

Credit Experiences of the Smallest of Small Businesses

The Federal Reserve's 2015 Small Business Credit Survey in fall 2015 polled small business owners in 26 states about their firms' performance and borrowing experiences. A subsequent report in December 2016 zeroed in on small businesses staffed by only their owner(s)—firms that account for 80% of US businesses and have unique characteristics and challenges. Here are findings gleaned from the responses of **1,576** nonemployer firms.

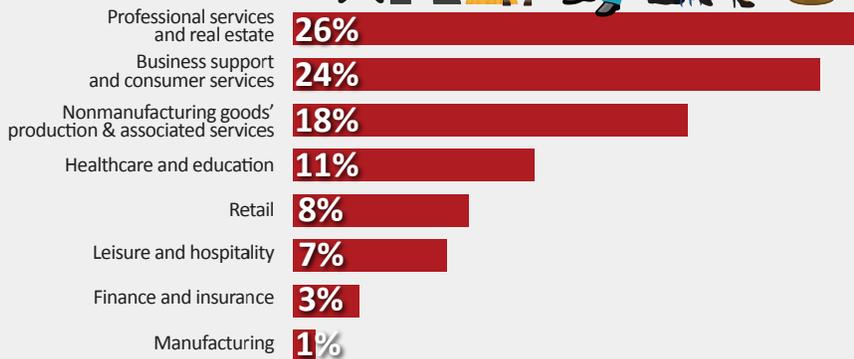


non·em·ploy·er firm

(noun)

A firm that has no paid employees other than the owner(s).

- 75% report annual revenues of **LESS THAN \$100,000**
- 64% are the owners' **PRIMARY SOURCE** of income
- 62% operate from a **HOME**
- Most are **SERVICE** businesses



Top 5 reasons for starting a business

- Flexibility and/or to be own boss (52%)
- New good or service to bring to market (42%)
- Extra income (28%)
- Start or continue family business (22%)
- No other employment options (14%)

Borrowing activity

A majority of nonemployers (68%) **DID NOT APPLY** for financing during the survey period.

- WHY?**
- Reluctant to take on debt (33%)
 - Sufficient funding in hand for business (30%)
 - Believed they'd be turned down (25%)

Of the nonemployers that **DID APPLY** for financing



29% were approved for **ALL** they sought



41% were approved for **NONE** of what they sought

Nonemployer credit applicants were most satisfied with small banks. They reported the highest dissatisfaction with large banks (top reason: difficult application processes) and with online lenders (top reason: high interest rates).

Compared to employer firms, nonemployer firms



employer firms



vs nonemployer firms

Reported profitable operations at the end of 2014

55% vs 35%

Were less likely to be profitable

Reported revenue growth

54% vs 41%

Sought financing less

47% vs 32%

Were rejected more often by lenders*

82% vs 59%

*Includes only those who applied for financing.

The 2015 Small Business Credit Survey was conducted by the Federal Reserve Banks of New York, Atlanta, Boston, Cleveland, Philadelphia, Richmond, and St. Louis and yielded 5,420 total responses. In addition to the 2015 Small Business Credit Survey Report on Nonemployer Firms, two additional reports drawing on the 2015 survey are Click, Submit: New Insights on Online Lender Applicants from the Small Business Credit Survey and the 2015 Small Business Credit Survey Report on Employer Firms. Access all 3 here: ow.ly/YGpp307RmuB.

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