

# Understanding the Small Business Landscape: Results from the 2015 Small Business Credit Survey

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- Call-in number: 888-625-5230
- Conference code: 2775 8408#
- Webinar link: <https://www.webcaster4.com/Webcast/Page/584/15523>

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*These questions may be part of the recorded archive for this session.*

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- Type your question into the chat box of the webinar

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In connection with this session, you can find a variety of additional resources on this topic , available at [www.fedcommunities.org](http://www.fedcommunities.org). We encourage you to browse through this site and to contact your regional office if you would like additional information on any of these items.

# Legal Notices and Disclaimer

The information, analyses, and conclusions set forth are those of the presenters and do not necessarily indicate concurrence by the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, or members of their staffs.

# Today's Agenda

- Share background and overview of the Federal Reserve Bank's Small Business Credit Survey (SBCS)
- Examine key findings of the 2015 survey
- Discuss how the survey is being used
- Discuss how you can join us

# SBCS Overview

# What's the Value of SBCS?

- Focus of survey questions and analysis:
  - Annual data
  - Financing needs and gaps
  - Emerging issues (products and service models, including financial technology)
  - Data on segments of interest: micro, startup, women- and minority-owned, urban/rural firms, self-employed
- Sampling format and respondent profiles
- Question types

# For more information: <http://www.newyorkfed.org/smallbusiness>

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## Small Business

### SMALL BUSINESS CREDIT SURVEY



#### About the Survey

Established in 2010 by the New York Fed, the Small Business Credit Survey (SBCS) is an annual survey of firms with fewer than 500 employees reporting on business performance, financing needs and choices, and borrowing experiences. The SBCS is a collaboration among seven Federal Reserve Banks, including New York, Atlanta, Boston, Cleveland, Philadelphia, Richmond and St. Louis.

### 2016 REPORT



#### 2015 Small Business Credit Survey: Report on Employer Firms

### PAST SURVEYS



#### Fall 2013 Small Business Credit Survey

Results show growing evidence of a more positive lending environment for small businesses and a positive outlook for the first half of 2014. Despite positive signs, small businesses also reported high credit search costs and challenges for firms seeking \$100,000 or less in credit.

RELEASED FEBRUARY 2014



#### Spring 2013 Small Business Credit Survey

Results suggest the ability to access credit remains a widespread growth challenge for small businesses in the region, even among profitable firms. However, the percentage of

### SMALL BUSINESS RESEARCH

#### The Financing Experiences of Nonemployer Firms

Businesses without employees, or nonemployer firms, make up the majority of small businesses in the U.S., but little is known about their financial lives. A new Atlanta Fed discussion paper, co-authored by a New York Fed researcher, explores the financial experiences of nonemployer firms, using data from the 2014 Joint Small Business Credit Survey. [OFFSITE](#)

### SMALL BUSINESS EVENTS



#### Access to Capital Workshops

The New York Fed sponsored workshops for small businesses on access to credit. The technical assistance series, held across the Second District, was designed to answer questions on subjects such as traditional lending, alternative and emerging sources of capital and export financing.

**SUMMIT HIGHLIGHTS**

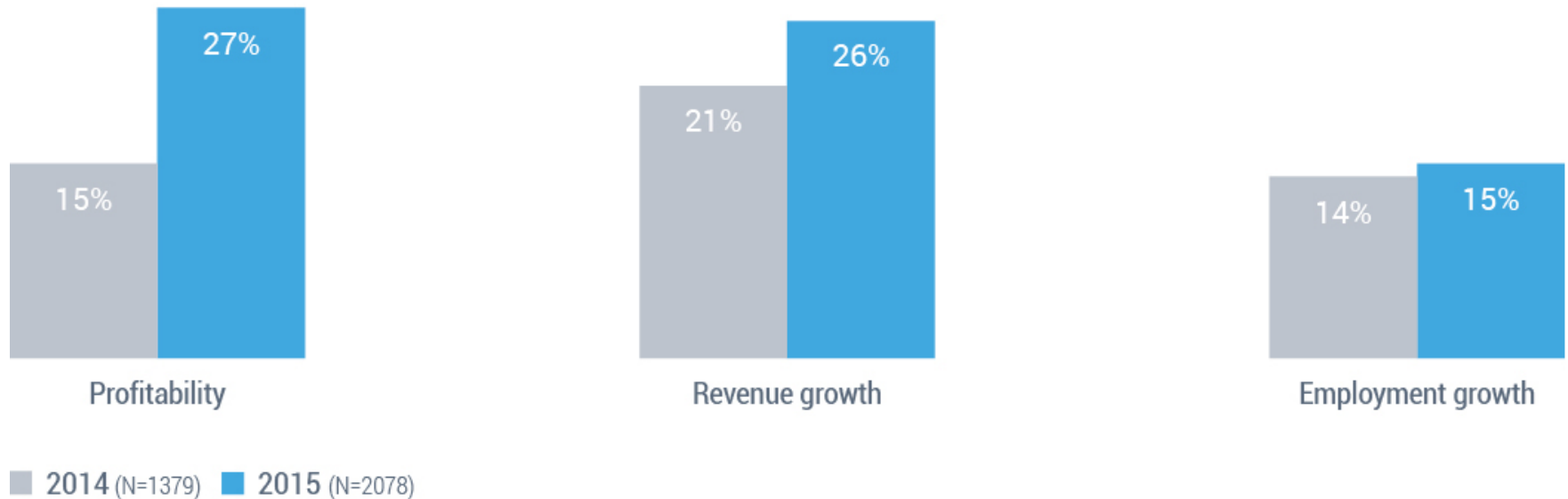
# Key 2015 Findings: Employer Firms



# Performance Improved in 2015

**EMPLOYER FIRM PERFORMANCE INDEX, 2014 Survey and 2015 Survey** (% of employer firms)

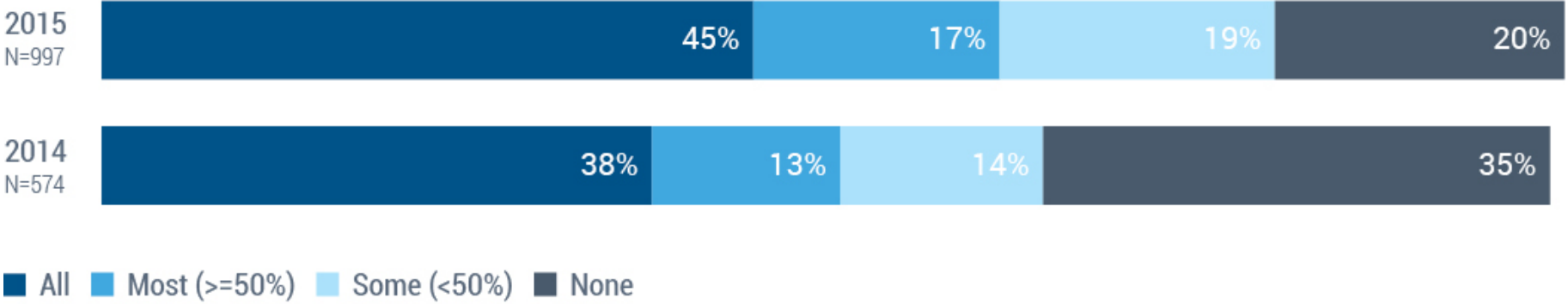
*Limited to states surveyed in both years*



Source: [2015 FRS Small Business Credit Survey](#)

# Financing Success Improved in 2015

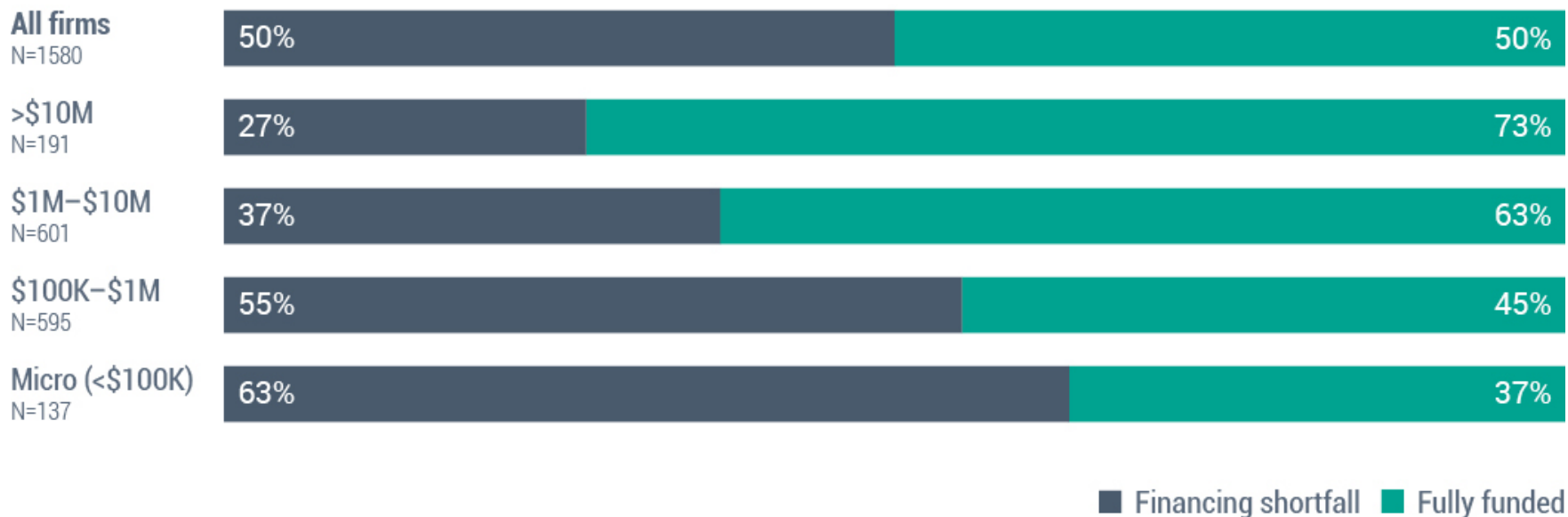
**TOTAL FINANCING APPROVED, 2015 Survey versus 2014 Survey** (% of applicants)  
*Limited to states surveyed in both years*



Source: [2015 FRS Small Business Credit Survey](#)

# Still, 50 percent of Applicants had a Financing Shortfall; Smallest Firms had Biggest Gaps

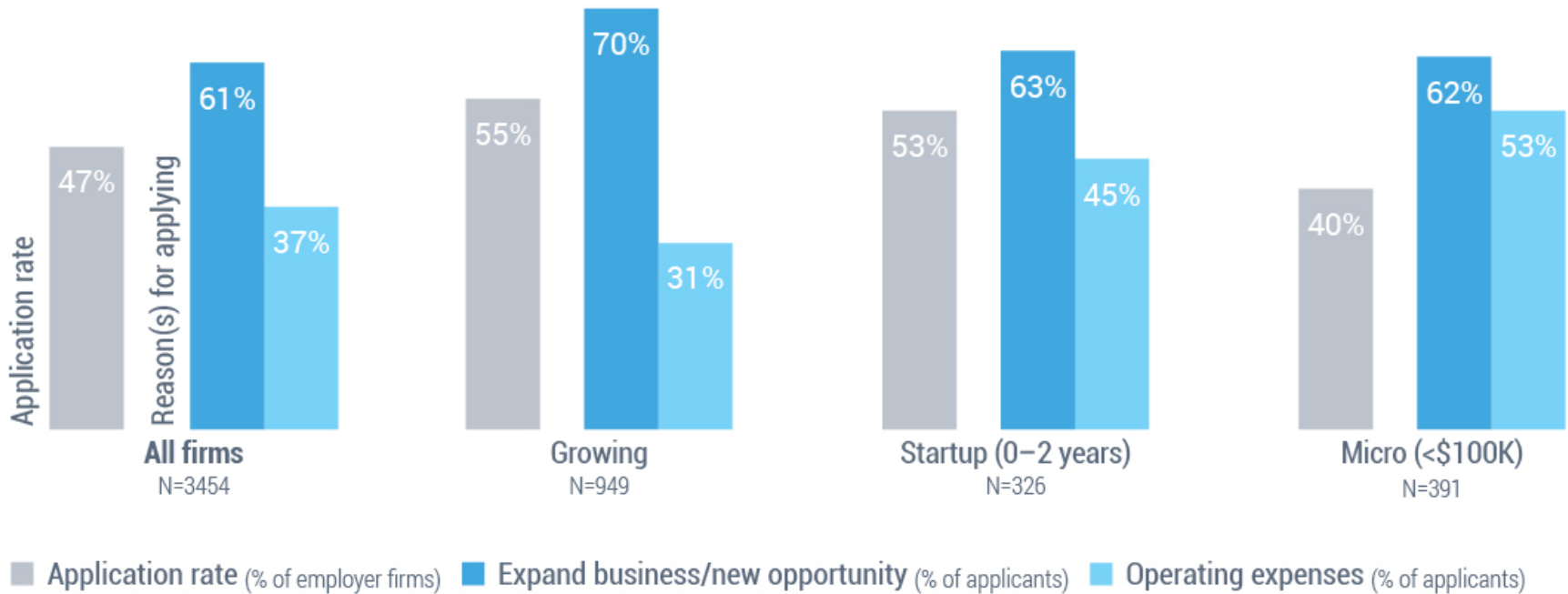
## APPLICATION OUTCOMES BY SIZE OF FIRM (% of applicants)



Source: [2015 FRS Small Business Credit Survey](#)

# Reasons For Borrowing Differ

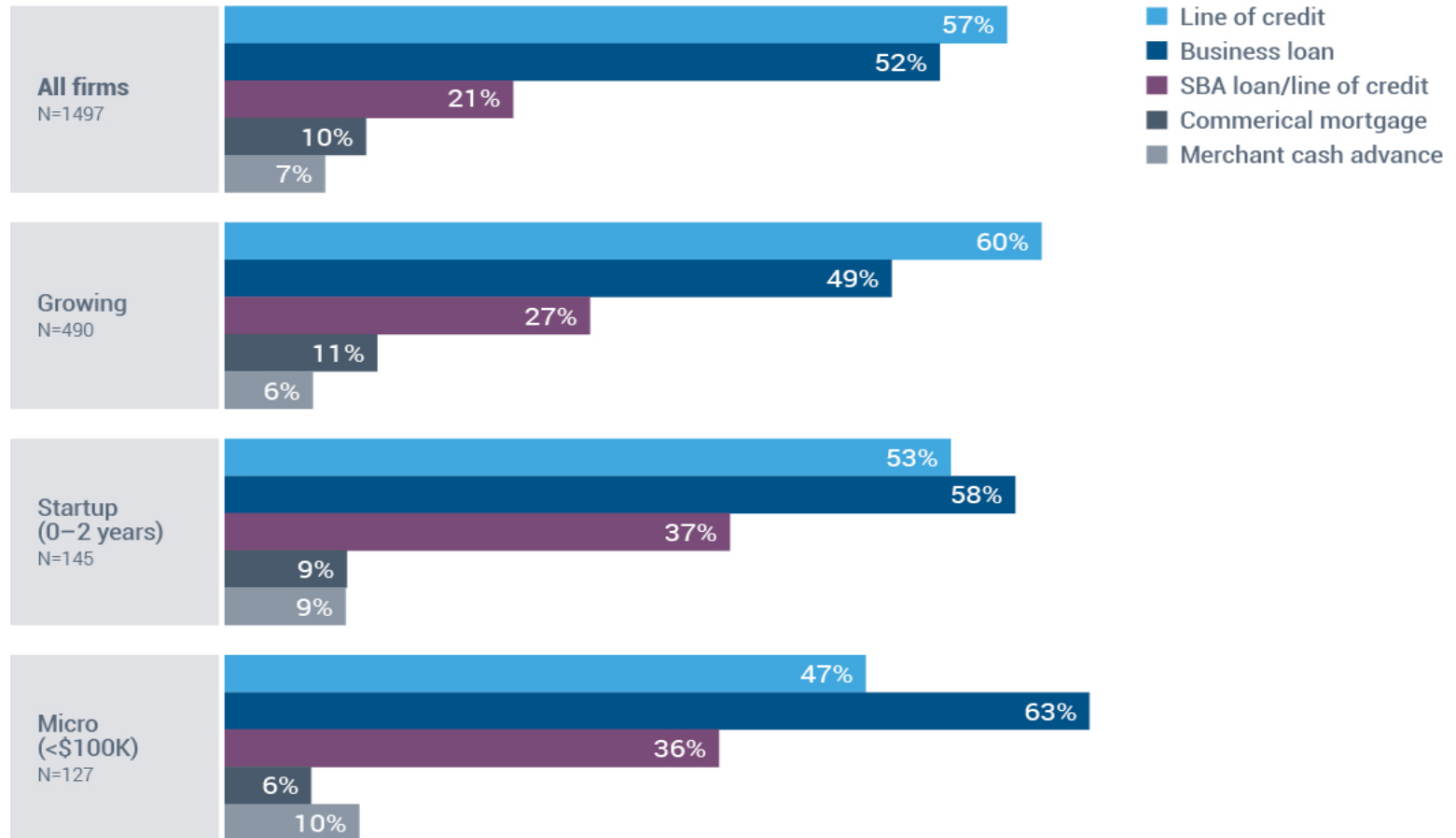
## DEMAND FOR FINANCING BY TYPE OF FIRM



Source: [2015 FRS Small Business Credit Survey](#)

# Product Needs Differ

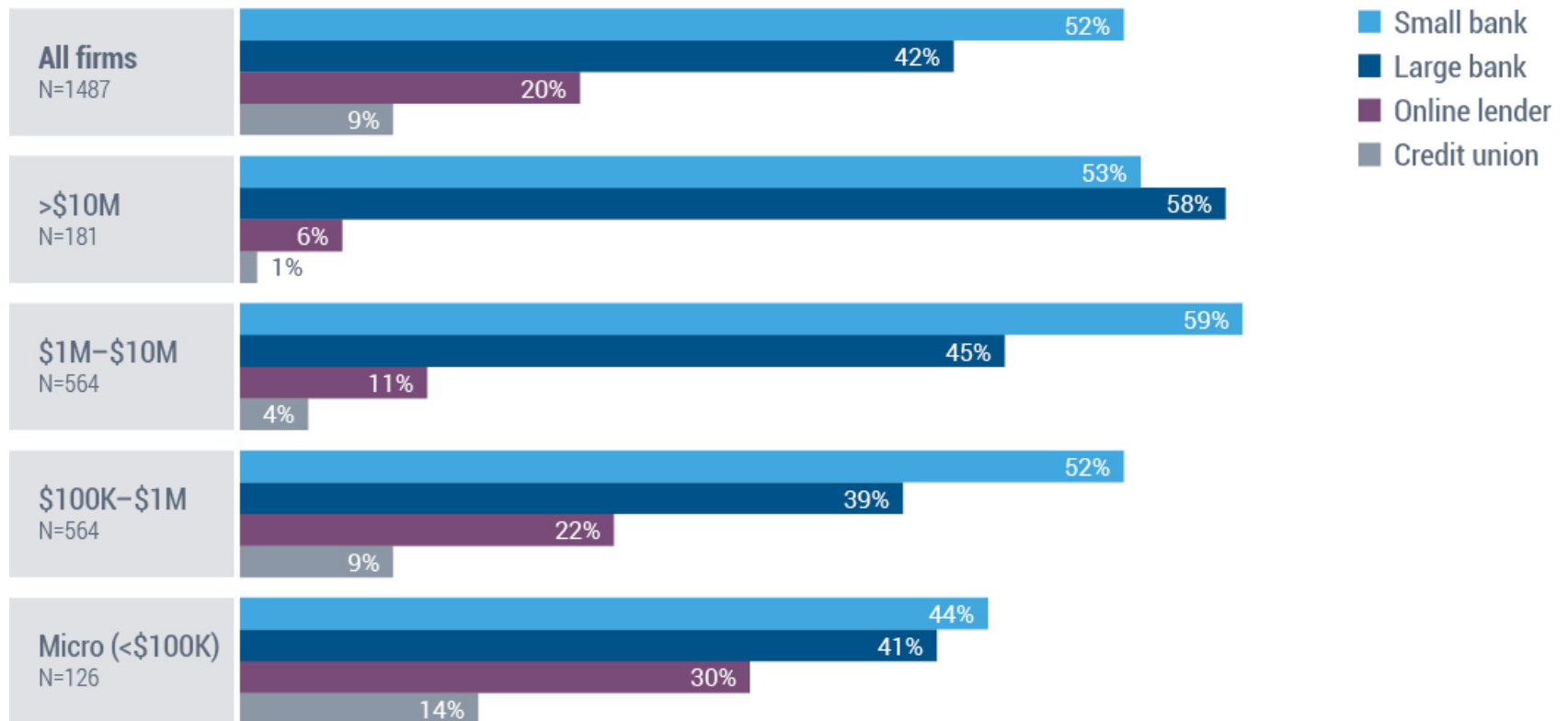
APPLICATIONS FOR LOANS AND LINES OF CREDIT BY TYPE OF FIRM (% of loan/line of credit applicants)



Source: [2015 FRS Small Business Credit Survey](#)

# Credit Sources Differ









**CREDIT SOURCES APPLIED TO BY REVENUE SIZE OF FIRM** (% of loan/line of credit applicants)






Source: [2015 FRS Small Business Credit Survey](#)

# Smallest Firms Driven by Expediency

## TOP TWO FACTORS INFLUENCING WHERE FIRMS APPLY

	Micro (<\$100K) N=148	\$100K-\$1M N=635	\$1M-\$10M N=629	>\$10M N=195
1				
2				

-  Price
-  Existing relationship with lender
-  Perceived chance of being funded

Source: [2015 FRS Small Business Credit Survey](#)

# Notable Approval Rate Differences

## APPROVAL RATE BY SELECT SOURCE AND TYPE OF LOAN/LINE OF CREDIT

N=48-869

(% applicants receiving at least some credit)

			TOP PERCENTILE	MIDDLE PERCENTILE	BOTTOM PERCENTILE		
		All Firms	Micro (<\$100K)	\$100K-\$1M	\$1M-\$10M	>\$10M	
Source	Large bank	58%	33%	49%	72%	88%	
	Small bank	76%	60%	69%	88%	96%	
Type	Business loan	69%	54%	65%	81%	92%	
	Line of credit	71%	55%	65%	82%	91%	

Source: [2015 FRS Small Business Credit Survey](#)




# Business and Financing Challenges

	MICRO	SMALL
Profitable (%)	26%	55%
Prior debt (%)	50%	66%
Top business challenge	Cash flow	Cash flow

Source: [2015 FRS Small Business Credit Survey](#)

# Reasons for Denial

## TOP TWO REASONS FOR DENIAL AND TOP TWO EFFECTS OF DENIAL

		Top reasons for credit denial		Reported impact on business
All firms (N=445)	1	Insufficient collateral	▶	 Unable to meet expenses
	2	Weak business performance		 Delayed expansion
Growing (N=141)	1	Insufficient credit history	▶	 Delayed expansion
	2	Insufficient collateral		 Used personal funds
Startup (0–2 years) (N=62)	1	Insufficient credit history	▶	 Used personal funds
	2	Other		 Unable to meet expenses
Micro (<\$100K) (N=48)	1	Insufficient credit history	▶	 Unable to meet expenses
	2	Insufficient collateral		 Delayed expansion

Source: [2015 FRS Small Business Credit Survey](#)

# How Survey Is Being Used

# Impact

- Market needs assessments: used by state and local governments, community development financial institutions (CDFIs), and nonbank lenders
- Input for women and minority business accelerator programs
- Input for evaluating financial technology impact on credit access
- Small business loan fund design and post-disaster recovery programs



# AEO: Who We Are

- National trade association for U.S. microfinance and microbusiness
- >400 nonprofit community lenders and business service providers across the country
- Celebrating 25<sup>th</sup> anniversary in 2016
- Based in Washington, D.C.
- 25-member board of directors
- Mission: Create economic opportunity for underserved entrepreneurs

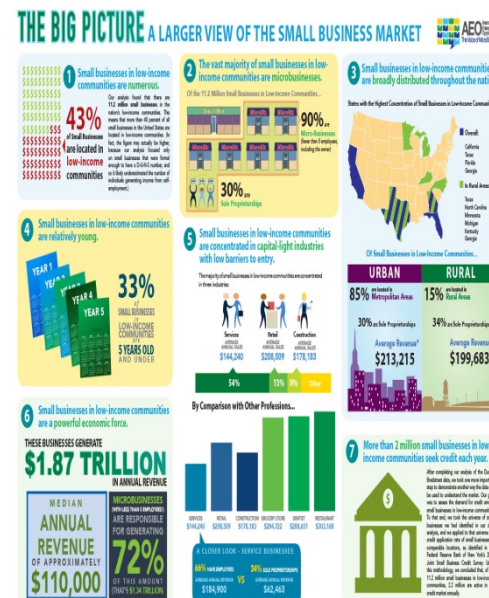


# AEO: Our Strategy

- Solve the twin problems of ***access*** and ***availability*** by:
  - Innovating products, services, and delivery models
  - Enabling better decision-making and resource allocation
  - Mobilizing funds to invest in capacity and growth
  - Rationalizing the policy framework

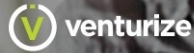
# Federal Reserve Survey Enabled Market Sizing

- ~2.2 million small businesses in low-wealth communities active in credit search annually
- Access the report at [www.aeoworks.org](http://www.aeoworks.org)



- Opportunity Finance Network (OFN) – a national network of more than 240 community development financial institutions (CDFIs), many of which specialize in providing microenterprise and small business loans for low- and moderate-income entrepreneurs
- The rapid rise of unregulated, online alternative lenders provides an unprecedented but confusing variety of financing options, many of which have high interest rates and unclear terms that can harm a borrower's bottom line
- In response, OFN launched Venturize, a campaign designed to equip small business owners with the information they need to make the best borrowing choice for their business





GET STARTED

BORROWING 101

RESOURCES

NEWS



WHICH LOAN IS RIGHT FOR YOUR SMALL BUSINESS?

# DISCOVER. LEARN. PREPARE.

DISCOVER THE RIGHT LOAN FOR YOUR SMALL BUSINESS

SHOW CALCULATOR

No one knows your business like you do, so we want to help you discover the best loan product for your business. Review the options that cater to you and your business needs, learn about different loan types, what rates you can expect, and what to look for when comparing ALL your loan options.



## GET STARTED

Your journey to the right loan for your business starts here. Find out what kind of loans you might qualify for and what you need to apply.

EXPLORE



## BORROWING 101

There are lots of loan options out there. We'll help you keep track of the different loan types, what they can offer you, and the lenders behind them.

EXPERIENCE



## RESOURCES

Learn more about the small business borrowing process. Our glossary, articles, and other resources will help you stay on top of the information you need most.

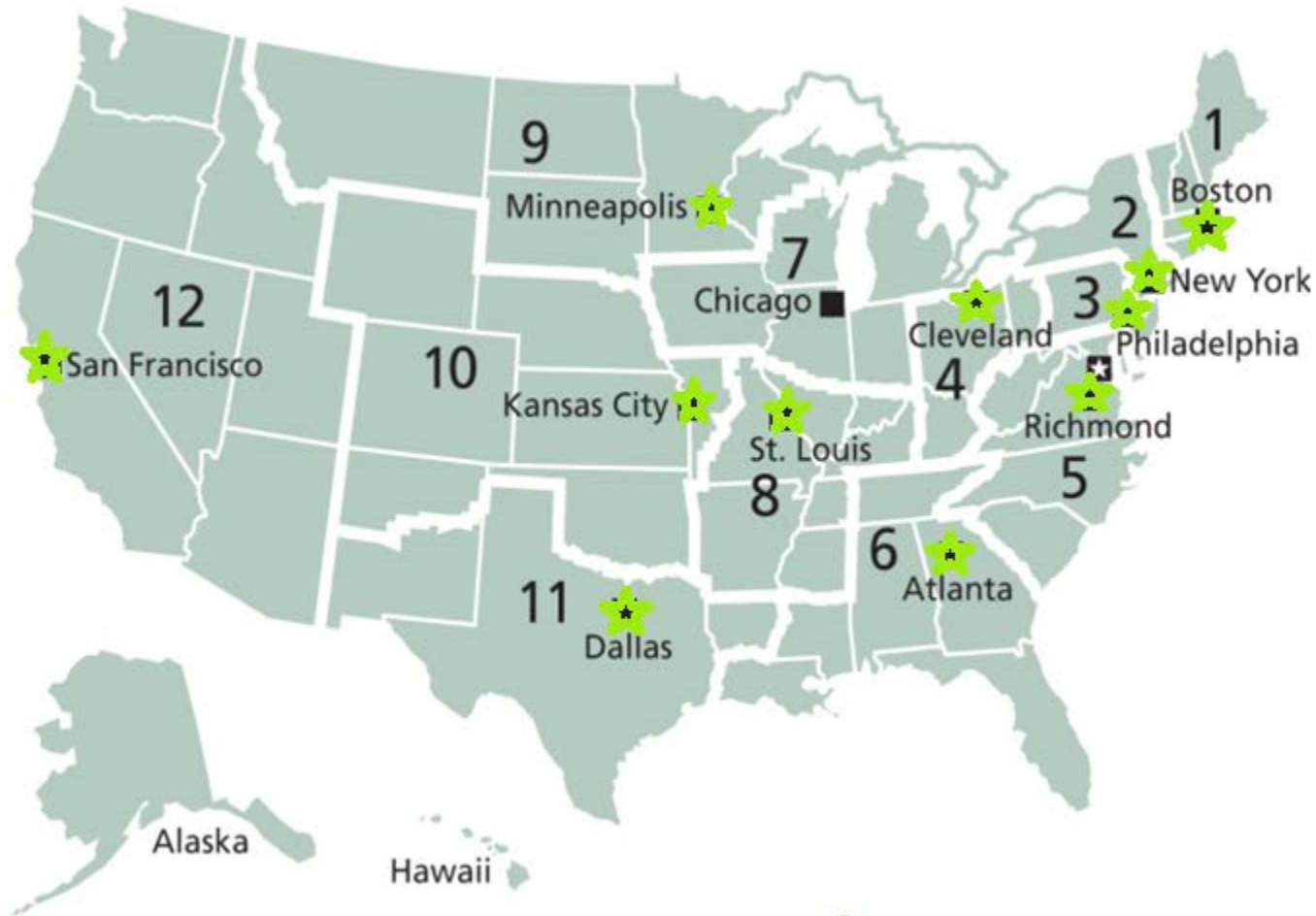
EDUCATE

# Key Website Features

- Loan Calculator Tool
- Borrowing 101
- Borrowing Prep Questions
- Loan Application Checklist

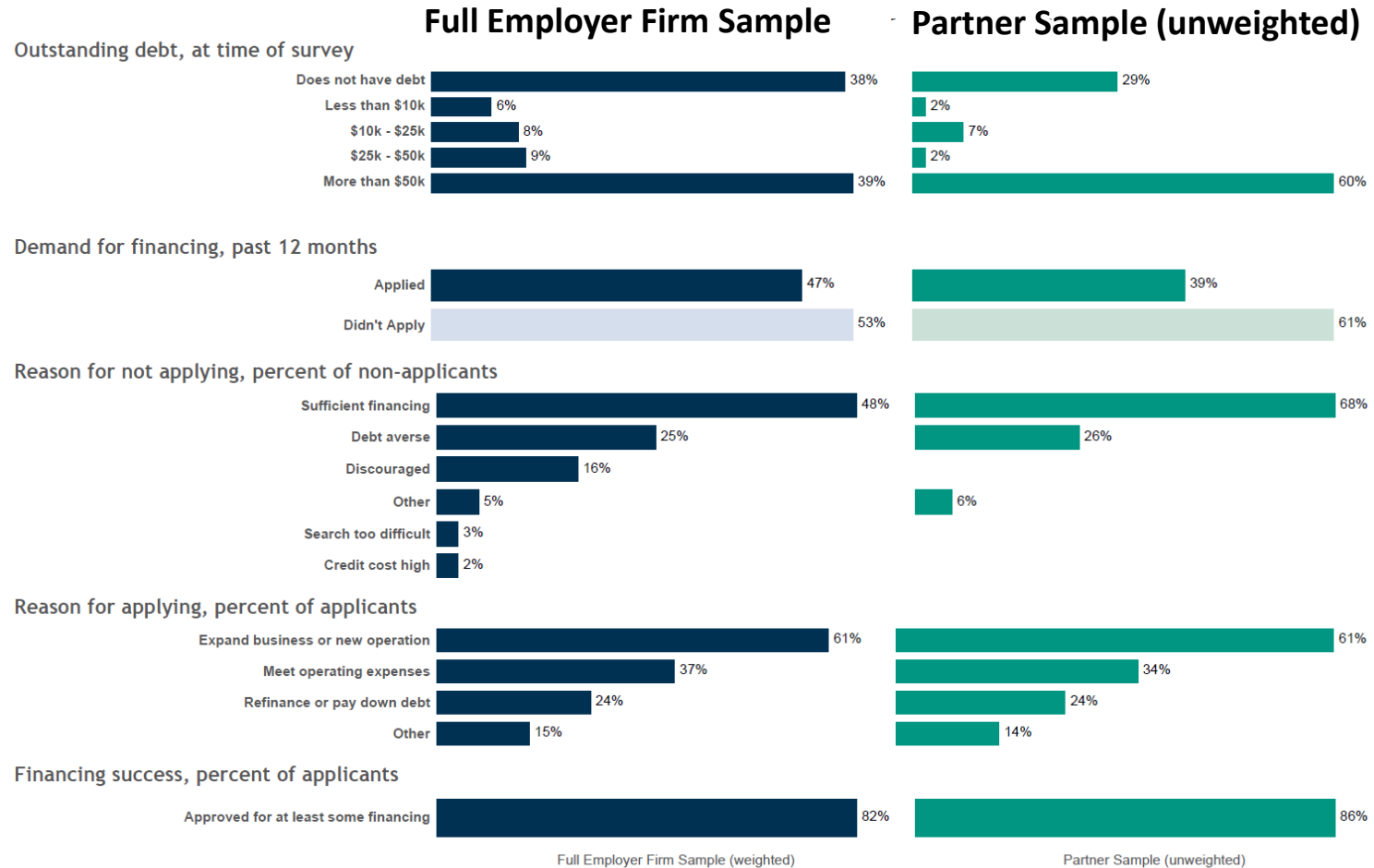
**Join Us!**

# Covering More of the Country in 2016: 11 Reserve Banks Are Distributing



 Participating Reserve Banks

# You Also Get a Benchmark Report



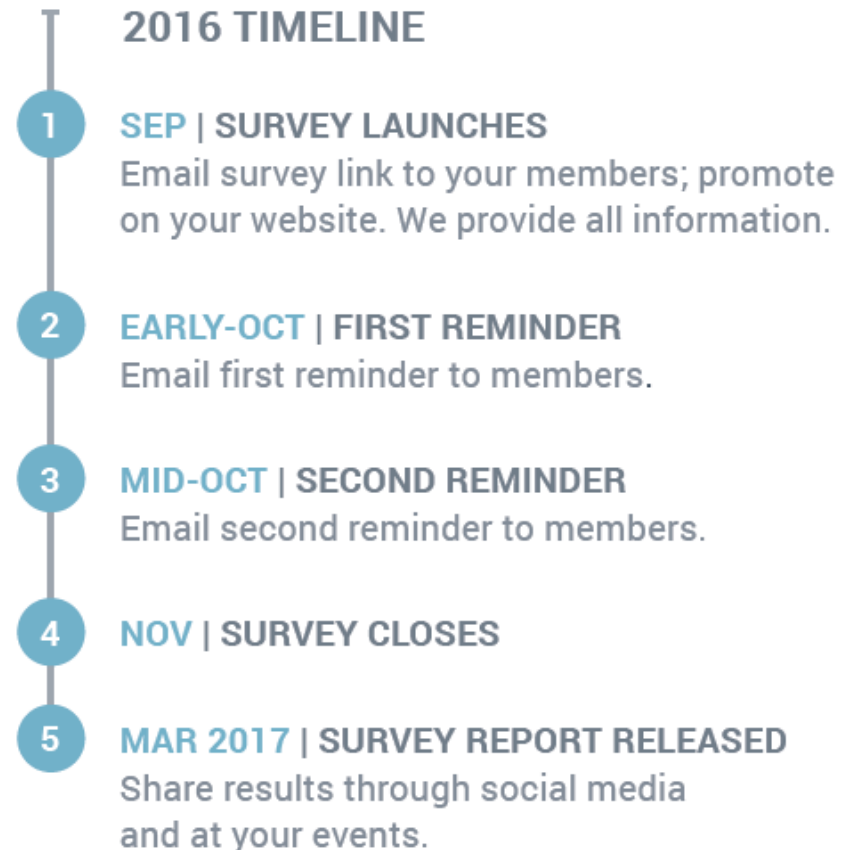
Source: 2015 Small Business Credit Survey; Federal Reserve Banks of Atlanta, New York, Boston, Cleveland, Philadelphia, Richmond, and St. Louis

# 2016 Survey Timeline

## Partner Responsibilities

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The Federal Reserve's *Small Business Credit Survey* turns business owners' credit experiences into hard data to spotlight their issues. Please partner with us.



## For More Information

- To get all the survey reports, methodology, and the summary data tables go to <http://www.newyorkfed.org/smallbusiness>
- To learn more about how to get involved, contact Emily Mitchell:  
[Emily.mitchell@atl.frb.org](mailto:Emily.mitchell@atl.frb.org)

## Questions?

You have two options to ask questions today:

1. Email us at: [communities@stls.frb.org](mailto:communities@stls.frb.org).
2. Type your question into the chat box of the webinar.



# Wrap-Up/Closing

Thank you to today's presenters and to all participants for joining this session.

## Next steps:

- All session materials are available on our website and in the next few days we will be posting an audio file of today's session.
- If you have topical suggestions for future sessions, or any questions about this program, please feel free to contact us at [communities@stls.frb.org](mailto:communities@stls.frb.org)
- Information about future sessions will be posted on our website along with archived materials from past sessions:  
[www.stlouisfed.org/connectingcommunities/](http://www.stlouisfed.org/connectingcommunities/)

# Related Resources



In connection with this session, you can find a variety of additional resources on this topic, available at **[www.fedcommunities.org](http://www.fedcommunities.org)**.

It provides an array of practical resources to help you in your role as a community development professional, whether your work involves supporting people, places, the practice of community development, or small business development.