

It Takes More Than A 'Shoestring' To Start A New Business Nowadays

What does it take these days to start a business of one's own, even on a modest scale? Once it could be done on a "shoestring," and very often was. Now, according to the U. S. Department of Commerce, the indicated stake needed as a rule is somewhere around \$5,000 as a minimum initial investment. That amount is the average needed for a small filling station, and sums up to several times as much are required to start in other retail lines, or a wholesale establishment, depending on the business. As to the

capital itself, personal savings are the main source.

The Commerce department's figures were obtained in a study of new businesses, with one or more employees, established in the three-year period, 1945-47. Reports of more than a 1,000 new trade firms, both wholesale and retail were analyzed.

Effects of Inflation

The rise in the capital requirements for new business, and old as well, are of course another manifestation of the effects of inflation. The decline in the dollar's buying power has had as pronounced an impact on the cost and finances of starting and running a business, whatever its size, as on the everyday family budget.

Because of this, even a small business now looks comparatively big, financially, when judged by past standards; and this applies all along the business line. By and large, business size is always relative to prevailing conditions and normally reflects them; and the dominant factors today are the rise in all prices and the great growth in the whole economy and its activity over prewar.

In all, a total of 670,000 new retail and wholesale firms were established from 1945 through 1947, or nearly half of the 1,400,000 new businesses that were launched during the period. Among retail stores, new food stores and eating and drinking places led all the others.

Breakdowns by Firm

Taking all the new wholesale businesses that were established in the 1945-47 period, the Commerce Department found that the average initial investment came to approximately \$22,000. The actual sum varied, ranging from the lowest average initial investment of more than \$10,000 for small wholesale businesses to an average of more than \$1175,000 for large establishments.

The average initial investment was approximately \$9,500 for all new retail firms established in the 1945-47 period. The amount showed a wide variation for different lines of business. The smallest average initial investment was found to be about \$5,000 for filling stations. At the other end, an average of more than \$25,000 was the initial investment for building materials, hardware and farm implements.

Importance of Savings

There is no precise information available as to the amounts of initial capital invested in starting comparable businesses in the past. However, the Temporary National Economic Committee (T.N.E.C.), in the course of its investigation in the '30s, went into the workings of small business and found that a great many started with little or no capital.

The Commerce department survey found that personal savings were by far the greatest source of funds for new retail and wholesale firms in 1945-47.

A total of 5.6 billion dollars was invested in starting new retail establishments in the period and an additional 1.4 billions for new wholesale firms. Of this 7 billion dollar sum, it was found that 4.4 billions, or nearly two-thirds of the total, came from the personal savings of the entrepreneurs.



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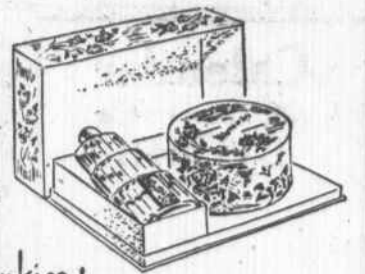
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