



**Small Business Credit Survey, Spring 2014**  
**Federal Reserve Bank of New York**

**KEY FINDINGS**  
**SMALL BUSINESS CREDIT SURVEY, SPRING 2014**

National evidence of improvements in business lending continues to emerge, particularly for high performing firms. However, challenges remain for small business owners seeking credit, especially those seeking lower dollar amounts. FFIEC Call Reports data show that despite growth in loans over \$1 million, lending in lower dollar ranges — under \$1 million — has stagnated and remains at 2005 levels.

Responses to the *Small Business Credit Survey* provide insight into the dynamics behind these aggregate lending trends and shed light on noteworthy segments of the small business credit market, including small dollar borrowers. The spring 2014 survey highlights rising business costs, including financing costs, and high credit application costs, which may explain stagnant small dollar lending. The findings also indicate widespread interest in new financing types and new, nontraditional lenders.

Here are the key findings in detail:

**Small firms report rising costs, including financing costs, as key growth challenge in 2013**

- 2 in 3 firms experienced increasing costs of running their business and a quarter said it was their biggest growth challenge
- 2 in 5 firms reported increasing financing costs
- The number of firms reporting being priced out of traditional credit markets increased to 5% in 2013 from 3% in 2012

**40% of firms applied for credit in 2013 - not a significant change from 2012**

- Lines of credit and business loans continue to be the most sought after credit products with 70% and 52% of applicants seeking each product respectively
- While 39% of applicants sought credit to cover day-to-day operations, 30% sought credit to expand their business or make capital investments – a significant increase from a year ago

**Firms continue to report small credit needs and high application costs**

- Most applicants sought relative small loans: 90% sought under \$1M and 51% under \$100K
- Applying for credit is time consuming – on average firms spent 33 hours applying for credit, contacted 3 financial institutions, and submitted 3 credit applications

**Overall approval rates remained constant from a year ago; credit market continues to be favorable for profitable and experienced firms**

- 58% of applicants received at least some of the credit they applied for in 2013 – not a significant change from 2012
- 37% of credit applicants were profitable, down from 44% in 2012; however, 76% had credit experience, up from 69%
- Experienced and profitable firms typically sought larger loan amounts, had higher approval rates, and faced unchanged or decreasing financing costs



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### **Credit demand will remain strong in 2014**

- 37% of firms plan to apply for credit in 2014 and 17% have not made a decision
- Applicant pool likely to increase: fewer firms reported having sufficient financing and being debt averse in 2013
- More than half of unsuccessful applicants and non-applicants report interest in exploring new financing types and contacting new lenders

### **About the Survey**

The *Small Business Credit Survey* (SBCS) is a semi-annual survey of establishments conducted by the Federal Reserve Bank of New York's Outreach Team, reporting information about business performance, financing needs and choices, and borrowing experiences. The SBCS captures the perspectives of businesses with fewer than 500 employees in New York, New Jersey, Connecticut, and Pennsylvania. In the spring 2014 survey, which reports on 2013 business activity, we heard from 835 small firms in New York, New Jersey, Connecticut, and Pennsylvania. Results are weighted to reflect the full population of small businesses in the four states of coverage along the dimensions of industry, age, employee size, and geography.