

Poll Report: Small Business Owners' Views on Access to Credit

Based on a scientific phone survey of small business owners nationwide

June 2013



American Sustainable Business Council

www.asbcouncil.org

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INTRODUCTION

Small business owners are on the front lines of job creation, taking risks and building strong local economies across America. With their perspective on the economic opportunities and challenges facing local economies and the country as a whole, small business owners' views on current policy issues can provide valuable insights to decision-makers, surface important priorities, and inform the general public's understanding of what policies will help or hurt small businesses.

As the U.S. economy still struggles to recover from the 2008 Financial Crisis, access to credit for small businesses must remain a key policy focus.

Among the top goals for policy makers to consider is enabling responsible innovation. For example, acceptance and effective regulation of alternative lending sources and strategies, such as crowdfunding would help. Allowing more competition between commercial banks and community banks, cooperatives and credit unions is another pathway to innovation. A strategy to increase available credit would be to increase funding for existing SBA and CDFI funding channels, in which the 2013 sequester cut loan guarantees by almost \$1 billion. Providing more capital to microenterprises would help to create jobs, while stabilizing local economies. And to bring more stability, policy makers could fundamentally address the risk of too-big-to-fail banks taking on too much credit, which still threatens the banking system overall.

This report is based on the results of a scientific national phone survey of small business owners (2 to 99 employees) conducted in March 2013. These findings should inform the ongoing dialogue over banking policy and regulations and help to evaluate proposals on the basis of whether they address the priorities of America's small business owners.

EXECUTIVE SUMMARY

A scientific national phone survey of small business owners (2 to 99 employees) was conducted in March 2013. It found that small business owners want the federal government to do more to address the credit problem in the United States. Almost half say that credit access is a problem for their own business – a significant barrier to job creation. They overwhelmingly support policies that foster competition between commercial banks and their smaller more local banking counterparts. They also say that the government has done a poor or “just fair” job ensuring bank solvency in the wake of the financial crisis and that the criteria for deciding when to grant loans should be expanded to include the social and environmental benefits a business provides.

Key findings from this survey include:

- **Nine in ten (91%) small business owners support allowing community banks, cooperatives, and credit unions to more actively compete with commercial banks in servicing the financing needs of small business, two-thirds strongly.** Support remained very high across party lines, with 87% Democratic (66% strongly), 89% Independent (65% strongly) and 92% Republican (68% strongly) small business owners in favor.
- **Seventy-nine percent small business owners believe the government has done a fair or poor job of making sure the banking system is solvent and adequately protected from future banking crises, bailouts, and shortages of credit.** Of all views, the largest total percentage was 46% saying poor. The next largest was 32% saying “just fair.”
- **Six in ten (60%) small business owners believe that the problem of “too-big-to-fail” banks taking on excessive credit risks needs more attention from the government.** Opinion differed by party with 81% Democratic, 61% Independent and 49% Republican small business owners saying the issue needs more attention.
- **A majority (57%) of small business owners support encouraging banks, venture capitalists and other investors to broaden their criteria to include the social and environmental benefits a company creates when deciding what companies and projects to fund.** Support varied some by party, with 73% Democratic, 55% Independent and 52% Republican small business owners in favor.
- **Almost half (45%) of small business owners say that access to sufficient loans and credit at reasonable rates is at least somewhat of a problem.** The largest majority was in the Northeast with 53% saying it is a problem. Of Western small business owners, 49% said it was a problem, and 44% Southern and 37% Midwestern small business owners said it was a problem.

- **Business size in this scientific national telephone survey skewed toward smaller companies.**
38% were micro-businesses with two to four employees; 24% had five to nine employees; 18% had 10 to 19 employees; and 20% had 20 to 99 employees.
- **Respondents were politically diverse, with a strong plurality Republican or Independent-leaning Republican.**
47 percent identified as Republican (36 percent) or Independent-leaning Republican (11 percent); 27 percent as Democratic (19 percent) or Independent-leaning Democratic (8 percent); and 14 percent as Independent.

DETAILED FINDINGS & CHARTS

The central policy issues in addressing credit access in the U.S. are: 1) availability of credit, 2) solvency, should another financial crisis ensue, 3) avoiding new financial or economic bubbles, and 4) encouraging responsible innovation in the provision of credit.

As the nation's job creators, small business owners have a major stake in solving the access to credit problem. Current barriers to credit not only hurt individual businesses, but are a drag on the entire economy. Responsible solutions will strengthen small businesses and boost local economies without enabling such financial bubbles, as led to the recent financial crisis.

As this survey shows, small business owners want the federal government to do more to address the credit problem in the United States, with a majority saying that the problem of too-big-to-fail banks needs more attention.

Almost half say that credit access is a problem for their own business – a significant barrier to job creation. Meanwhile, across all parties they overwhelmingly support policies that foster competition between commercial banks and their smaller more local banking counterparts, such as credit unions, cooperatives and community banks. They also say that the government has done a poor or “just fair” job ensuring bank solvency, an important component to avoiding new credit crises in the future. In addition, small business owners want banks and other investors to expand their investment criteria to include environmental benefits companies might create.

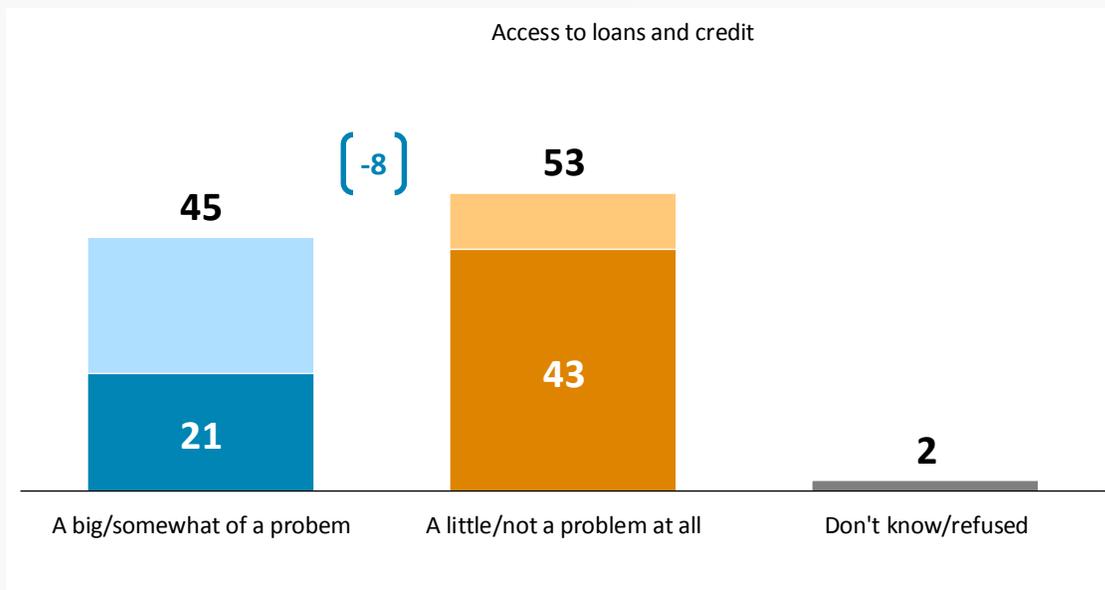
DIFFICULTY ACCESSING CREDIT

The size of businesses in the survey skewed toward smaller companies:

- 38% were businesses with two to four employees
- 24% had five to nine employees
- 18% had 10 to 19 employees
- 20% had 20 to 99 employees

Almost half of small business owners overall say that access to credit is a problem for their business.

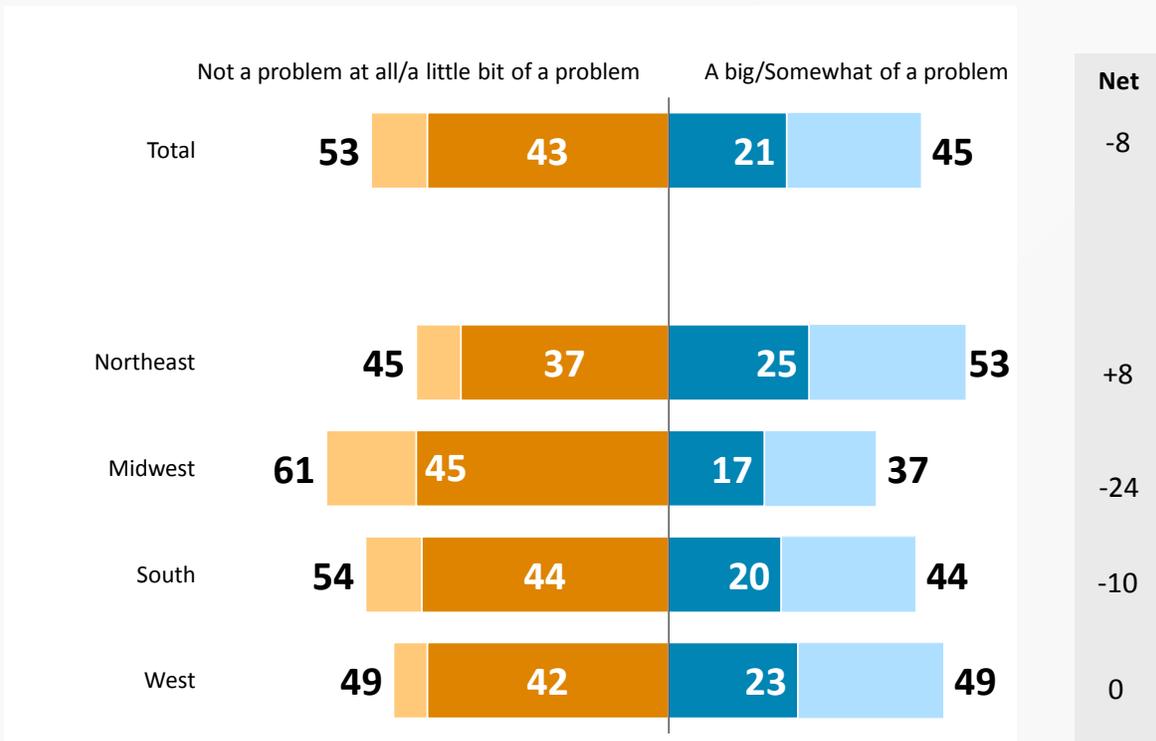
45% of small business owners say that access to sufficient loans and credit at reasonable rates is at least somewhat of a problem.



Thinking about your business, how big of a problem is it for your business these days to access sufficient loans and credit at reasonable rates to support growth, expansion and hiring?

Opinions about access to credit vary by region with the Northeast showing the biggest concern.

Small business owners in the Northeast report having more trouble getting access to loans at affordable rates, while small businesses in the Midwest seem to have significantly less trouble than businesses in other regions.

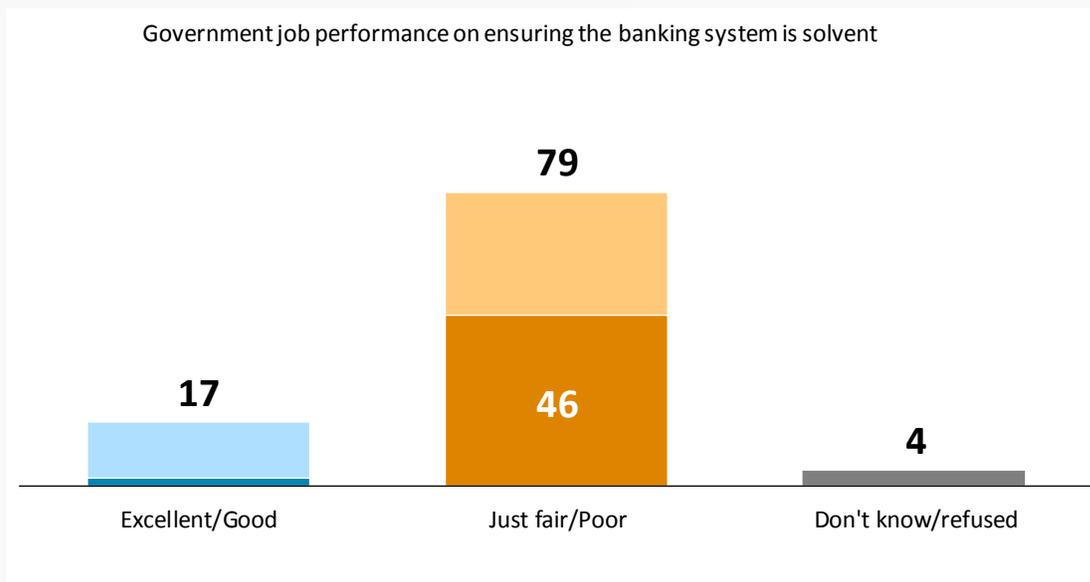


Thinking about your business, how big of a problem is it for your business these days to access sufficient loans and credit at reasonable rates to support growth, expansion and hiring?

OPINIONS ABOUT ADDRESSING THE FINANCIAL CRISIS

Almost 8 in 10 small business owners believe that the federal government has done a fair or poor job of adjusting banking regulations in the wake of the financial crisis.

79% of small business owners believe the government has done a just fair or poor job of making sure the banking system is solvent, and adequately protected from future banking crises, bailouts, and shortages of credit.

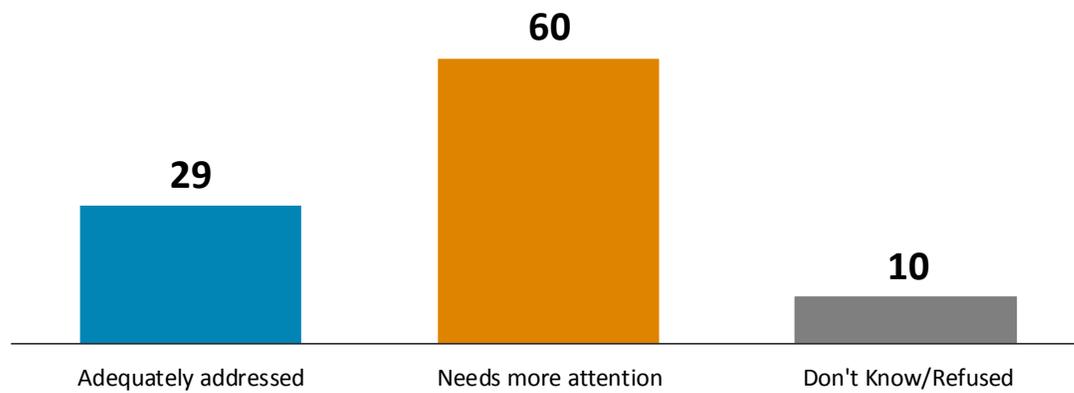


In the wake of the financial crisis a few years ago that started with the collapse of home prices, do you believe the government has done an excellent, good, just fair, or poor job of ensuring that the banking system is solvent, and that we are adequately protected from future banking crises, bailouts, and shortages of credit?

A majority of small business owners think that more needs to be done to address too-big-to-fail banks taking on excessive credit risks.

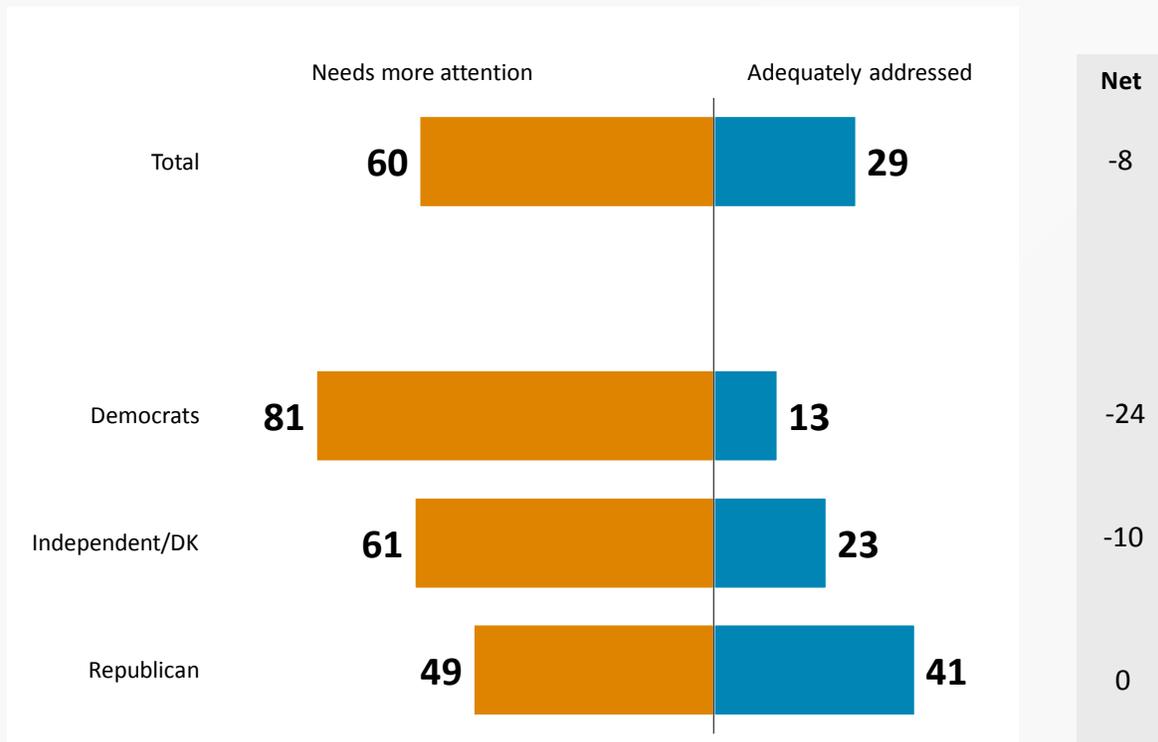
6-in-10 small business owners believe that the problem of “too-big-to-fail” banks taking on excessive credit risks needs more attention from the government.

In your opinion, has the problem of “too-big-to-fail” banks taking on excessive credit risks been adequately addressed, or does it need more attention from the government?



Majorities in these responses held across party lines with Democratic small business owners leading at 81%.

Across partisan lines, small business owners believe that the problem of “too-big-to-fail” banks taking on excessive credit risks needs more attention from the government.

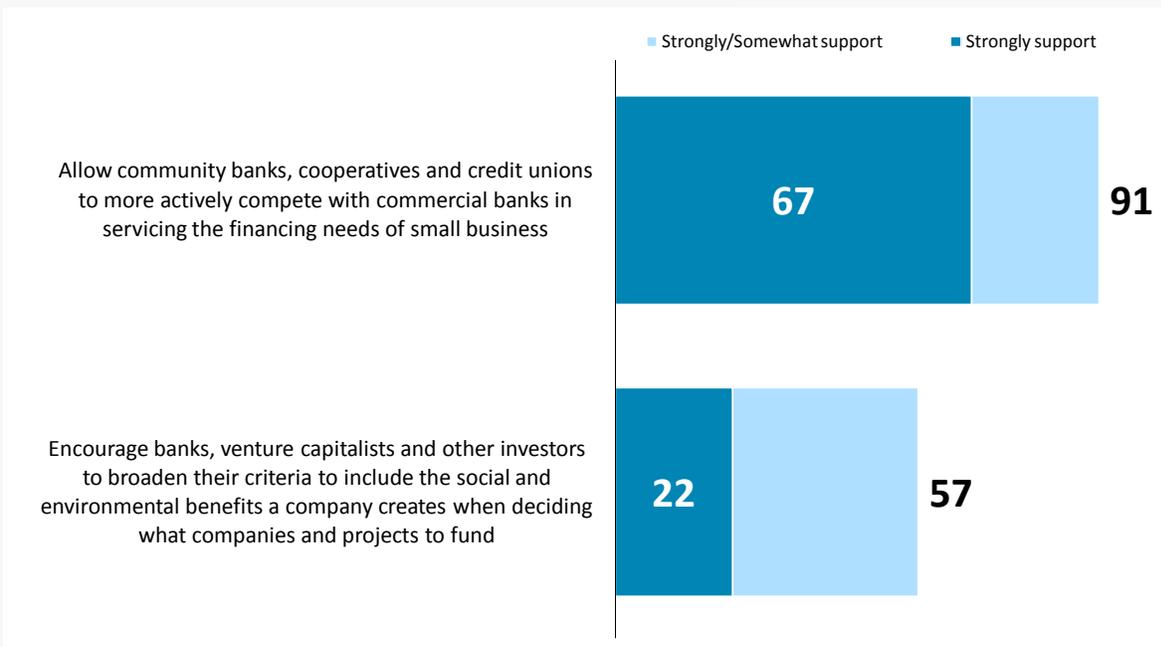


In your opinion, has the problem of “too-big-to-fail” banks taking on excessive credit risks been adequately addressed, or does it need more attention from the government?

HOW TO SOLVE THE ACCESS TO CREDIT PROBLEM

More than 90% of small business owners want community banks, cooperatives and credit union to be able to compete more actively with commercial banks. A majority would like to see investment decision criteria expanded to include social and environmental benefits.

Nine in ten small business owners support allowing community banks, cooperatives, and credit unions to more actively compete with commercial banks in servicing the financing needs of small business, two-thirds strongly. Support for broadening criteria was more muted.



Now I am going to read you several possible government policies, for each of these statements, please answer whether you strongly support, somewhat support, somewhat oppose, or strongly oppose each policy.

Support for more active competition between commercial banks and credit unions, cooperatives and community banks was very high across all party affiliations. All party affiliations expressed majority support for expanded investment criteria.

Across partisan lines small business owners support allowing community banks, cooperatives and credit unions to more actively compete with commercial banks. Support for broader lending criteria was more partisan.

% Strongly Support (% Support)	Democrat	Independent/DK	Republican
Allow community banks, cooperatives and credit unions to more actively compete with commercial banks in servicing the financing needs of small business	66 (87)	65 (89)	68 (92)
Encourage banks, venture capitalists and other investors to broaden their criteria to include the social and environmental benefits a company creates when deciding what companies and projects to fund	33 (73)	18 (55)	18 (52)

Now I am going to read you several possible government policies, for each of these statements, please answer whether you strongly support, somewhat support, somewhat oppose, or strongly oppose each policy.

METHODOLOGY

Results reported here represent findings from a scientific live telephone survey of 515 owners of small businesses (2 to 99 employees) nationwide conducted by Lake Research Partners over March 14-25, 2013. Survey respondents were a geographically stratified sample of small business owners from around the country. The data were weighted slightly by gender, region, ethnicity, and business size to match the sample to the national population of small business owners. The survey's margin of error is +/-4.4%.

POLL TOPLINES

March 14-25, 2013
515 Small Business Owners

	N=	Total 515	Demo- crat 139	Indep- endent 72	Repub- lican 242
Gender of respondent					
Male	73	62	70	79	
Female	27	38	30	21	
Region					
New England.....	5	3	5	6	
Middle Atlantic.....	14	21	5	14	
East North Central.....	15	11	17	18	
West North Central.....	9	12	10	6	
South Atlantic.....	19	15	18	20	
East South Central.....	5	3	5	5	
West South Central.....	11	7	12	12	
Mountain	7	6	8	7	
Pacific	16	21	21	12	

Approximately how many people work 30 or more hours per week at your company, including yourself?
Please don't include contractors.

2-4 Employees	38	36	43	40
5-9 Employees	24	27	16	23
10-19 Employees	18	20	15	16
20-99 Employees	20	16	26	21

Thinking about your business, how big of a problem is it for your business these days to access sufficient loans and credit at reasonable rates to support growth, expansion and hiring?

Is it **[READ CHOICES]**?

A big problem.....	21	23	12	22
Somewhat of a problem	24	30	22	22
A little bit of a problem.....	10	8	15	11
Not a problem at all.....	43	37	48	43
(Don't know/refused).....	2	2	3	1
A big /somewhat of a problem	45	53	34	44
A little /not a problem at all	53	45	64	55

- In the wake of the financial crisis a few years ago that started with the collapse of home prices, do you believe the government has done an excellent, good, just fair, or poor job of ensuring that the banking system is solvent, and that we are adequately protected from future banking crises, bailouts, and shortages of credit?

Excellent	2	2	2	1
Good	15	31	18	7
Just Fair	32	36	36	32
Poor	46	29	42	54
(Don't know).....	3	3	2	4
(Refused)	1	0	0	2
Excellent /good	17	33	20	9
Just fair /poor	79	64	78	86

- In your opinion, has the problem of “too-big-to-fail” banks taking on excessive credit risks been adequately addressed, or does it need more attention from the government?

Adequately addressed	29	13	23	41
Needs more attention	60	81	61	49
(Don't know).....	9	6	15	9
(Refused)	1	0	1	2

Now I am going to read you several possible government policies, for each of these statements, please answer whether you strongly support, somewhat support, somewhat oppose, or strongly oppose each policy.

[REPEAT AS NECESSARY: Do you support strongly, somewhat support, somewhat oppose, or strongly oppose this policy, or do you not know?]

RANDOMIZE

- Encourage banks, venture capitalists and other investors to broaden their criteria to include the social and environmental benefits a company creates when deciding what companies and projects to fund

Strongly support.....	22	33	16	18
Somewhat support	35	41	38	34
Somewhat oppose	15	7	20	19
Strongly oppose	19	13	17	20
(Don't know/refused).....	9	7	9	9
Strongly /somewhat support.....	57	73	54	52
Strongly /somewhat oppose	34	19	38	39

35. Allow community banks, cooperatives and credit unions to more actively compete with commercial banks in servicing the financing needs of small business

Strongly support.....	67	66	63	68
Somewhat support	23	21	25	25
Somewhat oppose	3	3	3	3
Strongly oppose	3	4	7	2
(Don't know/refused)	4	6	2	3
Strongly /somewhat support.....	91	87	88	92
Strongly /somewhat oppose	6	7	10	4

Finally, I would like to ask you a few questions for statistical purposes only.

Generally speaking, do you think of yourself as a Republican, a Democrat, an independent, or something else?

[IF REPUBLICAN OR DEMOCRAT:] Do you consider yourself a strong (Republican/Democrat) or a not-so-strong (Republican/Democrat)?

[IF INDEPENDENT:] Would you say that you lean more toward the Republicans or more toward the Democrats?

Strong Republican.....	23	0	0	49
Not-so-strong Republican	13	0	0	27
Independent - lean Republican	11	0	0	24
Republican	47	0	0	100
Independent.....	14	0	100	0
Democrat	27	100	0	0
Independent - lean Democratic	8	29	0	0
Not-so-strong Democrat	8	31	0	0
Strong Democrat	11	41	0	0
(Other)	7	0	0	0
(DO NOT READ, BUT RECORD VOL: Libertarian).....	1	0	0	0
(Don't know).....	4	0	0	0

In what country were you born?

U.S.....	90	84	90	95
(Other country) _____RECORD.....	9	16	10	5
(Refused)	2	0	0	0

What is your age? **IF REFUSED:** I am going to read you some categories. Stop me when we get to your category.

READ CATEGORIES:

18-24 years	1	2	1	1
25-29	2	1	1	2
30-34	5	2	5	6
35-39	6	5	2	7
40-44	9	11	6	9
45-49	9	9	13	9
50-54	14	16	12	15
55-59	16	20	17	16
60-64	19	19	19	18
65-69	8	10	3	9
70-74	4	3	5	4
Over 75	1	1	2	2
(Refused)	6	0	15	3

Just to make sure we have a representative sample, could you please tell me whether you are from a Hispanic, Latino, or Spanish-speaking background? **[IF "NO", ASK:]** What is your race--white, black, Asian, or something else?

DO NOT READ

White/Caucasian	81	72	81	88	
Black/African American	4	9	9	0	2
Latino/Hispanic	4	6	5	3	
Asian/Pacific Islander	6	8	8	6	5
Native American	1	1	1	0	
(Other)	2	3	3	1	
(Don't know/refused)	3	3	1	4	1

THIS COMPLETES OUR SURVEY.



The American Sustainable Business Council and its member organizations represent more than 165,000 businesses nationwide, and more than 300,000 entrepreneurs, executives, managers, and investors. ASBC informs and engages policy makers and the public about the need and opportunities for building a vibrant and sustainable economy.

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