

Wal-mart's financing on the stage of start- up and today

Business



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Start-up Financing

Introduction

One of the most common problems faced by ventures in starting up a business is the source of funding. New ventures need considerable start-up capital to initiate and to operate business operations successfully. Therefore, a large number of ventures in their initial stages search for the help of financing resources for funding their business (Korosteleva & Mickiewicz, 2008).

Evidences from theories have shown that financial exclusions have stopped the development and the growth of the economy and increased disparity and poverty of the nation. Thus, from the nations' point of view, industrialization plays an imperative role in the economic growth (The World Bank Group, 2006).

Formation of Wal-Mart

Sam Walton, the founder of Wal-Mart Stores had served as a Captain in the US Army Intelligence Corps from 1942 to 1945. After serving the nation for years, Sam Walton retired from his services and decided to open a store that contained multiple products. Thus, he gained a few experiences regarding the retail business when he operated his own variety store in Newport, Ark. With a loan of USD 20, 000 from his father-in-law and a savings of USD 5, 000 from his employment at the army, he decided to open the first milestone, Walton's Five and Dime in Bentonville, Ark in the year 1951 (The Associated Newspapers of Ceylon Ltd., 2012). Thereafter, Sam Walton did not have to look back and exactly after 11 years, established the first Wal-

Mart store in 1962. The popularity of the company was beyond the founder's expectations as it started to expand its stores rapidly. Though the company started as a sole proprietorship company, later in the year 1971, it was being financed by public through stock offerings. The same year saw the company's first 100 per cent sale of stocks offered at a market price of USD 47 (Walmart Corporate, 2012). Slowly and steadily the company started to commence its operations in other states that included Kansas, Missouri, Arkansas, Oklahoma and Louisiana. Following its success in the retail store, Sam Walton inspired by his associates started acquisitions of potential businesses and thus started to expand in other different sectors such as jewelry, auto service center and pharmacy among others (Walmart Corporate, 2012).

After being approved and listed in the New York Stock Exchange, success and growth kept following year-after-year. Accordingly, the company started to gain recognition and fame from reputed magazines and was named as the Nation's No. 1 retailer in 1990. The next year i. e. 1991 Wal-Mart moved into the international market and opened its first overseas retail unit in the Mexico City. Following its internationalization, the company was committed in providing economic benefit to the nation. Sam Walton once said that he built this company in order to save people's money for enabling them to lead a better life. Moreover, the company introduced and implemented various programs in its stores such as Code Adam Missing Child Program and Missing Children's Network. These programs were partnered with the government and non-profit organizations to serve the people of the nation for finding their loved ones (Walmart Corporate, 2012).

In the late 90's Wal-Mart stood as the largest private employer in the world with 1, 140, 000 associates across the world. In 2002, Wal-Mart was awarded with Ron Brown Award, the highest Presidential Award provided to companies that achieve excellent employee relations as well as community initiatives (Walmart Corporate, 2012). The turning point of the company was in the year 2005 when it committed to introduce environmental sustainability in its business. The sustainability commitment was fulfilled after Wal-Mart led the corporate drive to fund an amount of USD 18 million in cash to the victims of the hurricane occurred in the US (Walmart Corporate, 2012).

Impact of Access to Financing for Start-Ups on the Economy

The access factor of financing has been not considered seriously due to the data gaps as different companies have access to diverse financial services. Thus, without the inclusion of financial systems, small ventures and poor persons will have to rely on personal wealth for starting up their business, whereas individuals having good credit history and connections have the benefit of being funded by these financial services. Hence, it is evident that if imperfections in financial market continue, inequality and slower growth will prevail accordingly (Sinha & Fiestas, n. d.). Thus, financial services should be more supportive as it will help to encourage entrepreneurship that will result in a country's growth, increased job prospects and overall increase the Gross Domestic Product (GDP).

Conclusion

Though start-up finances can be a major constraint for new ventures, it was not faced by Sam Walton when he planned to start up his new venture.

Later, in the expanding years, the company borrowed money from the public through issuing shares and thus, was able to spread its business in the international market.

Wal-Mart has been contributing to the economy in forms of cash donations for relief funds. It has further launched various programs to support the cause of the government. Thus, due to its presence in more than 50 states over the US, it has been able to contribute for the development of the economy by providing employment opportunities to the citizens of the country (Walmart Corporate, 2012).

References

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