



BANKING SURVEY

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Small business banking is an essential component to business operations. The ability to quickly access funds, make deposits, borrow, manage expenses, and seek advice are all part of the small business banking relationship. More recently, the financial response to the COVID-19 pandemic has brought about a new level of small business ties with the banking system. The Paycheck Protection Program (PPP), facilitated through the banking system, required a level of interaction between small businesses and banks not seen before. The program underscored the importance of a stable, reliable banking system for small businesses. In March of 2023, four bank failures (buyouts) rattled the confidence of the banking system. There is speculation that there might be more bank failures to come. This survey offers insight into small business banking operations as well as their confidence in the banking system and the economy more generally.

Small business owners were asked in April how concerned they are about the health of the bank they use for business purposes in light of the recent bank failures. Almost a third (31%) were not at all concerned. Nineteen percent were very concerned, 23% moderately concerned, and 28% slightly concerned. Seven percent of small business owners have reached out to their bank about concerns related to the most recent bank failures. Fifteen percent said their bank reached out to them, and 78% said they did not reach out to their bank and their bank did not reach out to them. Ninety-eight percent of small business owners have not changed their primary financial institution that they use for business purposes in the last month. Only 5% are considering changing their primary financial institution in the next three months and 84% are not. Twelve percent of small business owners are unsure. About a third (36%) of small businesses reported that in a typical calendar quarter their business's bank balance exceeds \$250,000. This insurance limit was set in 2008. If it was to have meaning in real terms, then the insurance limit should be increased to around \$350,000 to \$400,000 today to adjust for inflation and maintain the same relationship to the same real levels of sales and bank balances today.

As of 2021, there were 4,244 insured commercial banks in the United States. Most of them are small, but the industry is dominated by a few large ones. Small business owners bank with varying sized bank for various reasons, but disproportionately with smaller banks. Sixty-seven percent of small business owners use a small or regional bank. Seventeen percent use a medium size bank (PNC, Fifth-Third, Bank of the West, KeyBank, HSCB, Schwab, etc.) and 14% use a large bank (Chase, Citi, Bank of America, Wells Fargo, Capital One, U.S. Bank, etc.). Two percent reported other, and none reported using an online bank. Of those banks, 9% of owners reported that their bank was a credit union. Businesses with fewer than 100 employees get nearly 70% of their commercial and industrial loans from banks with less than \$250 billion in assets according to a report from Goldman Sachs.

Outside of large cities, in most counties, small and midsize banks account for 90% of loans to small businesses [“Lending Squeeze is Risk From Bank Fall-out”, WSJ, 4/24/2023].

Nearly three-quarters (74%) of small businesses have not borrowed money for business purposes in the last three months. Nineteen percent borrowed money for business purposes from a bank or credit union, 3% from a finance company or online lender, and another 3% from a different type of lender. Of those borrowing, about a third (34%) reported that they were very satisfied with the amount and terms offered for the financing received. Another 34% were mostly satisfied and 24% were moderately satisfied. Nine percent of small business owners who borrowed were not satisfied with the amount and terms offered for the financing received. Small business owners who borrowed were also asked what their main purpose was for seeking financing. A little over a third (37%) said the main purpose was to meet operating expenses, 21% said to expand their business, and 24% said to replace capital assets or make repairs. Eight percent sought financing to refinance or pay down debt.

Among those who did not apply for financing in the last three months, the vast majority (85%) reported that the primary reason they did not was because they did not need financing. Three percent reported they did not think their application would be approved, and 1% reported that the credit cost was too high. Another 1% reported that the application process was too difficult or confusing and 2% gave other reasons.

A little over half (55%) of small business owners use one bank for business purposes. Thirty-four percent use two banks and 11% use three or more banks for business purposes. Almost all (97%) of small business owners have a business bank account separate from their personal bank account. Three percent use one bank account for business and personal purposes. Among those with separate bank accounts for personal and business purposes, 56% use the same bank while 44% use different banks.

A little over half (52%) of small business owners have a business loan. Twenty-one percent have a term loan and 31% have a line of credit. Forty-nine percent do not currently have a business loan. Of those who currently have a loan, 73% reported the loan is from their same primary financial institution. A little over a quarter (27%) reported that the loan was from a different financial institution than their primary. Forty-one percent of small business owners regularly talk with someone at their bank about their business’s finances (at least once every 6-12 months). Fifty-nine percent do not. Twenty-six percent of small business owners have used a business loan in the last 12 months. Another 33% used a line of credit, 70% used a credit card, and 32% used personal savings in their business operations. Four percent had a loan from friends or family and another 4% from home equity.

When asked to characterize the current financial state of their business, 30% reported excellent. Almost half (44%) reported good and 22%, okay. Only 4% characterized the current financial state of their business as bad. Small business owners were also asked about the current state of their local economy. Only 5% reported excellent, 33% reported good, 48% reported okay, and 13% reported bad. When it comes to the national economy small businesses are even more pessimistic. None reported excellent and only 6% reported good. Thirty-six percent reported okay while over half (58%) reported bad. A little over half (55%) of small business owners think the U.S. is already in a recession. Five percent think the next recession in the U.S. will start in the April to June 2023 period. Fifteen percent reported July to September 2023, and another 13% reported October to December 2023. Five percent believe a recession in the U.S. will begin in January to July 2024 and 7% think July 2024 or later.

Methodology

This survey was conducted with a random sample of 18,000 NFIB members from NFIB's membership database of about 300,000 small business owners. The survey was conducted by email from April 14-18, 2023. NFIB collected 669 responses.

Q1. What size bank do you use for business purposes?

14% 1. Large (Chase, Citi, Bank of America, Wells Fargo, Capital One, U.S. Bank, etc.)

17% 2. Medium (PNC, Fifth-Third, Bank of the West, KeyBank, HSCB, Schwab, etc.)

67% 3. Small/Regional

0% 4. Online bank

2% 5. Other

N= 669

Q2. Is the primary bank you use for business purposes a credit union?

9% 1. Yes

91% 2. No

0% 3. I don't know

N= 663

Q3. How important are the following in choosing the bank you currently use for business purposes?

A. Low banking fees

62% 1. Very important

26% 2. Moderately important

10% 3. Somewhat important

2% 4. Not at all important

N= 668

B. Convenient location

66% 1. Very important

26% 2. Moderately important

7% 3. Somewhat important

1% 4. Not at all important

N= 668

C. Competitive interest rates

53% 1. Very important

26% 2. Moderately important

13% 3. Somewhat important

8% 4. Not at all important

N= 666

D. Customer service

87% 1. Very important
10% 2. Moderately important
3% 3. Somewhat important
0% 4. Not at all important
N= 667

E. Online banking capabilities

60% 1. Very important
27% 2. Moderately important
9% 3. Somewhat important
5% 4. Not at all important
N= 669

Q4. Have you borrowed money for business purposes in the last 3 months?

19% 1. Yes, from a bank, credit union
3% 2. Yes, from a finance company, online lender
3% 3. Yes, from other type of lender
74% 4. No
N= 671

Q5. If you borrowed, were you satisfied with the amount and terms offered for the financing that you received?

34% 1. Very satisfied
34% 2. Mostly satisfied
24% 3. Moderately satisfied
9% 4. Not satisfied
N= 173

Q6. If you borrowed, what was the main purpose your business was seeking financing?

37% 1. Meet operating expenses
21% 2. Expand business
24% 3. Replace capital assets or make repairs
8% 4. Refinance or pay down debt
9% 5. Other
2% 6. Does not apply
N= 174

Q7. If your business did not apply for financing in the last 3 months, what was the primary reason?

- 85% 1. Did not need financing
 - 3% 2. Did not think application would be approved
 - 1% 3. Credit cost was too high
 - 1% 4. Application process was too difficult or confusing
 - 2% 5. Other
 - 9% 6. Does not apply
- N= 484

Q8. How many banks do you use for business purposes?

- 55% 1. One
 - 34% 2. Two
 - 11% 3. Three or more
- N= 669

Q9. How concerned are you about the health of the bank you use for business purposes in light of the recent bank failures (Silicon Valley Bank and Signature Bank)?

- 19% 1. Very concerned
 - 23% 2. Moderately concerned
 - 28% 3. Slightly concerned
 - 31% 4. Not at all concerned
- N= 668

Q10. Has someone from your bank reached out to you or have you reached out to your bank about concerns related to the most recent bank failures?

- 7% 1. Yes, I reached out to my bank
 - 15% 2. Yes, my bank reached out to me
 - 78% 3. No, neither
- N= 666

Q11. Do you have a business bank account, separate from your personal bank account?

- 97% 1. Yes, a separate business bank account
 - 3% 2. No, use one bank account for business and personal
- N= 666

Q12. If they are separate, do you have your business and personal bank accounts at the same bank or different banks?

56% 1. Same bank

44% 2. Different bank

N= 643

Q13. Have you changed your primary financial institution that you use for business purposes in the last month?

2% 1. Yes

98% 2. No

N= 668

Q14. Are you considering changing your primary financial institution in the next three months?

5% 1. Yes

84% 2. No

12% 3. I don't know

N= 662

Q15. Do you currently have a business loan?

21% 1. Term loan

31% 2. Line of credit

49% 3. No

N= 671

Q16. If yes, is this loan from your primary financial institution or a different financial institution?

73% 1. Same

27% 2. Different

N=341

Q17. Do you regularly talk with someone at your bank about your business's finances (at least once every 6-12 months)?

41% 1. Yes

59% 2. No

N= 654

Q18. In a typical calendar quarter, does your business's bank balance ever exceed \$250,000?

36% 1. Yes

64% 2. No

N= 658

Q19. Which of the following sources of financing have you used in your business in the last 12 months?

A. Business loan

26% 1. Yes

74% 2. No

N= 627

B. Line of credit

33% 1. Yes

67% 2. No

N= 633

C. Credit card

70% 1. Yes

30% 2. No

N= 644

D. Personal savings

32% 1. Yes

68% 2. No

N= 624

E. Loan from friends/family

4% 1. Yes

96% 2. No

N= 619

F. Home equity

4% 1. Yes

96% 2. No

N= 611

Q20. How would you characterize the current financial state of your business?

30% 1. Excellent

44% 2. Good

22% 3. Okay

4% 4. Bad

N= 664

Q21. How would you characterize the current state of your local economy?

5% 1. Excellent

33% 2. Good

48% 3. Okay

13% 4. Bad

N= 667

Q22. How would you characterize the current state of the national economy?

0% 1. Excellent

6% 2. Good

36% 3. Okay

58% 4. Bad

N= 666

Q23. When do you think the next recession will start in the U.S.?

55% 1. The U.S. is already in a recession

5% 2. Apr. – June 2023

15% 3. July – Sept. 2023

13% 4. Oct. – Dec. 2023

5% 5. Jan. – June 2024

7% 6. July 2024 or later

N= 620

Q24. Which industry best describes your business?

16% 1. Construction

11% 2. Manufacturing

22% 3. Retail

29% 4. Services

6% 5. Finance, Real Estate, Insurance

3% 6. Wholesale

8% 7. Agriculture

4% 8. Transportation

2% 9. Other

N= 666