

Maya's Market Café — A Tale of Two Loans

Meet Maya!



She's a passionate small business owner with a knack for create community spaces. Three years ago, she opened Maya's Market Cafe, a cozy neighbourhood spot known for its rich coffee, homemade pastries, and welcoming vibe.

What started as one-woman operation has grown into a beloved hangout., thanks to Maya's dedication and entrepreneurial spirit. Like many business owners, she's faced moments where smart financial decisions could shape the future of her business and others where missteps could lead to unnecessary strain.

While her cafe has a loyal morning crowd, she's noticed that every afternoon, the space sits half-empty. Maya has a vision: she wants to introduce a light lunch menu and expand the patio to attract the lunchtime crowd.

To bring her idea to life, Maya approaches her bank and applies for a small business loan for \$40,000. She uses the funds to upgrade her kitchen with a new sandwich prep station, train staff and build a small but inviting patio space. Within months, the results speak for themselves; the cafe's lunch traffic grows steadily, boosting daily revenue by 35%. The extra income more than covers the loan repayments, and the new lunchtime crowd even leads to more catering requests. Maya's debt is working *for* her, helping her business grow and become more resilient. This is a classic example of good debt: a strategic investment that drives sustainable revenue.

Fast forward a year. Encouraged by her growth, Maya decides to give the cafe's interior a "modern facelift." She puts \$15,000 of renovations on a high interest credit card, planning to pay it off "once business picks up even more." The problem? The upgrades are mostly cosmetic with new art, fancy light fixtures, and designer chairs. They don't attract new customers or boost sales.

Case Study

When an unexpected slow season hits, Maya struggles to make the hefty monthly payments on that high interest balance. The interest starts to snowball, eating into her cashflow. This is bad debt in action: borrowing for something that doesn't add value or income and doing so on expensive terms.

Maya's story illustrates the difference beautifully. Her first loan expanded capacity, increased sales, and strengthened her business – good debt. The second loan was more about “want” than “need,” taken on unfavourable terms, and didn't generate a return – bad debt.



Disclaimer:

This case study is a fictional example created for educational purposes for Community Futures Lambton. It is intended to illustrate general financial concepts and should not be interpreted as specific financial, legal, or business advice.

Every business is unique, and entrepreneurs are encouraged to seek professional guidance tailored to their individual circumstances before making financial decisions.