



# FINANCING SALES SURVEY

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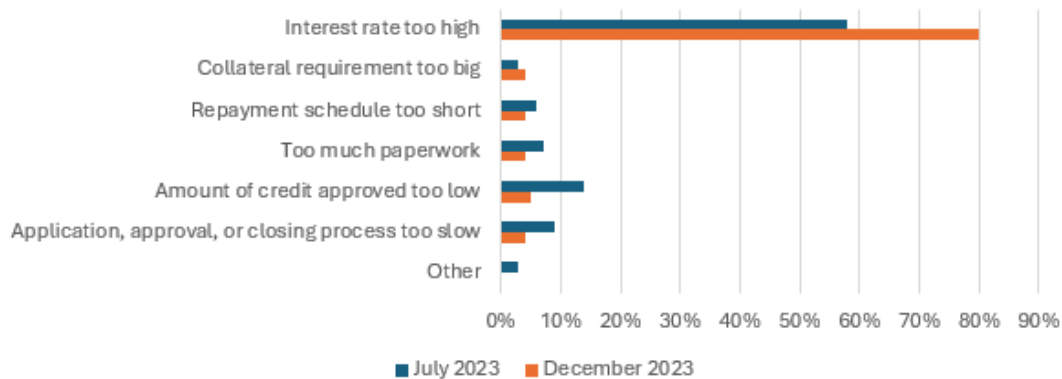
This report is the third report in the 2023 small business credit survey series first published in April 2023 which was one month after the banking failures and one year into the Federal Reserve's rate hikes. Small business owners have been navigating higher interest rates since the Federal Reserve started hiking in March 2022, but have been increasingly affected by higher rates over the last six months. NFIB again asked about business owners' financing activities and their experience in accessing credit. The health of the financial system is essential to small business operations, and this report offers insight into how well it is serving their small business clients.

Sixty-nine percent of small business owners use a small, regional, or local bank. Seventeen percent use a large bank (Chase, Citi, Bank of America, Wells Fargo, Capital One, U.S. Bank, PNC, etc.) and 14% use a medium bank (Fifth-Third, Bank of the West, KeyBank, HSCB, M&T Bank, etc.). None reported using an online bank (OFI, LiveOak, etc.).

NFIB's Small Business Economic Trends (SBET) survey has shown that inflation and labor quality continue to be the two main problems for most small business owners. About 5% of small business owners reported that financing/interest rates was their top problem in operating their business in the November survey. However, while financing and interest rates might not be the top problem for most, it is a significant concern for many. Small business owners were asked if current credit conditions are impacting decisions related to their business financing needs. Thirty-one percent reported yes.

Twenty-six percent of small business owners borrowed or tried to borrow money for business purposes in the last three months. Of those borrowing, 8% were very satisfied with the amount and terms offered for the financing received, a significant decline from July 2023 when 32% reported being very satisfied. Almost a third (32%) were mostly satisfied and 30% were moderately satisfied. Thirty percent of small business owners reported they were not satisfied, up from 17% in July 2023.

### If you were not completely satisfied, what was your major complaint?



The cost of financing is the biggest problem for small business owners in accessing credit. Eighty percent of small business owners reported high interest rates as their largest complaint in accessing financing, a significant increase from July 2023 (58%). Five percent reported the amount of credit approved being too low as their largest complaint, and another 4% reported the collateral requirement was too big. Another 4% reported the repayment schedule was too short and 4% reported too much paperwork. Four percent reported that the application, approval, or closing process was too slow.

Twenty-one percent of small business owners reported that their major financing complaint was having a significant impact on their business. Thirty-five percent reported a moderate impact and 44% reported a mild impact.

Small business owners who were not completely satisfied in their most recent experience accessing financing were also asked to evaluate the severity level of each issue separately. Fifty-five percent reported that interest rates were a significant issue. Thirty percent reported it was a moderate issue, and 11% a mild issue. Interest rates were not an issue for 4% of small business owners, a significant decline from 23% in July 2023.

Collateral requirements were reported by 18% of small business owners as a significant issue in the process of accessing credit, and another 18% reported it was a moderate issue. A fifth reported that it was a mild issue and 45% reported it was not an issue.

The amount of approved credit was not an issue for 58% of small business owners. Thirteen percent reported it was a significant issue, 15% a moderate issue, and 15% a mild issue.

Ten percent reported that the repayment schedule was a significant issue, 12% a moderate issue, and 16% a mild issue. Sixty-two percent of small business owners reported that the repayment schedule was not an issue.

Seven percent reported that the paperwork requirements associated with accessing financing were a significant issue. A quarter reported it was a moderate issue and 24%, a

mild issue. Forty-four percent of small business owners reported it was not an issue.

The application, approval, or closing process was not an issue for 64% of small business owners. Seven percent reported it was a significant issue, 14% a moderate issue, and 15% a mild issue.

Small business owners who borrowed were asked their main purpose for seeking financing. Twenty-nine percent reported the main purpose was to expand their business, 26% reported to meet operating and inventory expenses, 24% reported to replace capital assets or make repairs, and 8% reported other. Refinancing or paying down debt was the main financing purpose for 7% of owners.

Among those who borrowed, over half (56%) received a term loan. Twenty-eight percent received a line of credit, and 1% reported factoring. Fifteen percent reported none of the above.

Compared to July, more small business owners now report higher financing costs as the reason they did not apply for financing. Among those who did not apply for financing in the last three months, 64% reported that the primary reason they did not was because they did not need financing, a stark difference from July 2023 when 80% reported this. Fifteen percent reported that credit costs were too high (compared to 3% reporting the same in July), and 2% did not think their application would be approved. One percent reported that the application process was too difficult or confusing, and 2% cited other reasons.

About one-in-five small business owners report that they generally experience higher sales volume during the holidays. When asked about their sales volume during this past Black Friday, Small Business Saturday, and Cyber Monday, 17% reported strong sales volume, 35% reported moderate, and 29% reported weak. Additionally, small business owners were asked about their holiday sales volume expectations over the next month. About a quarter (26%) anticipate strong holiday sales volume, 55% moderate expectations, and 20% weak expectations.

As with the previous two surveys, the survey asked small business owners to characterize the current financial state of their business, their local economy, and the national economy. About 16% evaluated the current financial state of their business as excellent. Forty percent reported good and another 35% reported okay. Only 8% reported the current financial state of their business as poor. These results have deteriorated markedly from the July survey when 26% reported excellent, 45% reported good, and 25% okay.

Small business owners were also asked about the current state of their local economy. Only 2% reported excellent, while 21% reported good, and another 55% reported okay. Twenty-two percent reported poor. Again, a more negative view from July when 3% said

excellent, 33% good, and 44% okay.

When it comes to the national economy, small business owners are even more pessimistic. Sixty-seven percent of owners assessed the current state of the national economy as poor, up 9 points from July. Zero percent reported excellent, 5% reported good, and 28% reported okay.

As for when the U.S. economy will enter the next recession, a little over half (58%) of small business owners think the U.S. is already in a recession. Fifteen percent think the next recession will start in the January to March 2024 period. Twelve percent believe a recession will occur in the April to June 2024 period, 7% reported the July to December 2024 period, and 9% reported January 2025 or later.

*Beginning January 1, 2024, a new federal regulation (commonly called “beneficial ownership”) will require most businesses with 20 full-time employees or less to report information about their business and information about all owners with 25% or more ownership in the business to the U.S. Department of Treasury. How familiar are you with this new regulation?*

The vast majority (83%) of small business owners are not at all familiar with the new federal regulation. Sixteen percent are somewhat familiar, and only 2% are very familiar.

Regulations disproportionately impact small business owners for several reasons, one of which is not knowing about regulations that they are required to comply with. The beneficial ownership rule takes effect January 1, 2024. Associated penalties for non-compliance include civil penalties of \$500 per day up to \$10,000 and/or imprisonment of up to two years. Yet, only 18% of small business owners are aware of the rule.

## Methodology

This survey was conducted with a random sample of 20,000 NFIB members from NFIB's membership database of about 300,000 small business owners. The survey was conducted by email from Dec. 1-13. NFIB collected 484 responses.



# Questionnaire

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

17% 1. Large (Chase, Citi, Bank of America, Wells Fargo, Capital One, U.S. Bank, PNC, etc.)

14% 2. Medium (Fifth-Third, Bank of the West, KeyBank, HSCB, M&T Bank, etc.)

69% 3. Small/Regional/Local

0% 4. Online bank (e.g. OFI, LiveOak, etc.)

0% 5. Other

N=484

If you answered “other” for the size bank you use for business purposes, please describe:

## **Q2. Are current credit conditions impacting decisions related to business financing needs?**

31% 1. Yes

34% 2. No

35% 3. I don't have any (or additional) financing needs.

N=482

If yes, please explain:

## **Q3. Have you borrowed or tried to borrow money for business purposes in the last 3 months?**

26% 1. Yes

74% 2. No

N=481

**Q4. If you borrowed, were you satisfied with the amount and terms offered for the financing that you received?**

8% 1. Very satisfied  
32% 2. Mostly satisfied  
30% 3. Moderately satisfied  
30% 4. Not satisfied  
N=113

**Q5. If you were not completely satisfied, please evaluate the following potential issues in your most recent experience accessing financing.**

**A. Interest rate**

55% 1. Significant issue  
30% 2. Moderate issue  
11% 3. Mild issue  
4% 4. No issue  
N=115

**B. Collateral requirement**

18% 1. Significant issue  
18% 2. Moderate issue  
20% 3. Mild issue  
45% 4. No issue  
N=107

**C. Repayment schedule**

10% 1. Significant issue  
12% 2. Moderate issue  
16% 3. Mild issue  
62% 4. No issue  
N=114

#### **D. Paperwork requirement**

7% 1. Significant issue

25% 2. Moderate issue

24% 3. Mild issue

44% 4. No issue

N=115

#### **E. Amount of approved credit**

13% 1. Significant issue

15% 2. Moderate issue

15% 3. Mild issue

58% 4. No issue

N=117

#### **F. Application, approval, or closing process**

7% 1. Significant issue

14% 2. Moderate issue

15% 3. Mild issue

64% 4. No issue

N=109

#### **Q6. If you were not completely satisfied, what was your major complaint?**

80% 1. Interest rate too high

4% 2. Collateral requirement too big

4% 3. Repayment schedule too short

4% 4. Too much paperwork

5% 5. Amount of credit approved too low

4% 6. Application approval or closing process too slow

0% 7. Other

N=107

If you answered "Other," please describe your major complaint.



**Q7. To what degree is your major financing complaint impacting your business?**

21% 1. Significant impact

35% 2. Moderate impact

44% 3. Mild impact

N=116

**Q8. If you borrowed, what was the main purpose your business was seeking financing?**

26% 1. Meet operating and inventory expenses

29% 2. Expand business

24% 3. Replace capital assets or make repairs

7% 4. Refinance or pay down debt

8% 5. Other

7% 6. Does not apply

N=119

**Q9. If you borrowed, what type of financing did you receive?**

56% 1. Term Loan

28% 2. Line of Credit

1% 3. Factoring

15% 4. None of the above

N=118

**Q10. If your business did not apply for financing, what was the primary reason?**

64% 1. Did not need financing

2% 2. Did not think application would be approved

15% 3. Credit cost was too high

1% 4. Application process was too difficult or confusing

2% 5. Other

17% 6. Does not apply

N=295

**Q11. Does your business generally experience increased sales during the holiday season?**

21% 1. Yes

79% 2. No

N=457

**Q12. If yes, how would you characterize your sales volume over the past weekend (Black Friday, Small Business Saturday, Cyber Monday)?**

17% 1. Strong

35% 2. Moderate

29% 3. Weak

18% 4. Does not apply

N=99

**Q13. What are your holiday sales volume expectations over the next month?**

26% 1. Strong

55% 2. Moderate

20% 3. Weak

N=101

**Q14. How would you characterize the current financial state of your business?**

16% 1. Excellent

40% 2. Good

35% 3. Okay

8% 4. Poor

N=459

**Q15. How would you characterize the current state of your local economy?**

2% 1. Excellent

21% 2. Good

55% 3. Okay

22% 4. Poor

N=463

**Q16. How would you characterize the current state of the national economy?**

0% 1. Excellent

5% 2. Good

28% 3. Okay

67% 4. Poor

N=462

**Q17. When do you think the next recession will start in the U.S.?**

58% 1. The U.S. is already in a recession

15% 2. January – March 2024

12% 3. April – June 2024

7% 4. July – December 2024

9% 5. January 2025 or later

N=436

*Beginning January 1, 2024, a new federal regulation (commonly called “beneficial ownership”) will require most businesses with 20 full-time employees or less to report information about their business and information about all owners with 25% or more ownership in the business to the U.S. Department of Treasury. How familiar are you with this new regulation?*

**Q18. How familiar are you with this new regulation?**

83% 1. Not at all familiar  
16% 2. Somewhat familiar  
2% 3. Very familiar  
N=477

**Q19. Which industry best describes your business?**

15% 1. Construction  
11% 2. Manufacturing  
22% 3. Retail  
26% 4. Services  
1% 5. Finance  
2% 6. Real Estate  
3% 7. Insurance  
4% 8. Wholesale  
6% 9. Agriculture  
5% 10. Transportation  
6% 11. Other  
N=478

If you selected "other" for your industry, please describe: