

# FEDERAL RESERVE BANKS' SMALL BUSINESS CREDIT SURVEY, 2018

## Key Findings

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FEDERAL RESERVE BANK *of* NEW YORK

# Agenda

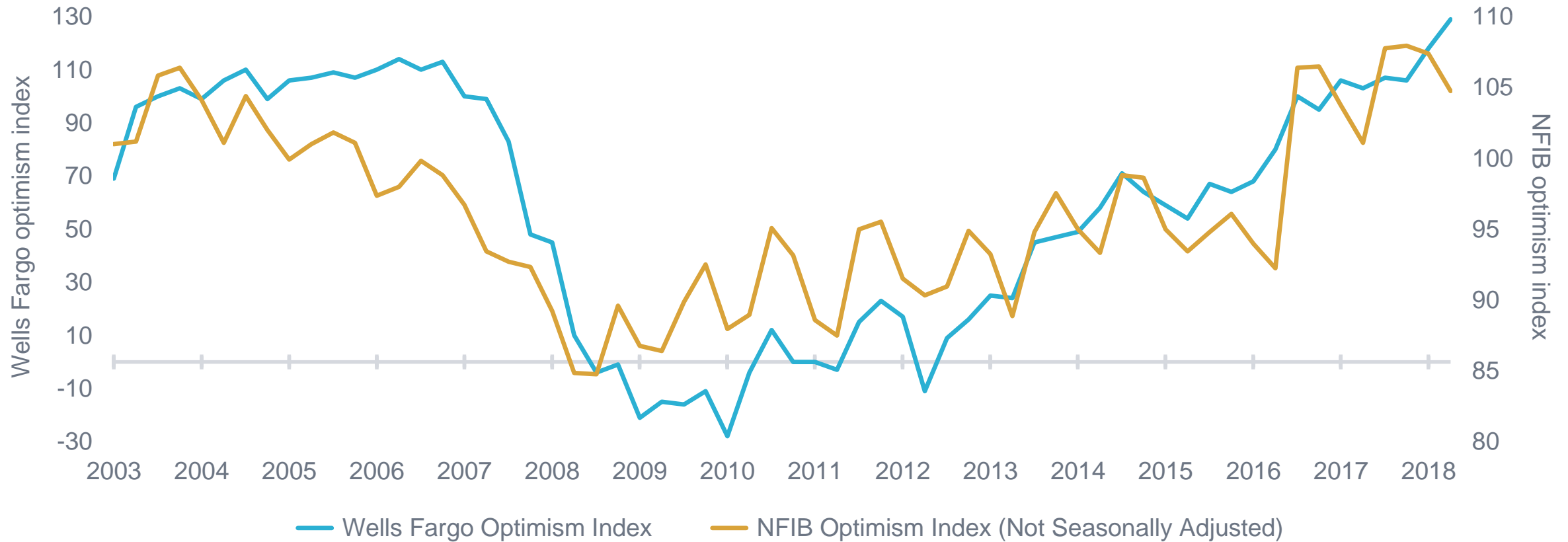
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- Overview of Small Business Credit Survey
- Key takeaways
  - Small business optimism is near a 15-year high.
  - Demand is strong for small dollar (under \$1M) financing, yet small dollar loans have grown sluggishly.
  - Key small business segments have difficulty securing bank financing and are turning to online sources of credit.
- Partnerships and future work



# Small business optimism has rebounded

## Small business optimism

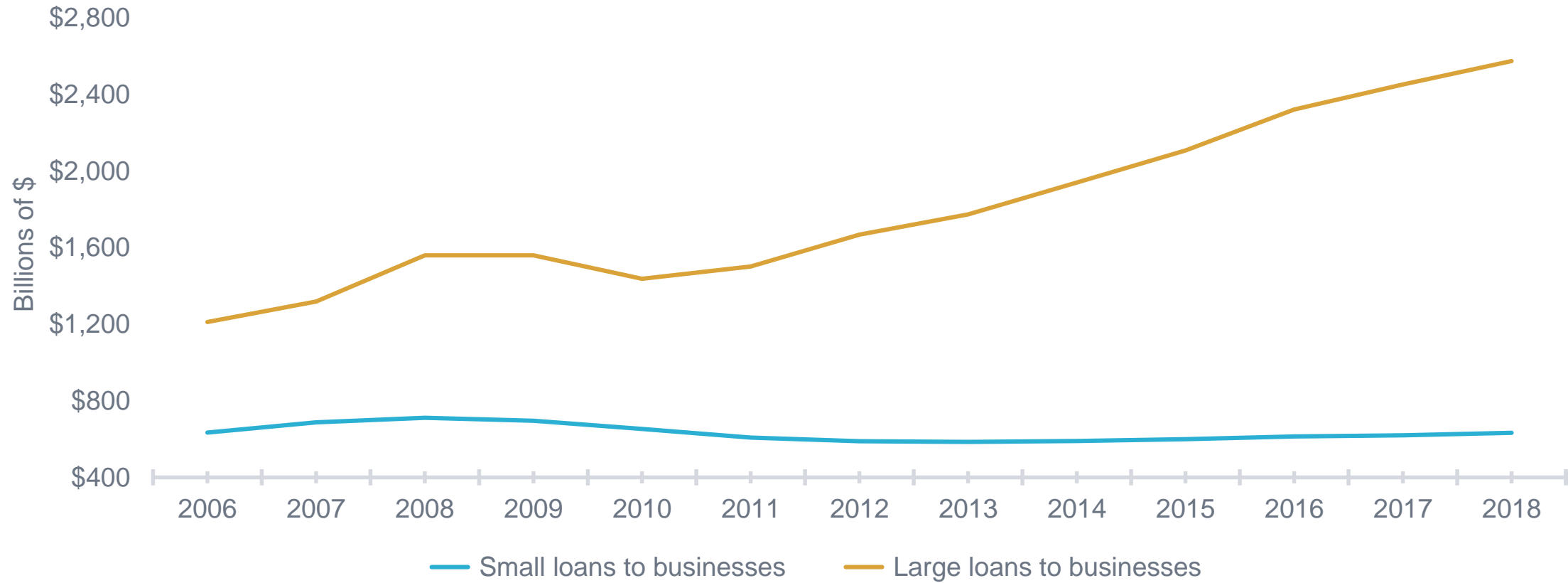


Source: Wells Fargo/Gallup Small Business Index, National Federation of Independent Businesses

Note: Wells Fargo data are quarterly; not seasonally adjusted. NFIB data are not seasonally adjusted.

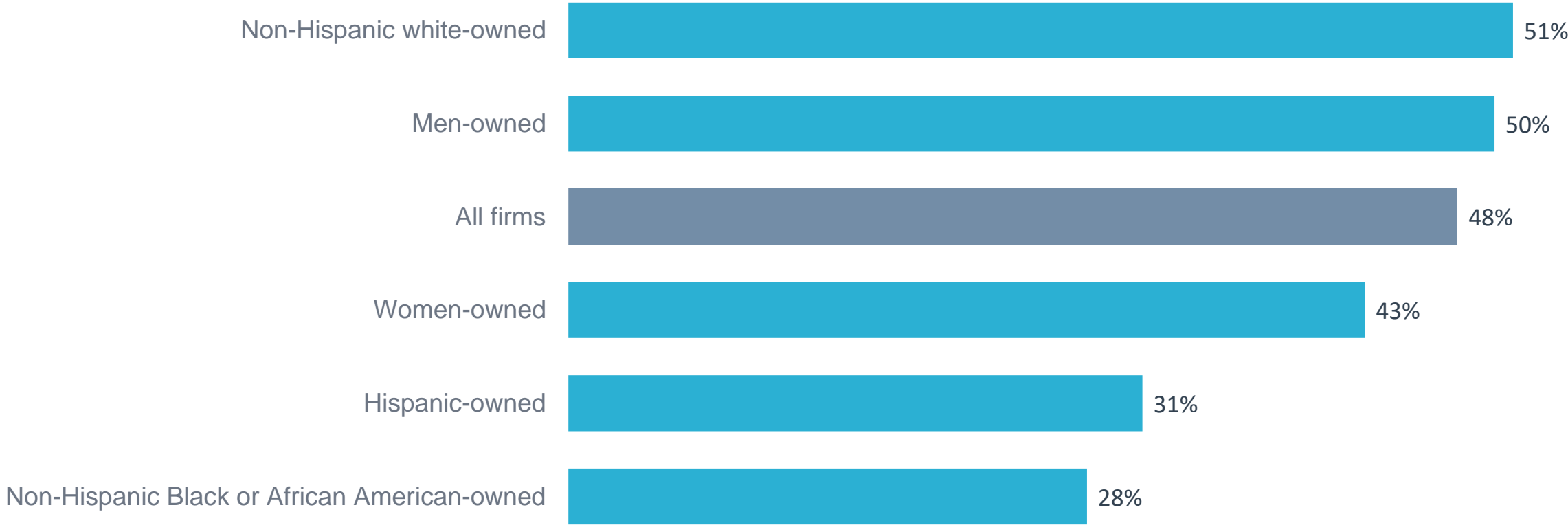
# Small dollar lending has remained flat

## Outstanding balances on loans to businesses



# KEY FINDING: Half of small businesses met their funding needs, but this varies across segments

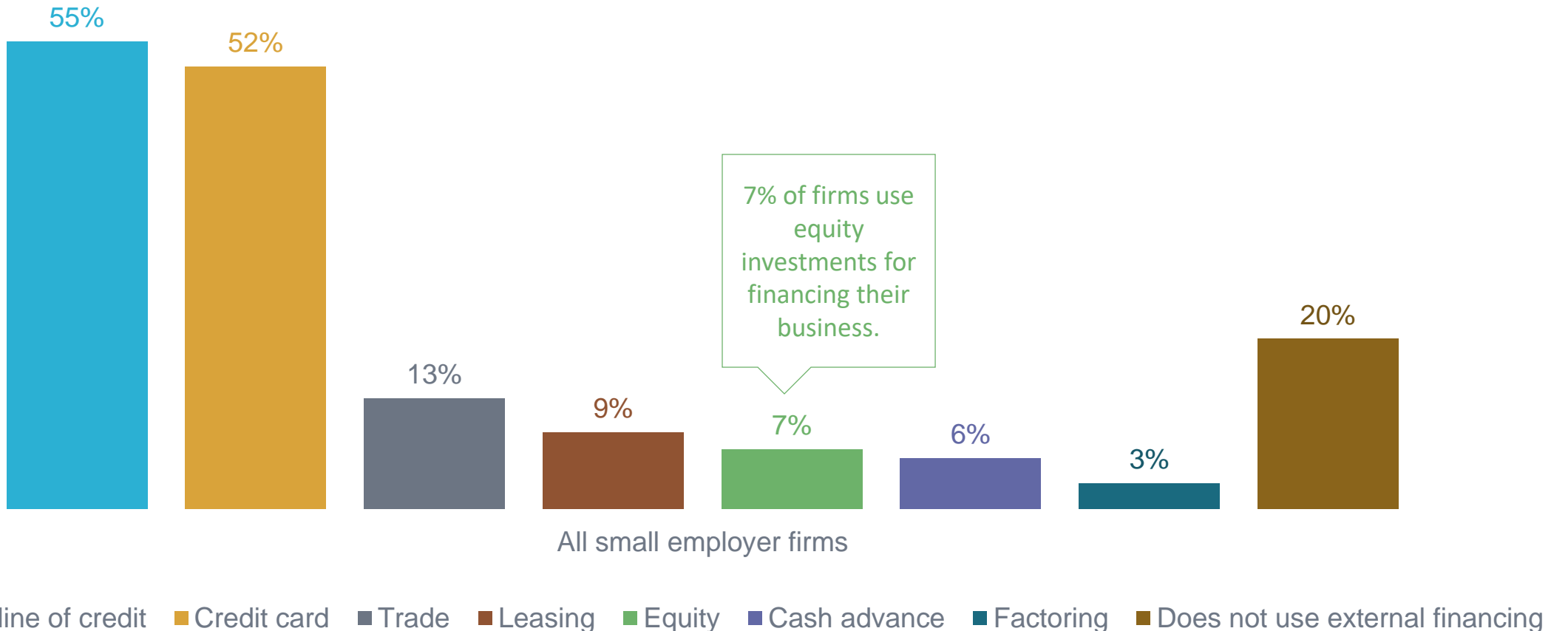
Proportion of small business owners with funding needs met  
(% of employer firms)



Source: 2018 Small Business Credit Survey

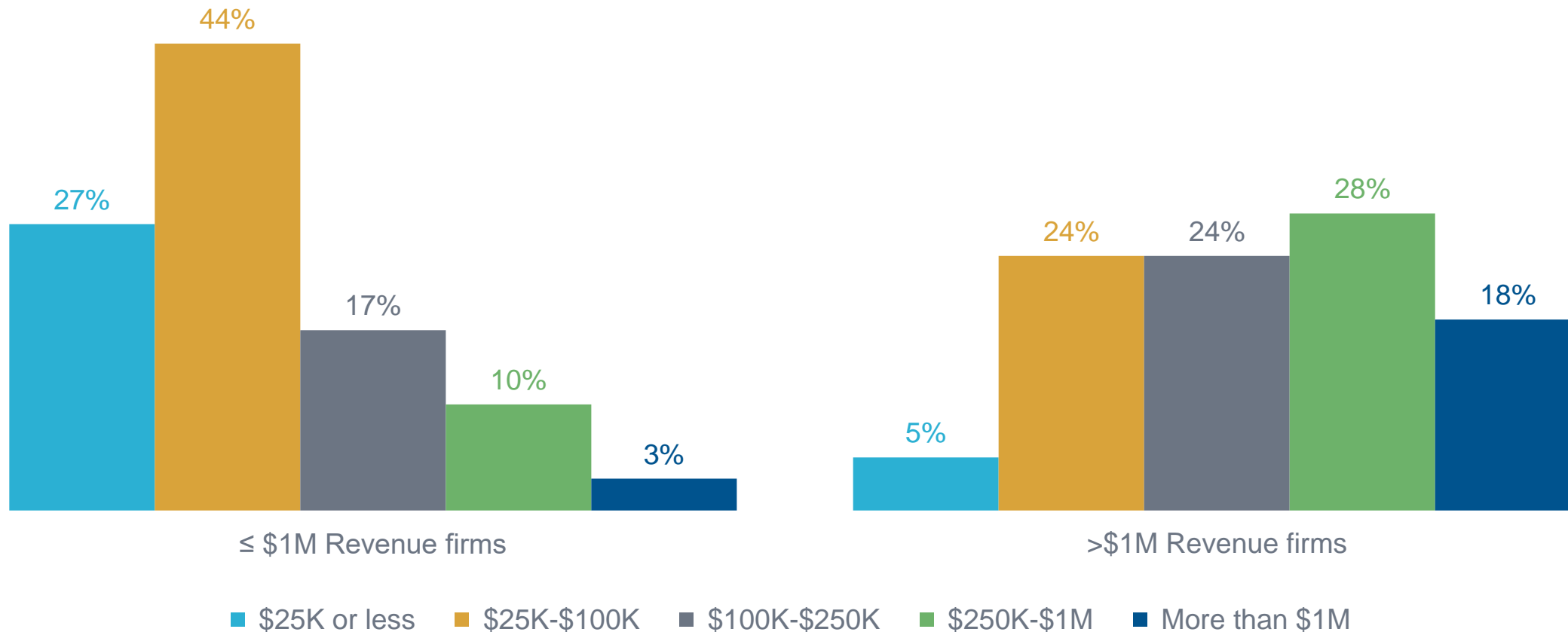
# KEY FINDING: Credit is the most common form of financing regularly used by small firms. In contrast, 7% use equity investments

Type of financing regularly used  
(% of employer firms)



# KEY FINDING: Small firms have small dollar needs. 71% sought \$100K or less in funding

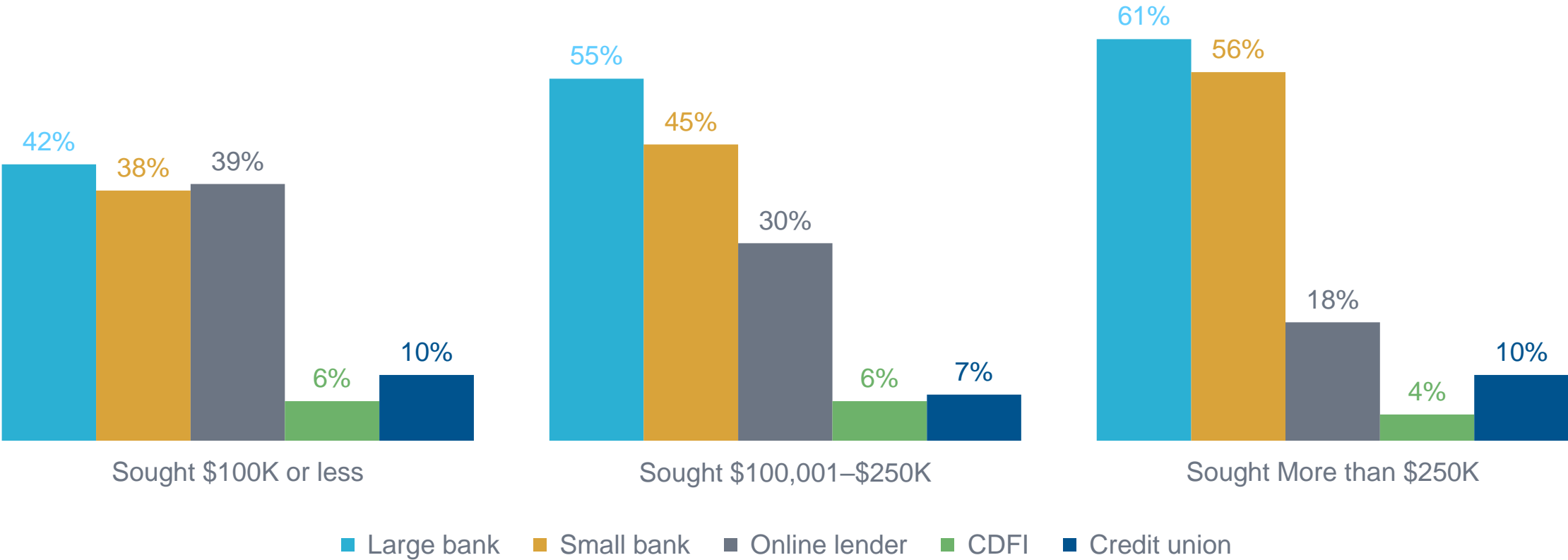
Total amount of financing sought by revenue size of firm  
(% of applicants)





# KEY FINDING: Firms seeking \$100K or less applied to online providers at equal rates to banks

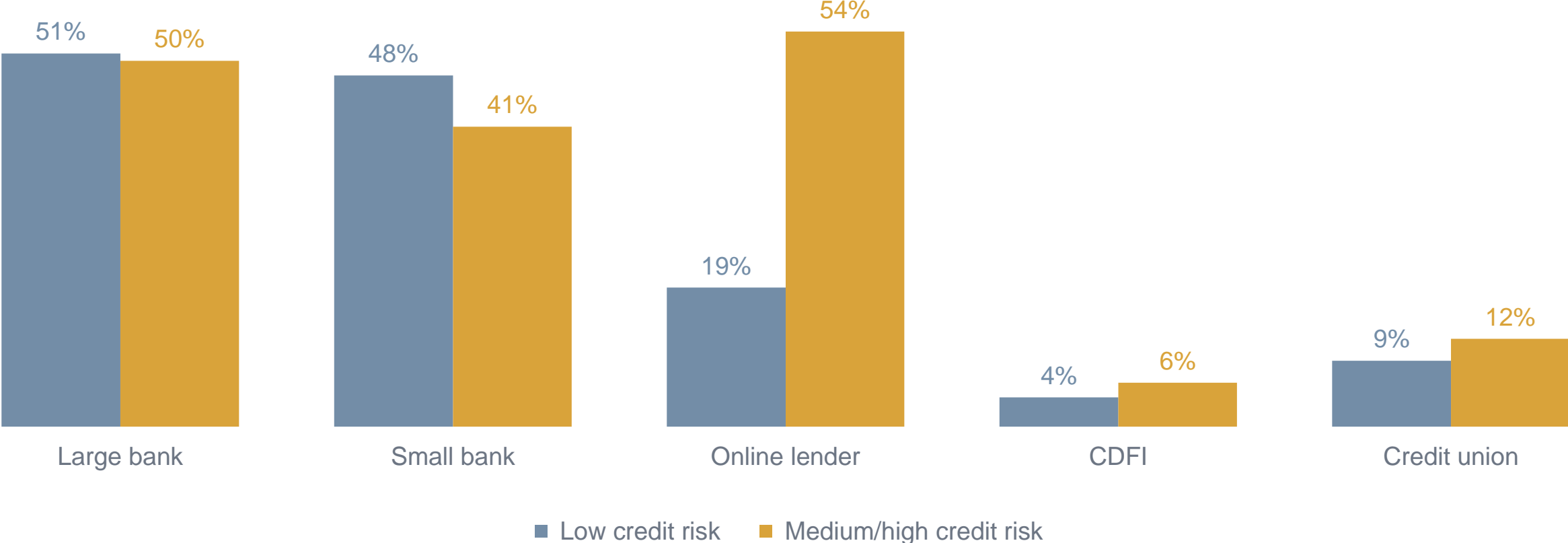
Credit sources applied to by amount of credit sought  
(% of loan/line of credit and cash advance applicants)



Source: 2018 Small Business Credit Survey

# KEY FINDING: Medium- and high-risk borrowers applied to online lenders at higher rates than to banks

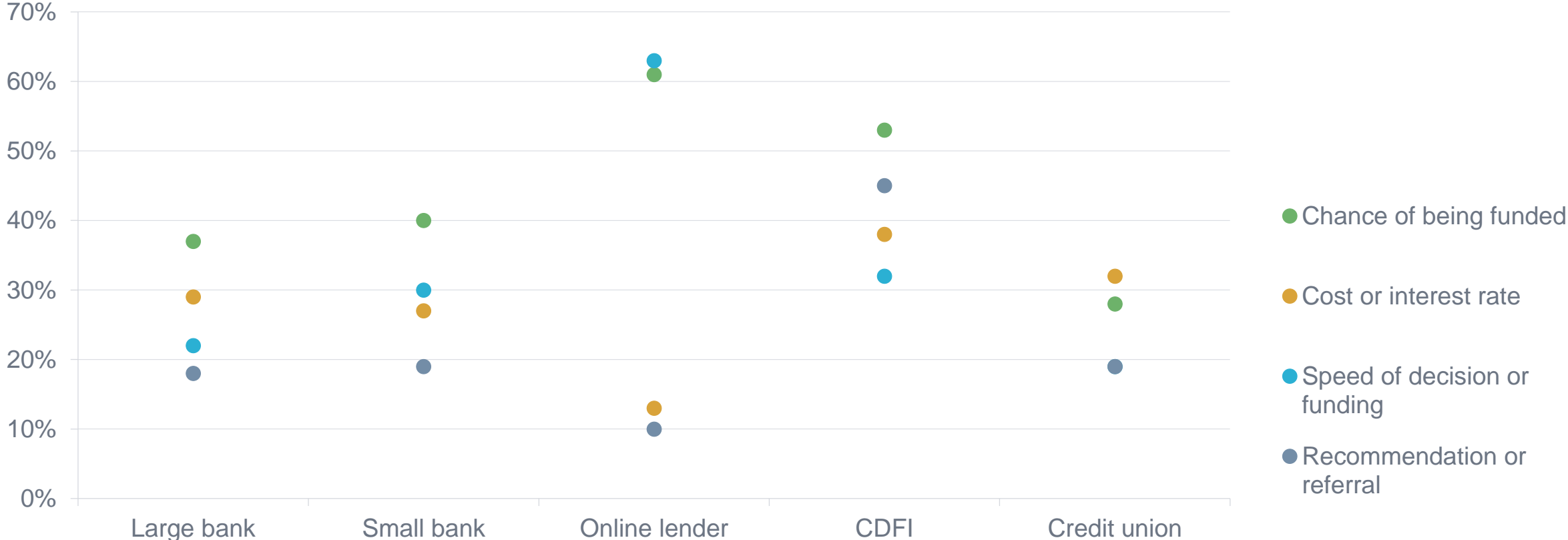
Credit sources applied to by credit risk of firm  
(% of loan/line of credit and cash advance applicants)



Source: 2018 Small Business Credit Survey

# KEY FINDING: The chance of being funded is a larger factor than cost in where firms apply for financing

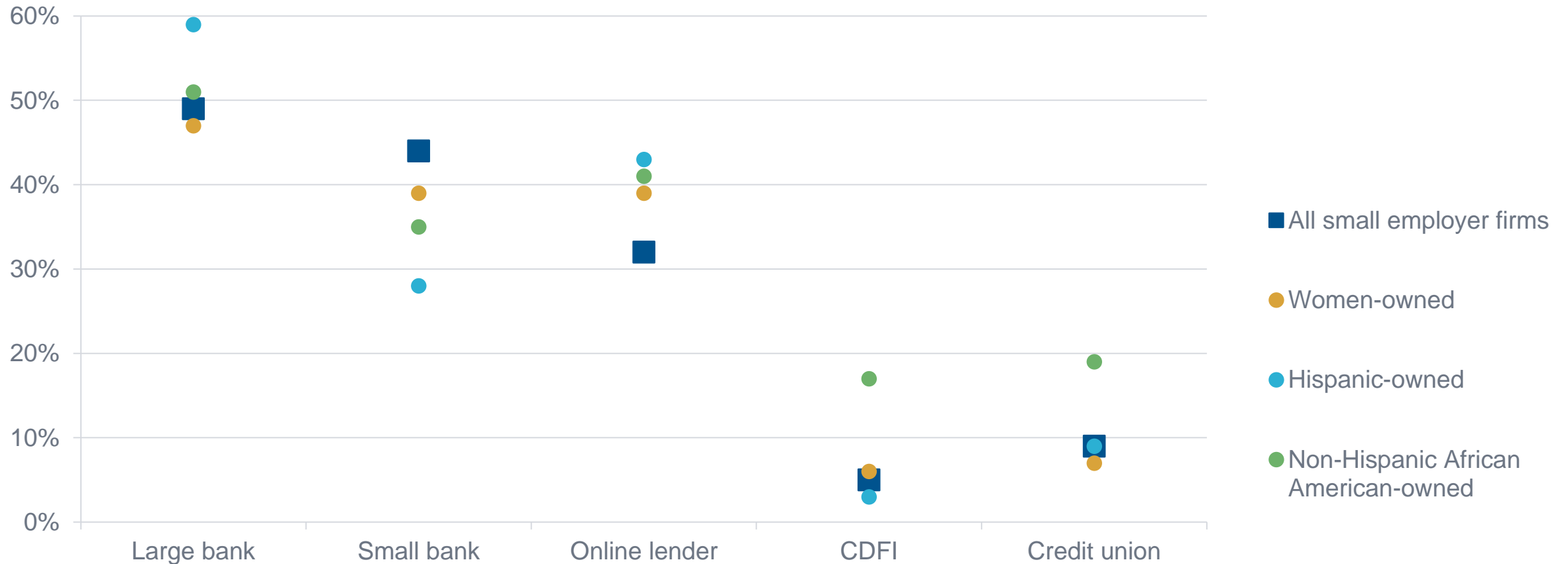
Top factors influencing where firms apply  
(% of loan/line of credit and cash advance applicants)



Source: 2018 Small Business Credit Survey

# KEY FINDING: Segments of small business borrowers differ notably in where they apply for financing

**Credit sources applied to by type of firm**  
(% of loan/line of credit and cash advance applicants)



# Intelligence on key segments of small business



[www.fedsmallbusiness.org](http://www.fedsmallbusiness.org)



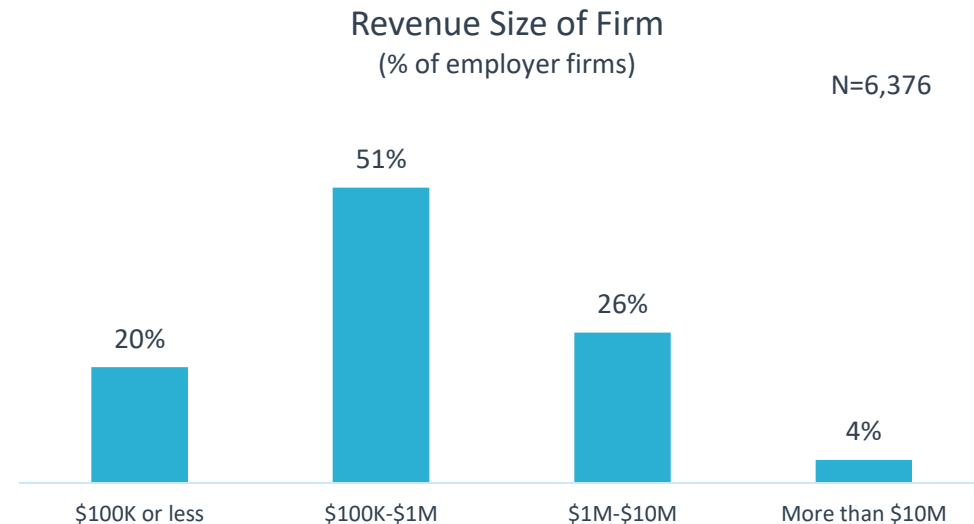
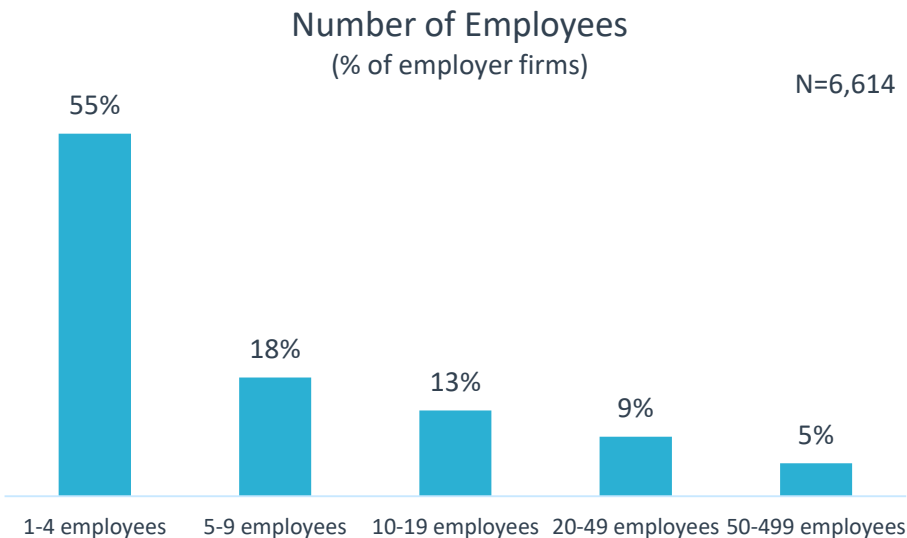
# Appendix

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- Methodology
- Statistics on economic importance of small business
- Additional findings from [Small Business Credit Survey](#)

# Methodology

- Convenience sample, conducted online
  - Distributed through 300+ community and business organizations
  - Collaboration with NORC at the University of Chicago
  - Control for representativeness by **weighting the sample data with U.S. Census data**
- Weighting characteristics: firm age, number of employees, geography, industry, race, ethnicity, and gender.

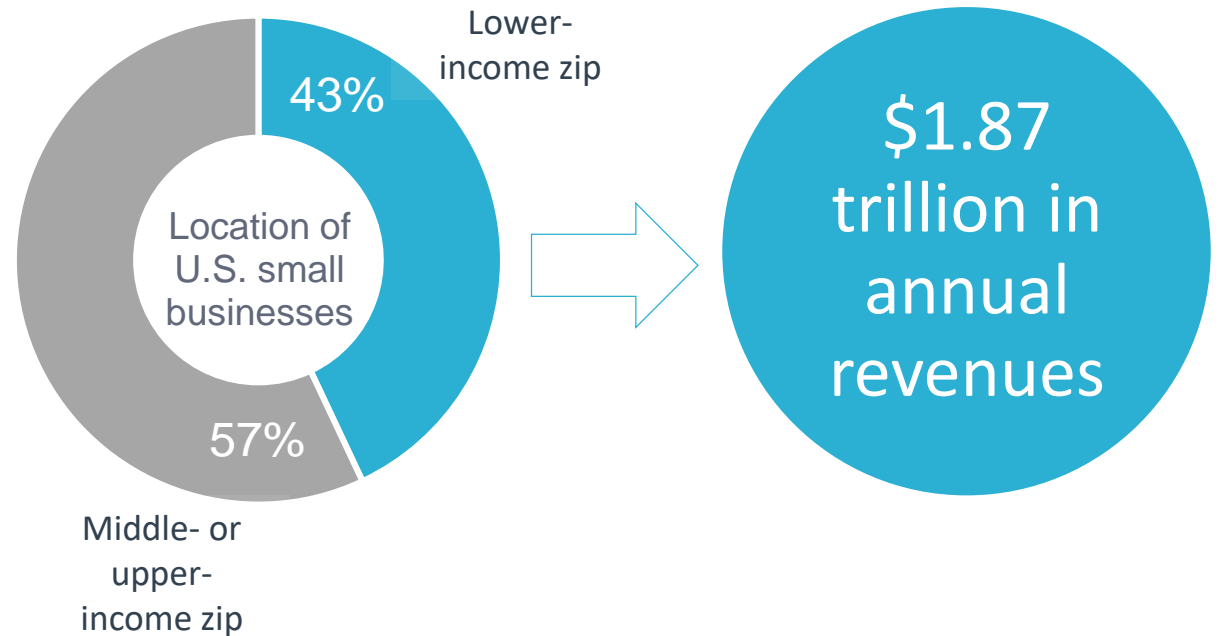


# Why small business?

Generate 2 of 3 net new jobs in the U.S.



Large community impact in low income areas

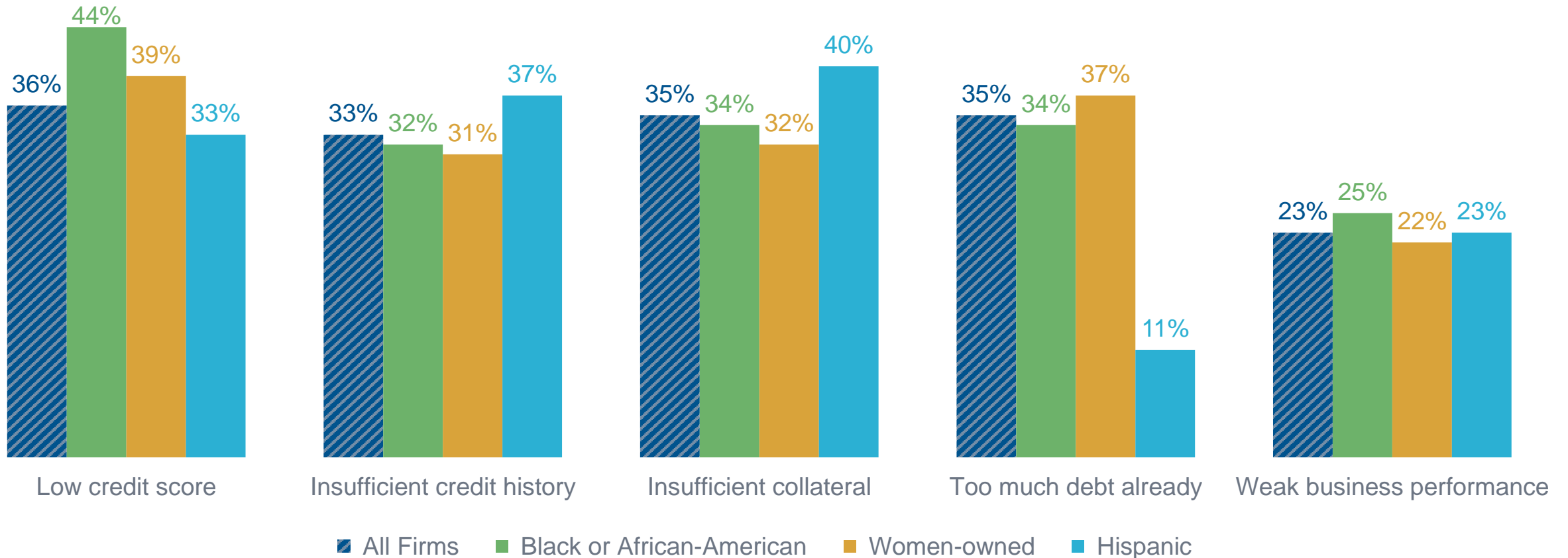




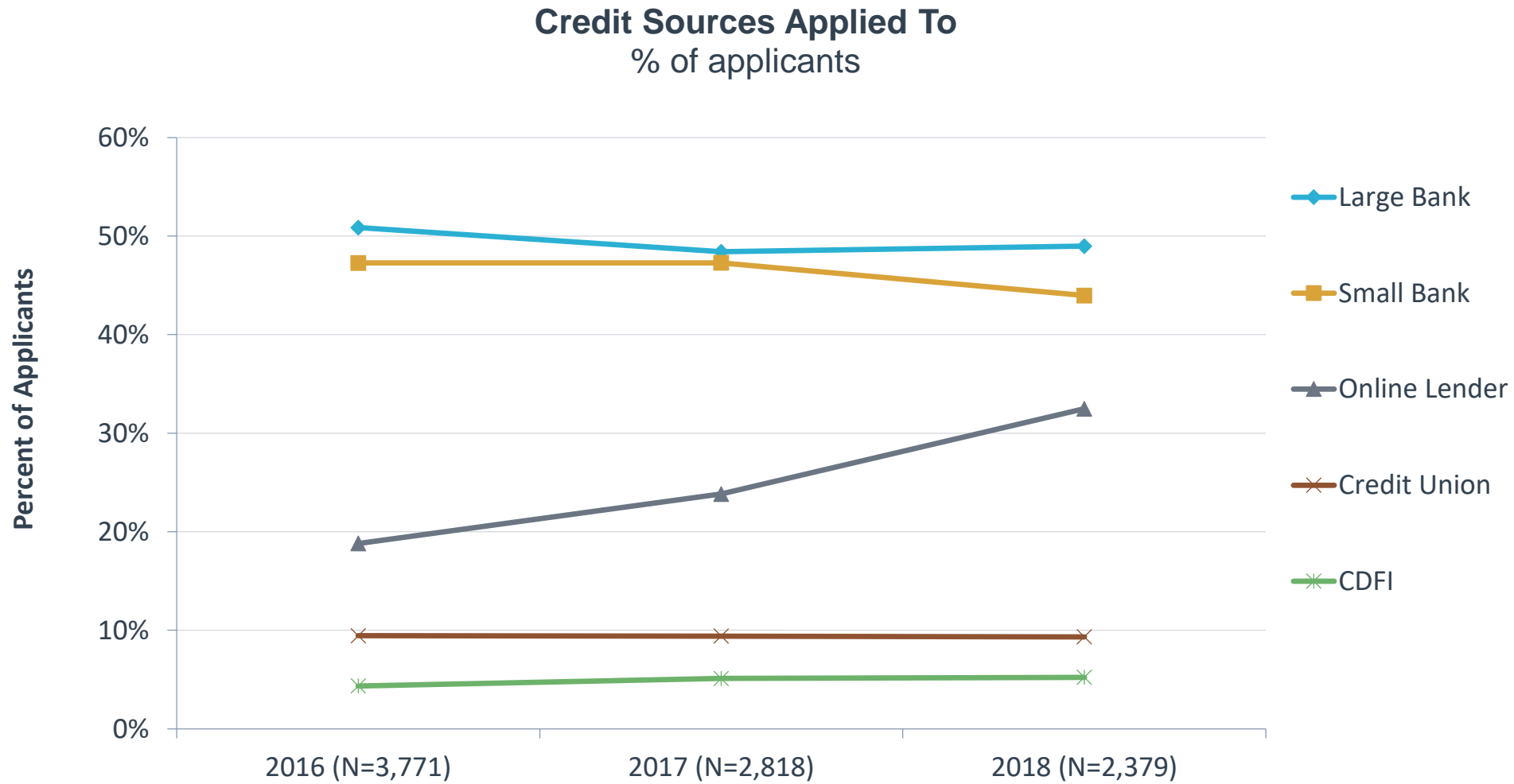
# Credit Challenges

## Credit challenges by type of firm

(% of applicants not approved for at least some of the financing sought)



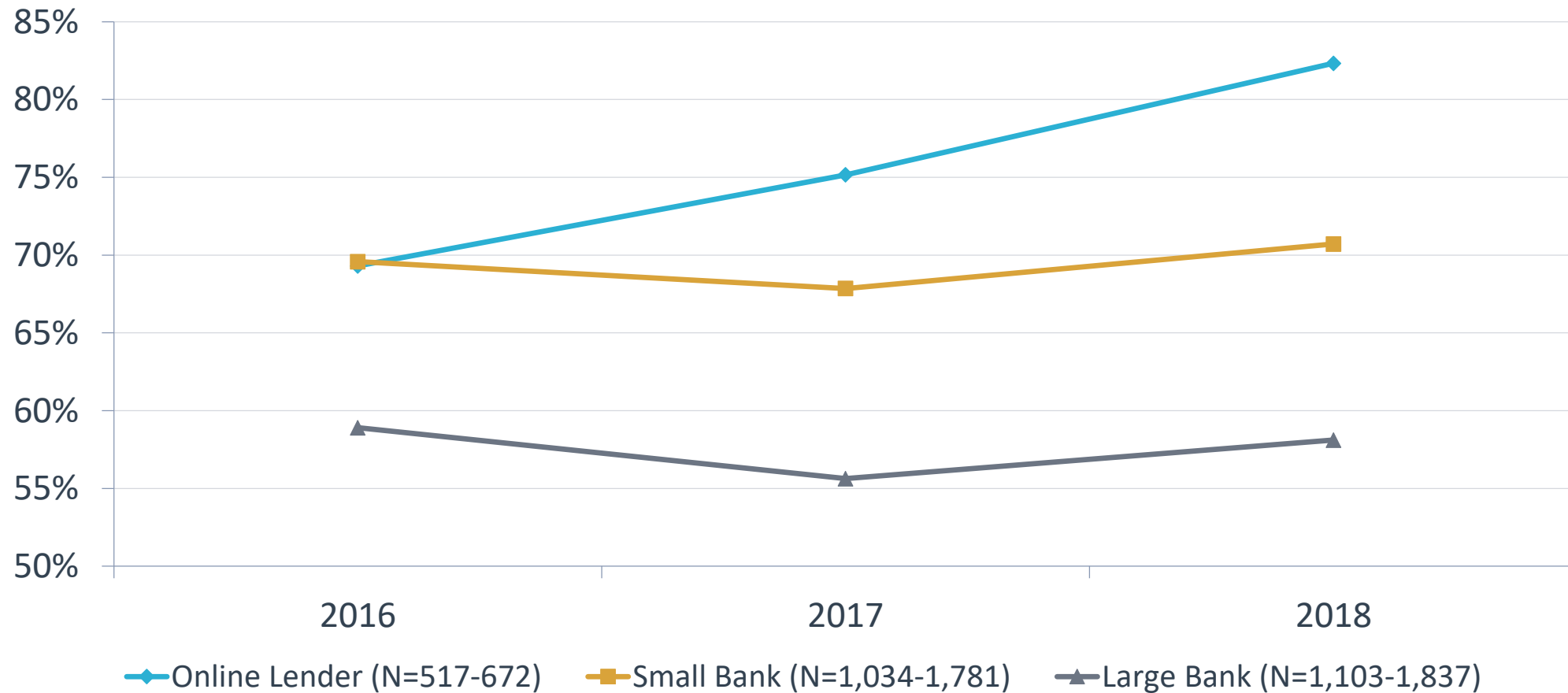
# Credit Application Sources



Source: 2018 Small Business Credit Survey

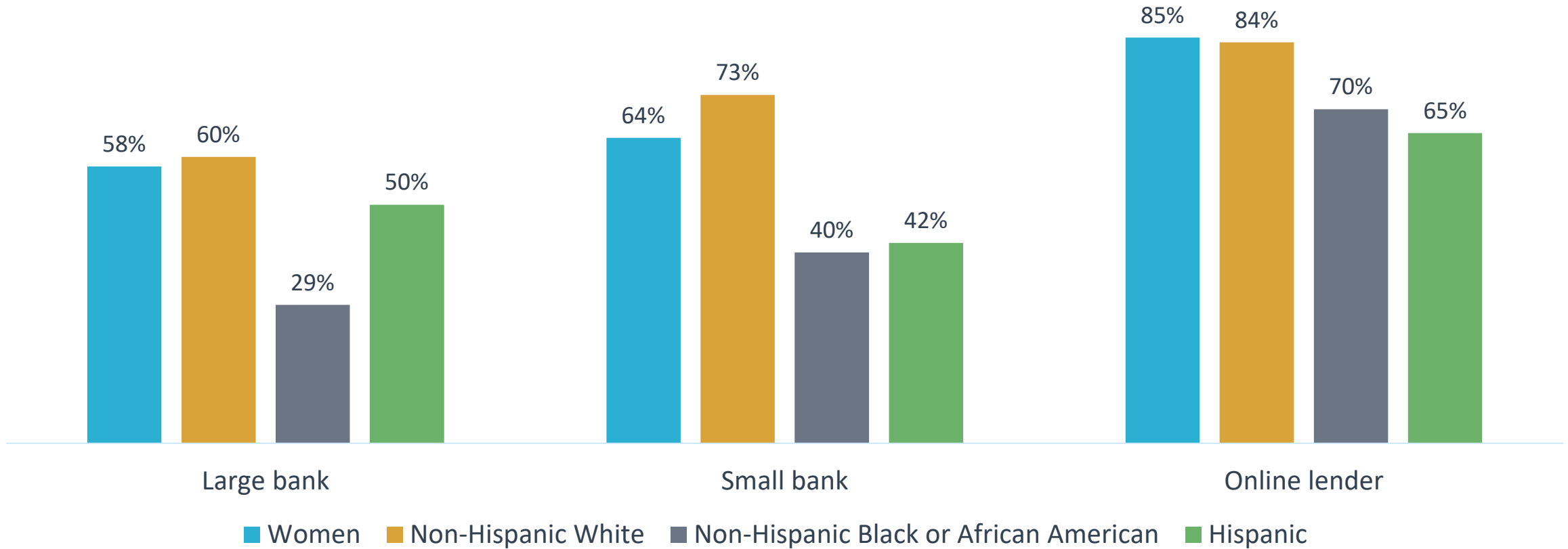
# Lender Approval Rates

**Approval Rate By Lender**  
(% of applicants approved for partial or full credit)



# Success rates of Borrower Segments by Lender

**Success Rate**  
(% of applicants being partly or fully funded)



Source: 2018 Small Business Credit Survey