

## REASONS WHY BUSINESSES FAIL ON THE NAVAJO NATION

Many obstacles are challenging the development of the Navajo economy. Individuals can always make a difference. The importance of an individual Navajo member whose interest and desires are to start a business on the Navajo Nation cannot be overstated. It is no secret that small businesses are the backbone of national and state economies and it is no secret that small businesses on reservation should be an integral part of the economy as well. However, a Navajo individual is faced with a number of barriers in his/her pursuit to start a business.

Access to financial capital is just one of these barriers and it is one that continually needs to be discussed. Seed capital is generally supplied by personal savings, or by relatives, friends, or sometimes-even by associates. However, statistics and common knowledge indicate that most of our Navajo people have few personal assets and do not possess any "capital" for business purposes. A large number of Navajo households derive income from sources other than employment. According to the 2000 Census, 9,374 households had Social Security income with an average amount of \$7,036; 7,394 households had Supplemental Security Income with an average amount of \$5,663; and 7,286 households had public assistance income (various types of welfare income) with an average amount of \$3,429. Obviously, the average household income from these sources is quite low compared to average wage and salary income of \$31,367 (there were 33,245 households deriving income from this source). Thus, a huge number of households (24,054) do not have disposable income to support retail outlets in a local community. This welfare income also does not provide sufficient customers to support the existing businesses on the Navajo Nation. This welfare income also many times, provides only for clothing and food. Extra money, or disposal income, needed for personal savings or financial capital for business initiatives, is non-existent.

Another contributing factor to the failure of our Navajo businesses is the attraction in the border towns. Due to alcohol sales and lower prices in border towns, such as at Wal-Mart, as well as other attractions, our people flood the border towns daily, and particularly on weekends and the first of the month.

Another reason for the failure of Navajo businesses is the lack of accounting skills on the part of the entrepreneurs. The lack of reinvestment back into their businesses, lavish spending and lack of overall business skills, not paying normal business expenses all have been noted as contributing factors. Recent statistics by the Division of Economic Development show that 23 Navajo businesses failed since the year 2000, many of them being due to the lack of money management skills, lack of credit history, lack of savings and reinvesting back into the business.