



FEDERAL RESERVE BANK *of* NEW YORK

FRBNY Small Business Borrowers Poll

Regional and Community Outreach

August 14, 2012

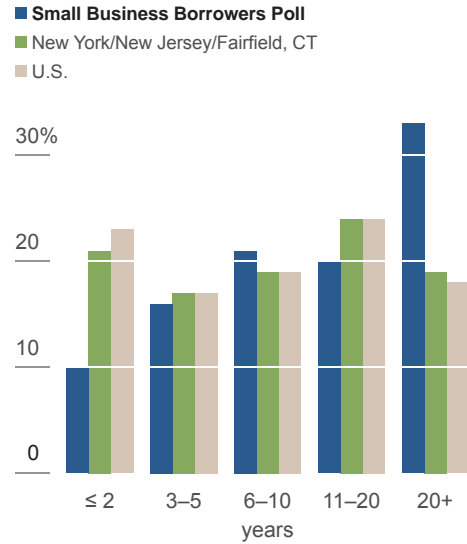
ABOUT THE MAY 2012 POLL

- * The Small Business Borrowers Poll asks small businesses in **New York; New Jersey; and Fairfield County, Connecticut**, about their business performance and financial and credit experiences.
- * The poll captures the perspectives of **smaller firms (typically fewer than 10 employees and under \$5 million in annual revenues)** who respond to an online questionnaire.
- * The poll is **distributed through a network of civic and nonprofit partners**, including Chambers of Commerce, Industry Associations, City and State Agencies, and Small Business Development Centers.
- * Responses were **collected from 544 small businesses** during April and May 2012.

ABOUT THE MAY 2012 POLL

AGE

About **half** of respondents are **10 years or younger**.

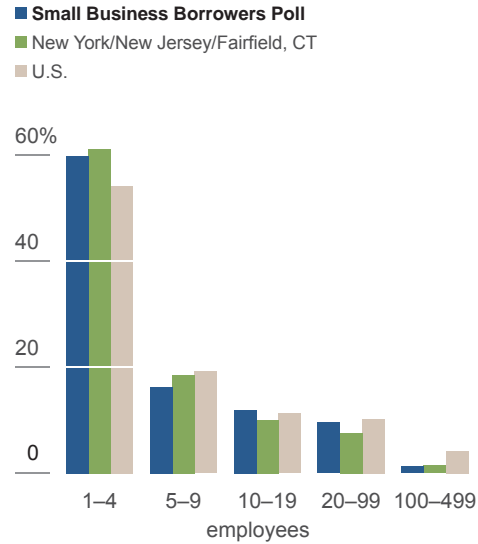


Number of Respondents: N = 542

U.S. and tri-state area data from the Longitudinal Business Database, U.S. Census Bureau 2010.

SIZE, BY EMPLOYEES

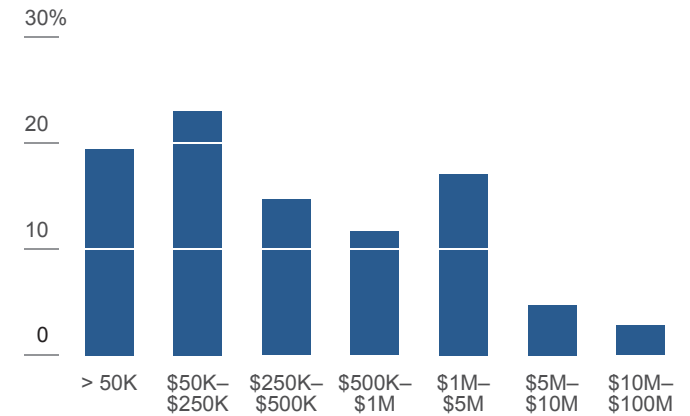
60% of respondents employ **fewer than 5 employees**.



N = 544

SIZE, BY REVENUE

Almost **half** of the respondents had revenues of **less than \$250,000** during 2011.

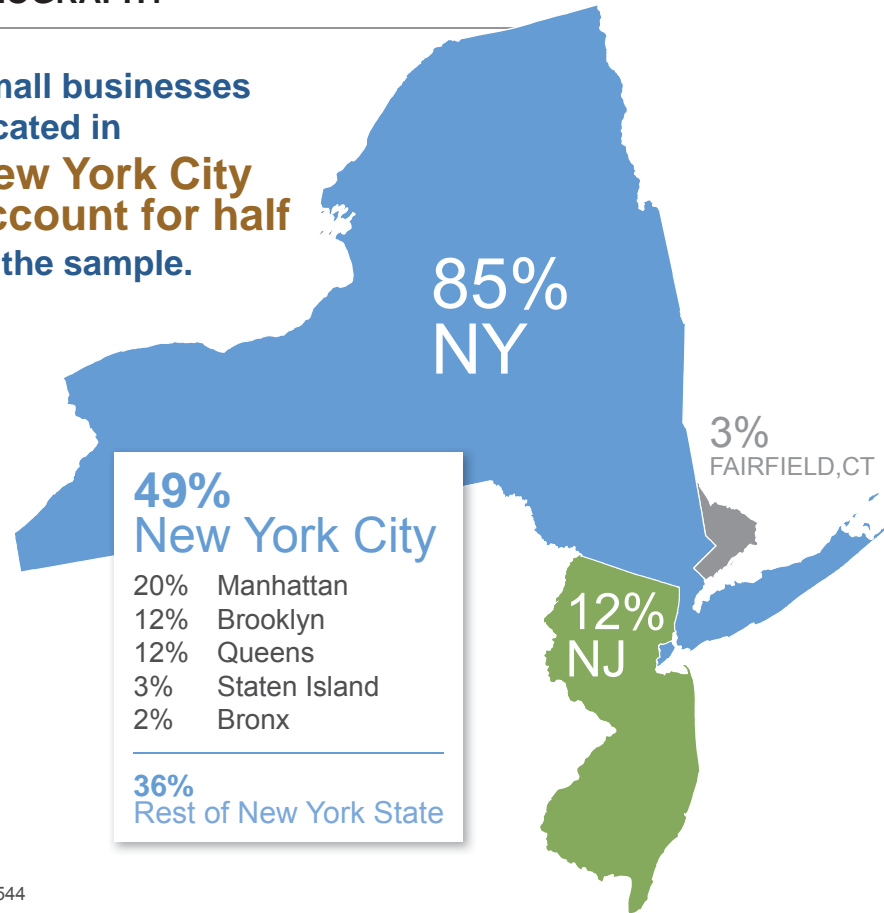


N = 529

ABOUT THE MAY 2012 POLL

GEOGRAPHY

Small businesses located in **New York City** account for half of the sample.



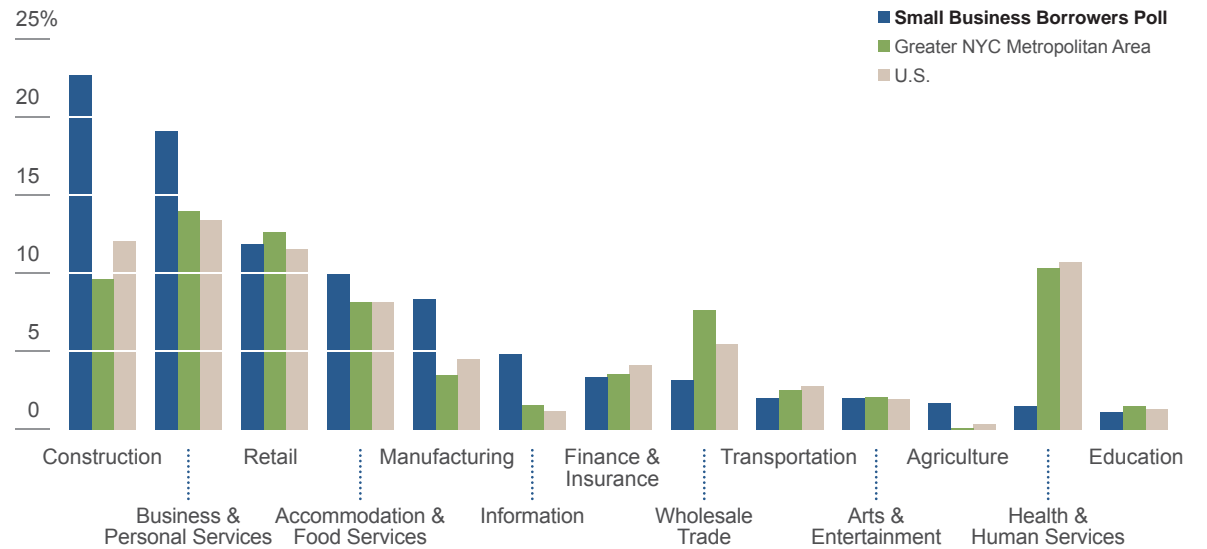
N = 544

Percent of Respondents, by Zip Code

Small Business Borrowers Poll Report, August 2012

INDUSTRY COMPOSITION

Construction, business & professional services, manufacturing, and information are a larger share of the sample than their composition of US industry; **health and human services** are a smaller share.



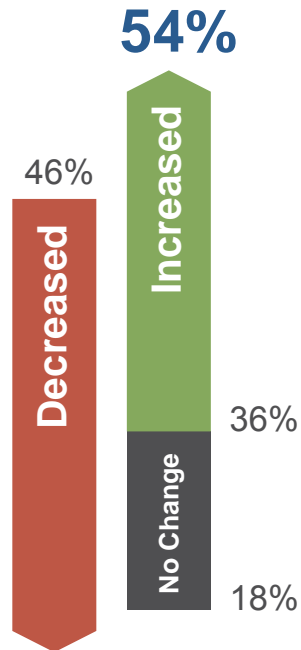
N = 538

U.S. and Greater NYC Metropolitan Area data from the County Business Patterns, U.S. Census Bureau 2009.

BUSINESS PERFORMANCE

SALES PERFORMANCE

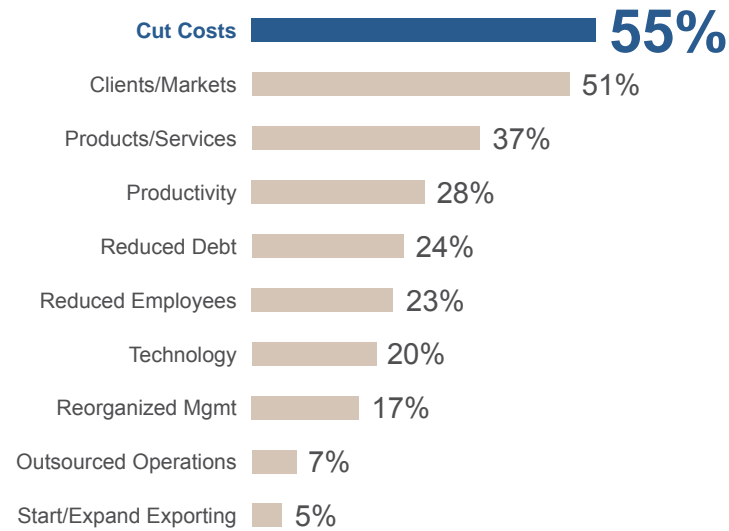
More than half of respondents experienced **steady or increased sales**.



N = 536

MOST IMPORTANT STRATEGIC CHANGES

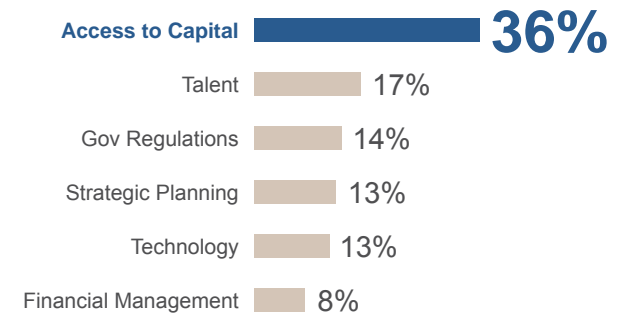
Cutting costs was the single most important strategic change among respondents, followed closely by cultivating new clients/markets.



N = 491

GROWTH BARRIERS

Access to capital was the biggest growth barrier for respondents.

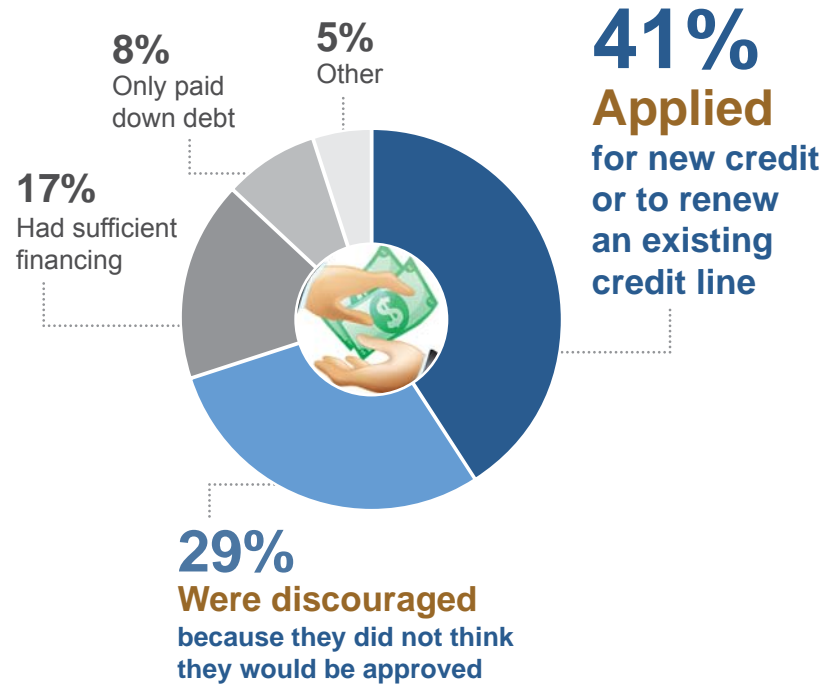


N = 529

DEMAND FOR CREDIT

CREDIT BEHAVIOR

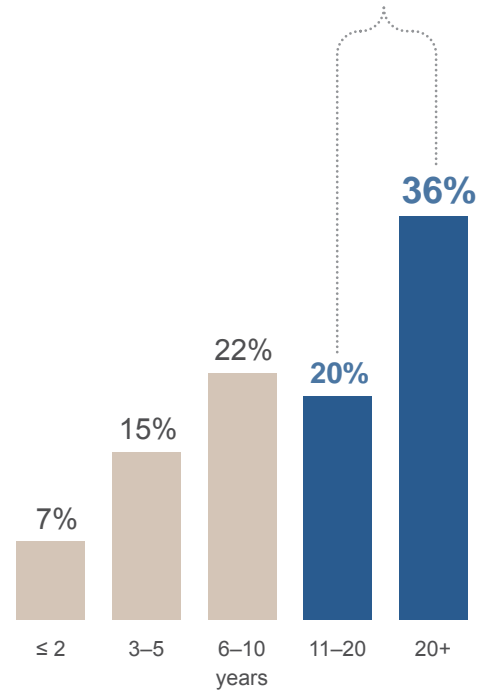
Over the last 12 months, did your business do any of the following? Check all that apply.



N = 544

APPLICANTS: AGE DISTRIBUTION

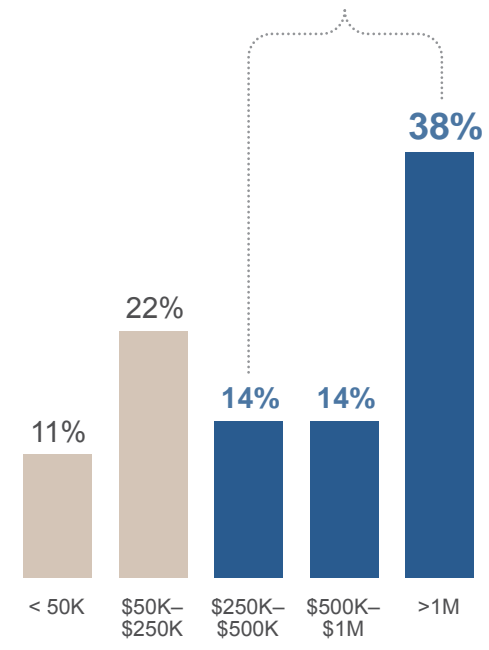
56% of applicants are 11 years or older.



N = 220

APPLICANTS: REVENUE DISTRIBUTION

66% of the applicants had revenues greater than \$250,000 during 2011.



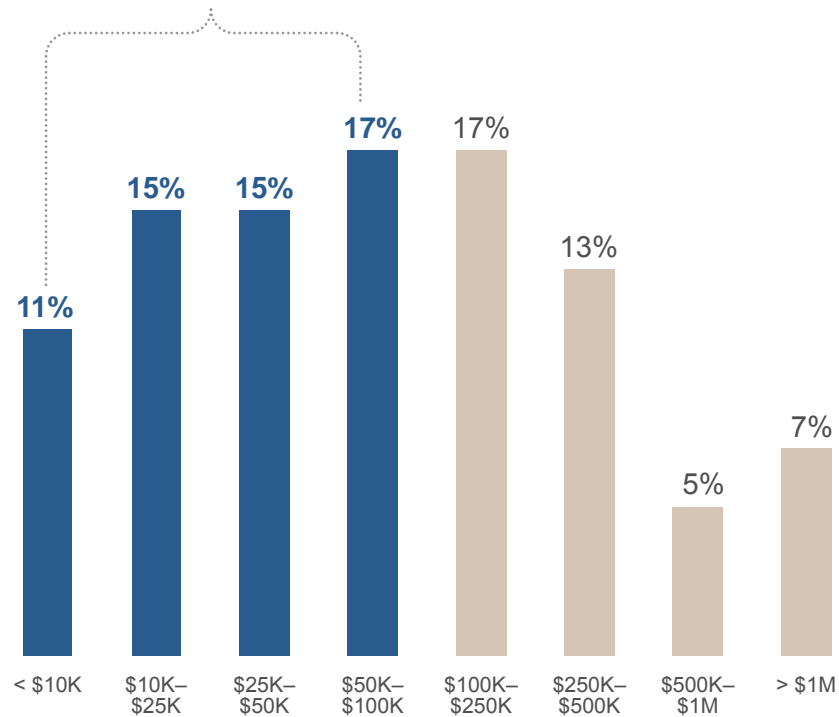
N = 218

Note: The applied category includes respondents that indicated applying for new or existing credit. The sufficient category includes respondents that indicated having sufficient credit and DID NOT indicate applying for new or existing credit. The discouraged category includes respondents that indicated thinking they would not be approved and did not indicate having sufficient credit or applying for new or existing credit. Finally, the paid down debt category includes respondents that ONLY indicated paying down debt.

DEMAND FOR CREDIT

AMOUNT OF FINANCING SOUGHT

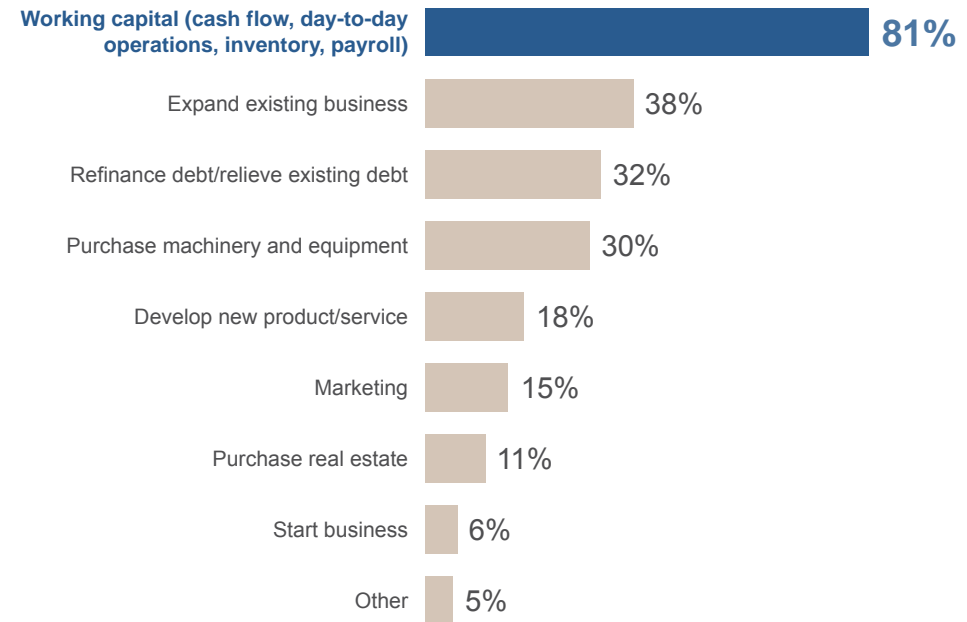
58% of applicants sought \$100,000 or less.



N = 215

PURPOSES FOR SEEKING FINANCING

81% of applicants needed short-term operating capital.



N = 188

APPLICANT SUCCESS

APPLICANTS

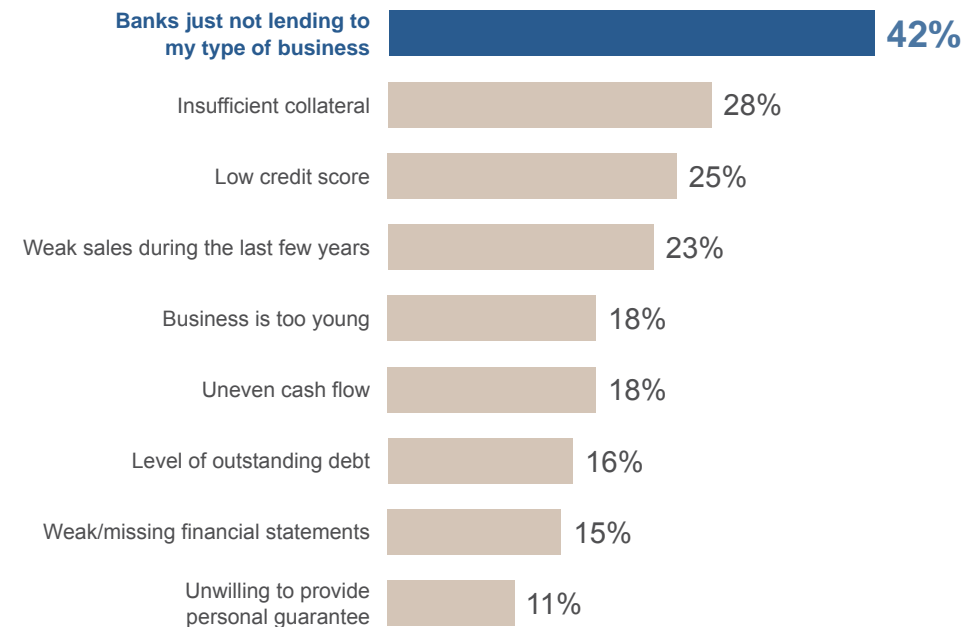
	Successful Firms ¹	Unsuccessful Firms	All Applicants
Average Firm Age	23 years	19 years	22 years
Average Number of Employees	20	6	15
Percent of Firms with Constant or Increasing Sales	63	51	58
Percent of Firms with Bank Relationships ²	74	47	64
Median Firm Revenue Range	\$500K–\$1M	\$250K–\$500K	\$500K–\$1M

¹ Applicants were considered successful if they were approved for any amount of credit in at least one credit product application.

² Percent of firms citing a community bank, large national bank, or credit union as a top financing source.

FIRMS' CREDIT ISSUES

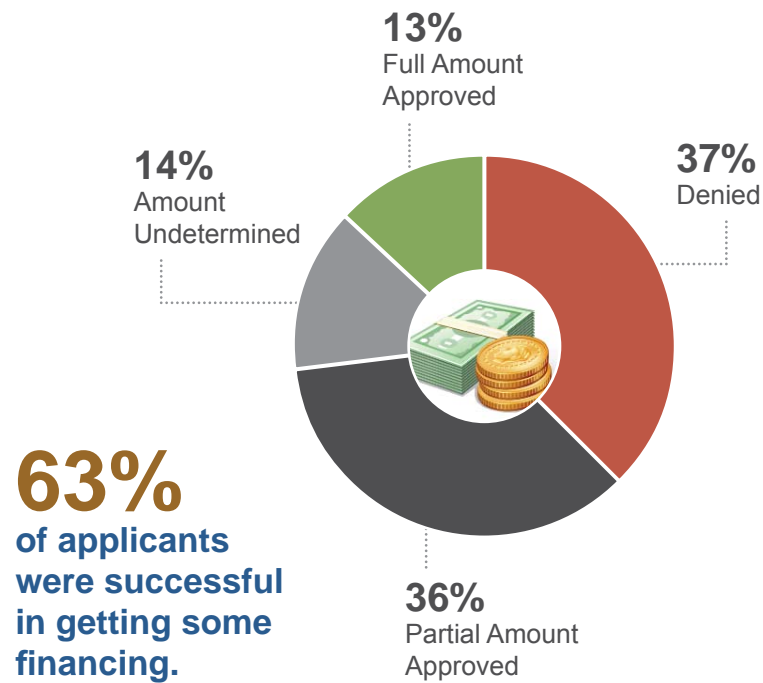
42% reported banks not lending to their type of business.



N = 116

APPLICANT SUCCESS

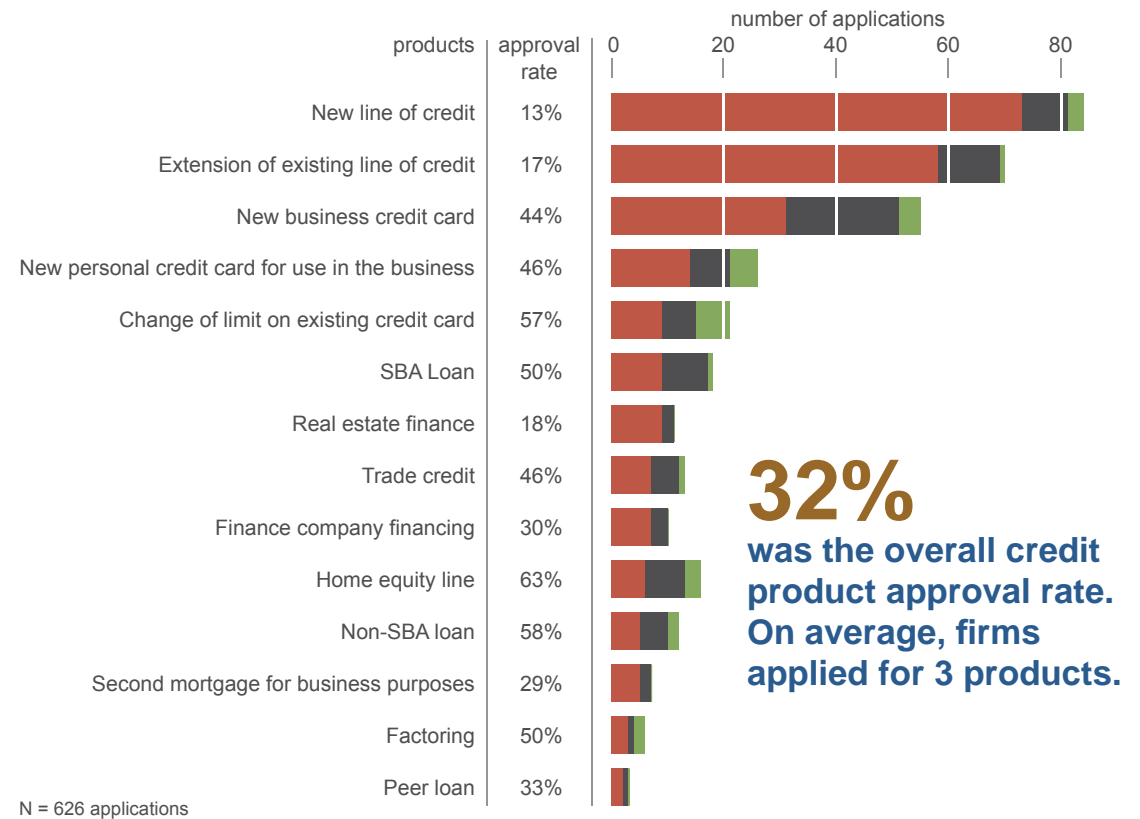
APPLICANT SUCCESS RATE¹



N = 221

¹ Applicants were considered successful if they were approved for any amount of credit in at least one credit product application.

CREDIT PRODUCT SUCCESS RATE



N = 626 applications

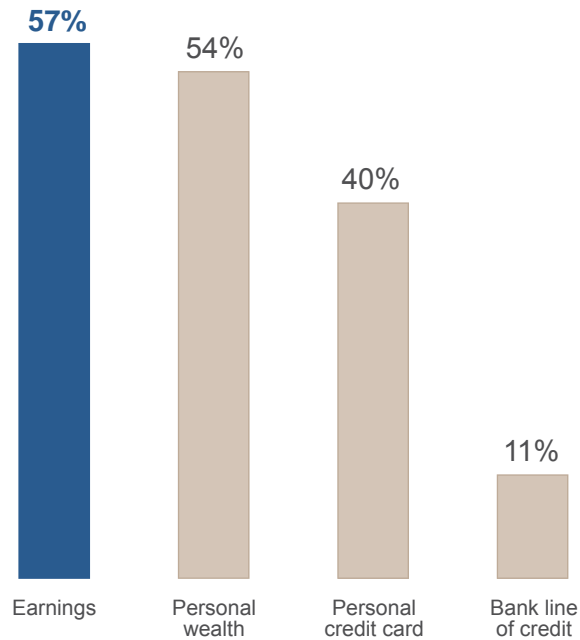
NON-APPLICANT FIRMS

	Firms with Sufficient Financing	Discouraged Firms	Firms that Only Paid Down Debt	Non-Applicant Average	Applicants
Average Firm Age	25 years	12 years	20 years	17 years	22 years
Average Number of Employees	11	5	5	7	15
Percent of Firms with Constant or Increasing Sales	70	49	28	52	58
Percent of Firms with Bank Relationship	45	33	48	38	64
Median Firm Revenue Range	\$250K–\$500K	\$50K–\$250K	\$50K–\$250K	\$50K–\$250K	\$500K–\$1M

DISCOURAGED FIRMS

KEY FINANCING SOURCES

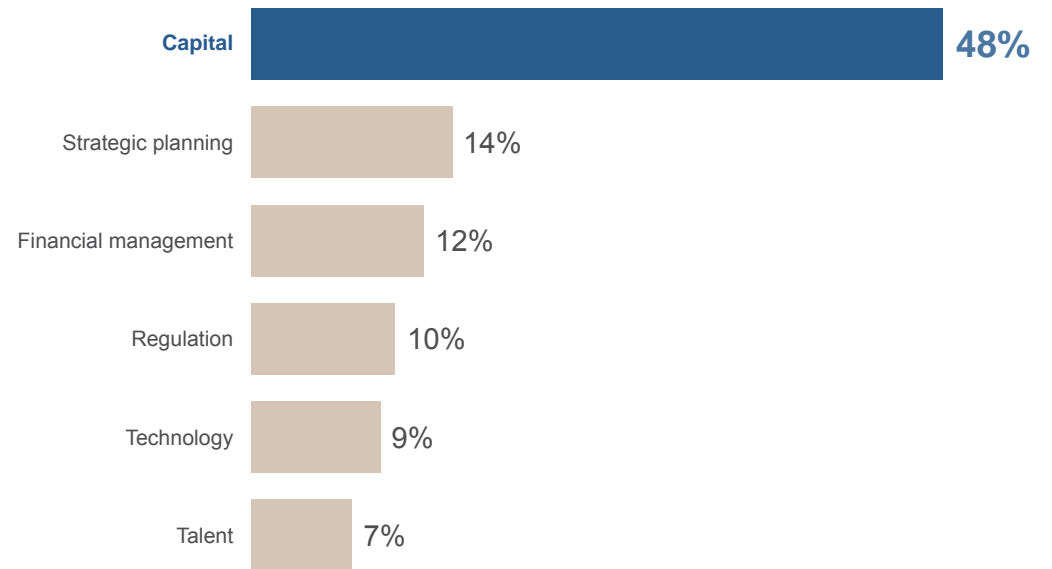
57% of discouraged firms rely on their earnings for financing.



N = 157

GROWTH BARRIERS

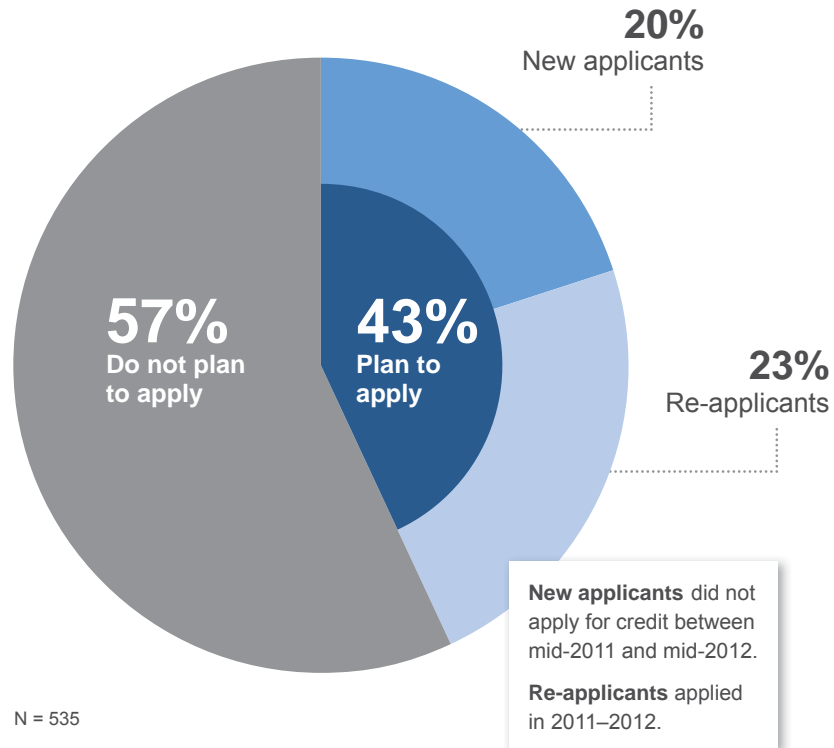
Access to capital is the biggest growth barrier for discouraged firms.



N = 157

DEMAND IN SECOND HALF OF 2012

Do you plan to apply for credit in the next 6 months?



	New Applicants	Re-Applicants	Successful Applicants, 2011–2012
Average Firm Age	14 years	20 years	23 years
Percent of Firms with Constant or Increasing Sales	54	60	63
Percent of Firms with Bank Relationship	31	60	74

Most firms that expect to reapply in 2012 were either denied or received only partial funding on their credit requests between mid-2011 and mid-2012. Obtaining credit may continue to be a problem for applicants with weaker sales.

SMALL BUSINESS BORROWERS POLL QUESTIONS

FIRM PROFILE

1. Business name _____ Business zip code _____ Industry _____ Year established _____

Gender of business owner/executive _____ Number of full-time employees _____

Roughly, what were your business' total sales in 2011? Less than \$50,000 \$50,000 - \$250,000 \$250,000 - \$500,000 \$500,000 - \$1M \$1M - \$5M \$5M - \$10M

\$10M - \$100M \$100M - \$500M Greater than \$500 Million Don't know/Decline to answer

Is your your business minority-owned? Yes No Is your your business women-owned? Yes No Is your your business veteran-owned? Yes No

FIRM PERFORMANCE AND STRATEGY

2. Over the past 12 months, have the following significantly increased, moderately increased, stayed the same, moderately decreased, or significantly decreased?

_____ Sales/revenues _____ Number of employees _____ Spending on equipment and facilities

3. Over the next 12 months, what is your outlook for sales in your business? Significant Increase Moderate Increase No Change Moderate Decrease Significant Decrease

4. What are the 3 most important changes, if any, you made to your business operations during 2011? _____ Developed new products/services _____ Cultivated new clients/new markets
_____ Increased productivity _____ Increased technology investments _____ Cut costs _____ Reorganized management _____ Reduced debt _____ Reduced number of employees
_____ Outsourced operations _____ Started/expanded exporting

5. Do you have a written business plan--a short to medium-term plan of your operating and financial objectives? Yes No

6. What is the most important issue you're struggling with that will affect your ability to grow your business? Access to capital Talent (Finding the right workers) Strategic planning (advice on how to grow business) Financial management (managing cost and revenue streams) Complying with government regulations Using technology and social media to attract new customers

FINANCING

7. Please rank the TOP THREE (3) **types of financing** you use for your business, with 1 being the greatest in dollar value, 2 the second greatest in dollar value, and 3 the third greatest in dollar value.

_____ Business earnings _____ SBA-backed Loan _____ Non-SBA-backed Loan _____ Bank line of credit _____ Bank home equity line _____ Personal credit card
_____ Business credit card _____ Personal/spousal savings or wealth _____ Equity financing _____ Trade credit _____ Crowd funding (ex. Kickstarter) _____ Other

8. Please rank the TOP THREE (3) **sources** of current financing for your business, with 1 being the greatest in dollar value, 2 the second greatest in dollar value, and 3 the third greatest in dollar value.

_____ Large Bank _____ Community Bank _____ Credit union _____ Nonprofit Lender _____ Government-sponsored loan program _____ Venture capital/angel investor
_____ Family/friends _____ Self/spouse _____ Finance company (ex. CIT) _____ Peers (ex. Kickstarter) _____ Payday Lender



SMALL BUSINESS BORROWERS POLL QUESTIONS

CREDIT

9. Over the last 12 months, did your business do any of the following? Check all that apply. Applied for new credit Applied to renew existing credit Did not apply for credit because we had sufficient financing Did not apply because we did not think we would be approved Paid down debt

10. Over the last TWELVE (12) months, did you apply for the following types of credit and were you approved? Select the products you applied for and the amount of credit you received (full, partial, none).

New Line of Credit Extension of Existing Line of Credit Home equity line Second mortgage for business purposes Real estate finance (commercial property)
 SBA loan Non-SBA loan New business credit card New personal credit card for use in the business Change in limit on existing credit card
 Factoring Trade credit Finance company financing (ex. CIT) Peer loan (ex. Kickstarter)

11. What is the total amount of all the financing you were seeking for your business in the last 12 months? Less than \$10,000 \$10,001-\$25,000 \$25,001-\$50,000 \$50,001-\$100,000
 \$100,001-\$250,000 \$250,001-\$500,000 \$500,001-\$1,000,000 Over \$1,000,000 N/A

12. What is the total amount of all the financing you received for your business in the last 12 months? Less than \$10,000 \$10,001-\$25,000 \$25,001-\$50,000 \$50,001-\$100,000
 \$100,001-\$250,000 \$250,001-\$500,000 \$500,001-\$1,000,000 Over \$1,000,000 N/A

13. How many financial institutions did you consult with/apply to in order to get financing? 1 2 3 4 5 6 7 8 9 10 More than 10

14. For what purposes were you seeking financing? Check all that apply. Start this business Marketing Working capital (cash flow, day-to-day operations, inventory, payroll, etc.)
 Refinance debt/relieve existing debt Machinery and equipment purchases Expand existing business (ex. hire employees, invest in new locations) Develop new product/service
 Purchase real estate Other: _____ N/A

15. If your business has not been able to get all of the credit you want, why not? Select the TWO (2) most important reasons. _____ Low credit score _____ Insufficient collateral _____ Unwilling to provide personal guarantee _____ Weak/missing financial statements _____ Uneven cash flow _____ Level of outstanding debt _____ Weak sales during the last few years
_____ Business is too young _____ Banks are just not lending to my type of business _____ Other factors--please specify: _____ N/A

16. Do you plan to apply for credit in the next SIX (6) MONTHS? Yes No



SMALL BUSINESS BORROWERS POLL QUESTIONS

EMPLOYMENT SKILLS AND FUTURE

17. If the number of workers at your firm increased during the last 12 MONTHS, what were the business reasons for adding workers? Check all that apply.

- Expect my sales to grow.
 Need skills not possessed by current staff.
 A more positive economic climate.
 Current staff members are overworked.
 Firm's financial position improved.
 Wages and benefits have fallen.
 Other factors--please describe: _____
 N/A

18. What are the top THREE (3) **employee skills** your business currently needs? _____ Basic math skills _____ Advanced math skills _____ Basic English skills _____ Basic computer skills _____ Advanced computer skills _____ Advanced technology skills (ex. engineer) _____ Sales and marketing _____ Foreign language skills _____ Punctuality/reliability _____ Interpersonal skills _____ N/A

19. How difficult is it/has it been for you to find workers with the following skills?

	Very Easy	Somewhat Easy	Neither Easy Nor Difficult	Somewhat Difficult	Very Difficult	N/A
Basic math skills	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Advanced math skills	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Basic english skills	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Basic computer skills	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Advance computer skills	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Advance Technology	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sales and marketing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Foreign language skills	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Punctuality/reliability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Interpersonal skills	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

