

KEY FINDINGS

SMALL BUSINESS CREDIT SURVEY, Q4 2013

As part of its engagement with the business community, the New York Fed's Outreach Team surveys small firms twice a year about their financing and credit needs. Responses to the *Small Business Credit Survey* provide insight into the dynamics behind aggregate lending trends. The survey probes firms' credit application decisions, strategies for obtaining credit or improving creditworthiness, and uses of credit, as well as future credit plans.

In the Q4 2013 survey, over 1,500 firms in New York, New Jersey, Connecticut, and Pennsylvania, (weighted to be a statistically representative sample), reported on their business performance and credit experiences in the first half of 2013 and their outlook for the first half of 2014.

The key findings for our region are:

Managing uneven cash flow dominates firm concerns, and 27% percent seek new credit for business expansion

- Ability to manage uneven cash flow was the top business challenge, ranked above access to capital.
- Managing day-to-day operations expenses was also the top reason why firms sought credit. Applicants continue to rely on real estate collateral, especially personal real estate, to secure debt.
- 27 percent of applicants sought credit for business expansion, up from previous surveys.

Firms report small credit needs and high search costs

- Most applicants sought relatively small loans (\$100k or less).
- 60% of firms have outstanding debt, with the majority holding \$100k or less.
- Searching for credit is time consuming—on average, firms spent 26 hours searching and applying for credit, contacted 3 financial institutions, and submitted 3 credit applications.

Credit market is favorable for experienced and profitable firms

- Successful applicants are profitable firms that seek larger loan amounts (\$100k or greater) and have previously obtained credit.
- Profitable firms were not only more successful in applying for new credit but also reported declines in the interest rate charged on existing debt.

Firm outlook is positive for Q1 and Q2 2014

- More than 50% of respondents expect revenues to increase and 30% expect to add employees. Only 19% reported adding employees in 2013.
- 29% of firms (similar to first half of 2013) plan to apply in first half of 2014, and another 18% of firms are considering applying.

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. 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.