessary
- I will be audio recording your response, while your behavior and attitude observed
- When necessary, you are available to provide feedback after the interview for accuracy.

Some interview sample questions:

- What borrowing constraints do you encounter as a small business owner?

- What can small business owners do to increase their chances of obtaining a business loan?
- What funding options are available to small business owners?

Voluntary Nature of the Study

The study is an independent research, and so is your right to the participant. You have the right to participate voluntarily, decline participation, or withdraw from the interview process. Withdrawal can take any form, either verbally, written notice or both.

Risk, Payments and Benefit of being in the Study

There is no known risk associated with the interview process. There is no monetary reward for participation in the interview process. The findings from this study might be useful to small business owners in their quest for business funding.

Privacy

The study has no secret clearance requirement. For confidentiality purposes, you will be assigned an identifiable numeric code to identify you by location. The protected data will be stored in a secured location for 5 years. After 5 years, I will dispose of the data according to Walden University data requirement.

Contact and Questions

I can be reached at 862.249.2779 or at atta.owusu@waldenu.edu with all study related questions. Dr Gregory Uche is Walden University's representative for this study. Walden University approval number for this study is 03-23-17-0393540, expiring July 2017. Direct any privacy-related enquiry to Walden University Research Advocate at 612.312.1210

Statement of Consents:

I have read the above Statement of Consent and understood my rights as a participant. I agree to participate in this study without any coercion. I append my signature to confirm my agreement to the terms described above.

Sign

Appendix D: Interview Questions

Participants will respond to the following questions:

1 What borrowing constraints do you encounter as a small business owner?

2 What can small business owners do to increase their chances of obtaining a business loan?

3 What are funding options available to small business owners?

4 How can the federal government assist small business owners to increase access to funding?

5 What financial strategies do small business owners use to access capital?

6 What other information can you provide on financial strategies small business owners can use to increase access capital?