

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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SMALL BUSINESSES REVEAL MORE OPTIMISM AND SUCCESS, THOUGH FINANCIAL CHALLENGES PERSIST FOR SOME

Survey finds Tenth District small businesses view community banks as a key source of credit

A new Federal Reserve survey of small business owners finds that firms' profitability, revenue growth and employment growth has improved, and optimism about future performance reached its highest level in several years. The *2017 Small Business Credit Survey: Report on Employer Firms* focuses on small employer firms, businesses that have less than 500 full- or part-time employees. It builds on the Federal Reserve Banks' new website FedSmallBusiness.org, which serves as a hub for small business research, analysis and thought leadership.

“Small business success is critical for employment and economic growth at the local, regional and national levels. The insight this survey provides will help the Kansas City Fed continue to support small businesses and entrepreneurs with resources and tools,” said Dell Gines, senior community affairs advisor at the Kansas City Fed.

The report identifies a number of key characteristics of small businesses and their financing needs throughout the Tenth District, a seven-state region overseen by the Kansas City Fed that includes western Missouri, Kansas, Nebraska, Oklahoma, Colorado, Wyoming and northern New Mexico:

- Most Tenth District firms surveyed—53 percent—applied for credit from a small bank. This was higher than the national rate of 47 percent. In addition, 10 percent of firms in the Tenth District applied for credit from a Community Development Financial Institution (CDFI) compared to 5 percent nationally.
- Tenth District firms were often a low credit risk (72 percent versus 68 percent of firms nationally).



- 18 percent of Tenth District firms applying for credit applied for a Small Business Administration loan or line of credit, compared to 26 percent nationally.
- Loans and lines of credit were the most sought after credit product by Tenth District firms. 90 percent of all firm credit applications were for either a loan or line of credit versus 87 percent of firms nationally.

Additional findings from the report include:

- The share of firms reporting profitability, revenue growth and employment growth all increased from the 2016 survey.
- Optimism about the coming year reached its highest level since 2015, with a net 66 percent of firms anticipating revenue growth and a net 44 percent expecting to hire new employees.
- Even with this stronger performance, greater optimism, and reduced applications for financing, 64 percent of firms experienced financial challenges.
- These challenges were particularly acute for startups, those with smaller annual revenues and those in the leisure & hospitality industry.
- Firms most often addressed financial challenges by using personal funds (67 percent).

Additional reports on the *2017 Small Business Credit Survey* will be released throughout 2018 at fedsmallbusiness.org. In addition, last month the Kansas City Fed launched a *National Small Business Lending Survey*, to understand credit market conditions for bank lending to small businesses.

Visit FedSmallBusiness.org, for more information about the Small Business Credit Survey (SBCS) research and methodology.