

**FEDERAL RESERVE BANK OF NEW YORK**  
**Access to Credit: Poll Evidence from Small Businesses**  
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**PODCAST Q & A**

Hello, I am Kausar Hamdani, the Community Affairs Officer at the Federal Reserve Bank of New York. I am here with Claire Kramer, a senior analyst on the Community Affairs team. We are here today to discuss the key findings from our new study on small business finances.

**Claire: Kausar, before we get to the findings, please tell the audience why the Fed undertook this initiative.**

**Kausar:** The evidence is clear on how important small businesses are to supporting the economic recovery. Therefore, the recent contraction in business borrowing was an immediate concern for us because it raised what we call access to credit questions.

In other words, was this contraction because small firms did not need and therefore did not wish to borrow in the current economic climate? Or perhaps, their financial condition was sufficiently affected—badly, adversely—by the recession so that they were less creditworthy? Or, might there have been some undue credit restrictions? These were the kind of questions that were raised for us, and it is a part of our public service mission to examine such concerns. Prudent lending to creditworthy small firms who contribute to the recovery is in our collective interest: it's good for our communities and it's good for the American people. Small businesses account for about 60 percent of gross job creation and historically, have created more jobs than larger firms at the start of economic recoveries.

**Now, with that as background, Claire, tell us about what you did for the study.**

**Claire:** In focus groups, we heard repeatedly that regional businesses were having problems obtaining credit. So we conducted a poll to sort out among the stories you mentioned by going directly to small businesses and asking them, in a systematic way, about their credit needs and experiences.

The poll was conducted online this summer with the help of twenty local government and nonprofit organizations. We were very pleased to hear from over 400 businesses, who answered questions about credit applications, their recent business performance, and if they've been able to meet their credit needs.

**Kausar: So, you went out, conducted this poll, analyzed their responses. What did you find?**

**Claire:** First, we found very consistent results to what national surveys have found. 59% of the firms that we polled had tried to access new financing for their businesses in the first half of 2010. However, we also found that only half of this group was approved for credit. Second, we found that cash flows are the keys to success. Over two-thirds of poll respondents saw declining sales/revenues during the last two years, which may help to explain why access is limited for this group. The third thing we found was that small businesses continue to have credit needs. In the poll, three-quarters of applicants received only 'some' or 'none' of the credit that they wanted.

**Kausar: So, from the responses from the small firms, was there anything that emerged that surprised you?**

**Claire:** Personally, I was surprised that experienced borrowers, who one would normally have an easier time getting credit because of previously established relationships, actually did not seem to have an advantage in securing new credit. Somewhat unsurprisingly, we found that older firms had an advantage in securing credit compared to younger firms. To me, this finding is also important because startups and young firms are especially critical for job creation and these firms had higher denial rates.

**Kausar: So, now that you have completed this study, what do you and what does the Bank intend to do with this information?**

**Claire:** This study is only one part of our efforts. Community Affairs is planning briefings for small businesses, business service providers, local government officials, and other stakeholders. The hope is that these results will help stakeholders design better technical assistance and second look programs—with the ultimate goal of increasing access to credit for viable small firms.

**Kausar: So, Claire, tell me, has this study been released yet. And where can members of the audience go to find all the details and the other results because there were several other findings in the study, too.**

**Claire:** Yes, all of the results and our full report are available on our website: [www.newyorkfed.org/regional](http://www.newyorkfed.org/regional).

**Kausar: Thank you, Claire.**

**Claire:** Thank you.