

Appendix

J

THE 1998 SURVEY OF SMALL BUSINESS FINANCES

...and how it will be used

The Survey of Small Business finances, conducted under the sponsorship of the Board of Governors of the Federal reserve System, collects information about small businesses in the United States. This study includes information about owner characteristics, firm size, use of financial services, and the income and balance sheets of the firm, as well as other data.

The information from this survey will be used to evaluate the impact of public policies on small businesses of different sizes, locations, and ownership characteristics.

The Purpose of this Study

*...Is to Collect Data from Businesses
with 500 or Fewer Employees*

The study is concerned with:

- ▶ The factors that effect prices and availability of credit to small businesses;
- ▶ The effects that bank consolidation may have on the availability of credit and other financial services;
- ▶ Understanding the characteristics of small businesses and how these characteristics influence their credit needs;
- ▶ The impact that government regulations may have on small business credit access; and
- ▶ Identifying the financial and non-financial sources that small businesses turn to for their financing needs.

N O R C NATIONAL OPINION RESEARCH CENTER
at the University of Chicago

About NORC:

The National Opinion Research Center at the University of Chicago is conducting the 1998 Survey of Small Business Finances.

NORC is one of the nation's most respected survey organizations.

It has conducted survey research on public policy issues for more than 55 years.

It is a not-for-profit group whose primary focus is social science research in the public interest.

Its interviewers are carefully trained professionals. They contact individuals in communities throughout the United States on studies -- like this one -- concerned with vital national issues.

SOME RESULTS FROM THE 1993 NATIONAL SURVEY OF SMALL BUSINESSES...

38% of small businesses were in services, and another 22% were in retail. Only 8% of small businesses were in manufacturing.

83% of small businesses had fewer than 10 employees.

19% of small businesses had less than \$50,000 in sales.

33% of proprietorships had less than \$50,000 in sales, and 50% of firms with only one employee had less than \$50,000 in sales.

57% are 2 miles or less from their primary financial source and 80% are 6 miles or less from their primary financial source.

42% of small businesses conducted all of their financial business with only one financial institution. Most often, these institutions were commercial banks. On average, small businesses had two financial sources.

25% of small businesses said that they hadn't applied for credit some time in the past three years because they feared that the application would be turned down.

50% of all small businesses used a credit card for business purposes. Personal credit cards were used for business expenses more often than business credit cards.

70% of the most recent loans to small businesses had been collateralized, typically by equipment, and less often by inventory, business real estate and personal real estate.

8.8% in interest was paid, on average, by a small business on its most recent loan.

13% of firms with loans, lines of credit, or leases had them at finance companies:

9% with family or other individuals,

8.5% at leasing companies,

6% at brokerages, and

1% with the SBA or other government agencies.

64% of all small businesses used trade credit (credit from suppliers).

21% of all small businesses had a majority of owners that were women, and another 5% were co-owned equally by men and women. However, firms owned by men were about as likely as those owned by women to have credit with a bank, savings institution, or credit union.

11% of small businesses were minority owned:

4% by Asians or Pacific Islanders,

4% by Hispanics, and

3% by African Americans.