2017

# SMALL BUSINESS CREDIT SURVEY

## REPORT ON EMPLOYER FIRMS IN THE FIFTH DISTRICT

Published December 2018

FEDERAL RESERVE BANK OF RICHMOND®
Richmond ▪ Baltimore ▪ Charlotte

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*Source: Small Business Credit Survey, Federal Reserve Banks*

# INTRODUCTION

The Small Business Credit Survey (SBCS) is a national collaboration of the Community Development Offices of the 12 Federal Reserve Banks, in partnership with more than 400 business organizations in communities throughout the United States. The SBCS is designed to provide timely information on small business financing needs, decisions and outcomes to policy makers, researchers and service providers.

The survey yielded robust samples in the Fifth District overall and also within specific Fifth District states. This report provides an in-depth look at those samples and in particular identifies areas in which small business characteristics and financing experiences in the Fifth District differ from those in the country overall.

We would like to extend a special thanks to Claire Kramer and colleagues across the Federal Reserve System for their leadership and support of the Small Business Credit Survey. We would also like to thank all of our partner organizations in the 5th District:

- Asheville Area Chamber of Commerce
- ASPIRE Community Capital
- Beaufort County Black Chamber of Commerce
- Botetourt County Chamber of Commerce
- Carolinas-Virginia Minority Supplier Development Council
- DC Small Business Development Center
- Dorchester Chamber of Commerce
- Franklin-Southampton Area Chamber of Commerce
- Garrett County Chamber of Commerce, Inc.
- Greater Winston-Salem Chamber of Commerce
- Greensboro, NC Chamber of Commerce
- Health Sciences Innovation Center, West Virginia University
- Henderson County Chamber of Commerce
- Howard County Chamber of Commerce
- Maryland Hispanic Chamber of Commerce
- Maryland SBDC Eastern Region
- Maryland SBDC Western Region
- Maryland State Highway Administration (SHA) Business Development Accelerator Program (BDAP)
- Mountain BizWorks
- NC Small Business and Technology Development Center
- Neighborhood Business Works, Maryland Department of Housing and Community Development
- Northern Neck Technology Group
- Northern Virginia Chamber of Commerce
- Roxboro Area Chamber of Commerce
- SC Small Business Development Center
- SCORE Virginia
- Small Business Center Network of the North Carolina Community College System (SBCN)
- South Carolina Community Loan Fund
- South Carolina Department of Commerce
- The Greater Raleigh Chamber of Commerce
- Carolina Small Business Development Fund
- U.S. Small Business Administration
- Virginia Peninsula Chamber of Commerce
- Virginia SBDC Network
- Virginia Small Business Financing Authority
- West Virginia Small Business Development Center
- West Virginia Wood Technology Center
- Yadkin County Chamber of Commerce



*Source: Small Business Credit Survey, Federal Reserve Banks*

# ACKNOWLEDGEMENTS

This report is the result of the collaborative effort, input, and analysis of the following teams:

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We thank all of the above for their contributions to this report.

Shannon McKay, PhD
Community Development Research Manager
Federal Reserve Bank of Richmond



1 At the time of this report, Jennifer Giovannitti is no longer with the Federal Reserve Bank of Richmond.

# ABOUT THE SURVEY

The SBCS is an annual survey of firms with fewer than 500 employees. This type of firm represents 99.9 percent of all employer establishments in the United States.[2] Respondents are asked to report information about their business performance, financing needs and choices, and borrowing experiences. Responses to the SBCS provide insight into the dynamics behind lending trends and shed light on noteworthy segments of small businesses.

The 2017 SBCS was fielded in the third and fourth quarters of 2017, garnering 8,169 responses from employer firms around the country. This report presents results for the Fifth District overall, as well as for Maryland, North Carolina, South Carolina and Virginia individually. The District of Columbia and West Virginia were not analyzed individually due to small sample sizes.

The number of responses for each sample analyzed in this report is listed below.

| Geography | Sample size (Number of firms) |
|---|---|
| Fifth District | 910 |
| Maryland | 176 |
| North Carolina | 215 |
| South Carolina | 147 |
| Virginia | 267 |

Throughout this report, Fifth District results are only compared to national findings when they are statistically different. For more information on national level trends and results, please see the 2017 Small Business Credit Survey Report on Employer Firms. Only state results that are statistically different from the nation are shown, unless a related question was provided for context (i.e. if there is difference in state and national financing trends, the percentage of state firms that applied for financing is also illustrated, even though not statistically different).

In this report, "employer firm(s)" and "business(es)" exclusively refer to small businesses that have between 1 and 499 employees.

The SBCS is not a random sample. As such, results should be analyzed with awareness of potential biases that are associated with convenience samples. Furthermore, due to varying sample sizes between states, survey results have different levels of statistical significance. Therefore, unless otherwise indicated, differences between modeled populations cannot always be inferred from survey results. For detailed information about the survey design and weighting methodology, please consult the Methodology section of the 2017 Small Business Credit Survey Report on Employer Firms.

2 U.S. Census Bureau, 2014 County Business Patterns, Table CB 1400A13



*Source: Small Business Credit Survey, Federal Reserve Banks*

# EXECUTIVE SUMMARY: FIFTH DISTRICT

*The 2017 SBCS included responses from 910 employer firms from the Fifth District. This is 35% fewer survey responses than in 2016 (1,396 employer firms). The Federal Reserve's Fifth District includes the District of Columbia, Maryland, North Carolina, South Carolina, Virginia and most of West Virginia.*

**Fifth District small business demographics mirror those of national respondents.**

- A majority of Fifth District employers have been in operation for fewer than six years, have fewer than five employees, are in the service sector, and make less than $1 million in revenue.
- The majority of employers have low credit risk.[3]
- Eighty-four percent of Fifth District employers are in urban markets. This is not statistically different from the U.S. (83%).
- Fifth District employers are more likely to use contract workers. The national percentage fell to 39% while the District remained at 49% since last year's report.

**Overall, small businesses performed moderately well in the past year and are optimistic about future growth.**

- A larger share of Fifth District firms (40%) reported not experiencing any financial challenges in the prior 12 months compared to U.S. (36%).
- Business earnings constituted the primary funding source for three quarters of small businesses in the Fifth District.
- Profitability, revenue and employment diffusion indices for prior performance were positive but moderate.[4]
- Fifth District firms have higher expectations for employment growth for the next 12 months (46%) relative to firms nationally (43%).

**Like employer firms nationwide, Fifth District small businesses had outstanding debt.**

- Sixty-five percent of small businesses in the Fifth District had outstanding debt.
- A majority of this debt is less than $100,000 – 24% of employer firms owed $25,000 or less and 31% owed between $25,001 and $100,000.
- Close to half (47%) of Fifth District small businesses rely only on the owner's personal credit score to obtain financing. Thirty-nine percent more rely at least in part on the owner's personal score.

**Most employer firms did not apply for financing but those that did were generally successful.**

- Forty percent of Fifth District firms applied for financing in the prior 12 months, which matches the national share of firms.
- Employer firms that did not apply for financing in the prior 12 months cited sufficient financing (48%), being debt adverse (29%), and being discouraged (14%) as reasons for that decision.
- Fewer non-applicants in the Fifth District use small banks as a source for their lines of credit and cash advances than national respondents.
- On average, Fifth District firms received or were approved for at least some of the financing for which they applied.

3 Self-reported business credit score or personal credit score, depending on which is used to obtain financing for their business. If the firm uses both, the higher risk rating is used. 'Low credit risk' is an 80-100 business credit score or 720+ personal credit score. 'Medium credit risk' is a 50–79 business credit score or a 620–719 personal credit score. 'High credit risk' is a 1–49 business credit score or a < 620 personal credit score.

4 Diffusion indices of profitability, revenue, and employment allow for a quick comparison of business conditions. Each index aggregates three possible response options into one number. Profitability index is the share of profitable firms minus the share of not profitable at the end of 2016. Revenue indices are the share growing revenues minus the share with shrinking revenues. Employment indices are those firms with expanding workforces minus the share shrinking their workforce.

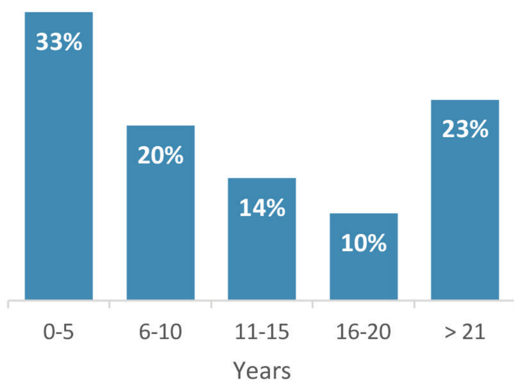


*Source: Small Business Credit Survey, Federal Reserve Banks*

# DEMOGRAPHICS

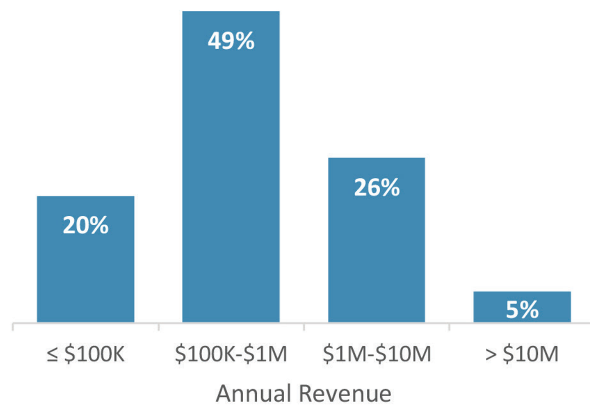
## AGE OF FIRM

% of employer firms, n = 910



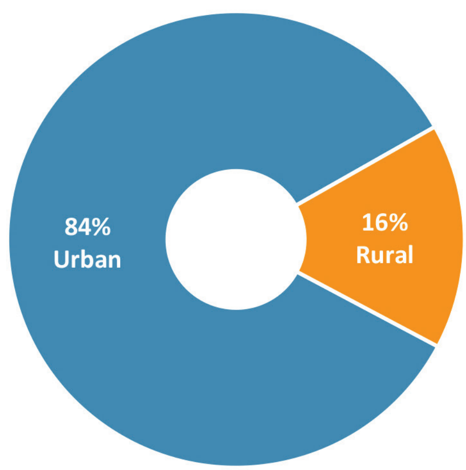

## REVENUE SIZE OF FIRM

% of employer firms, n = 905



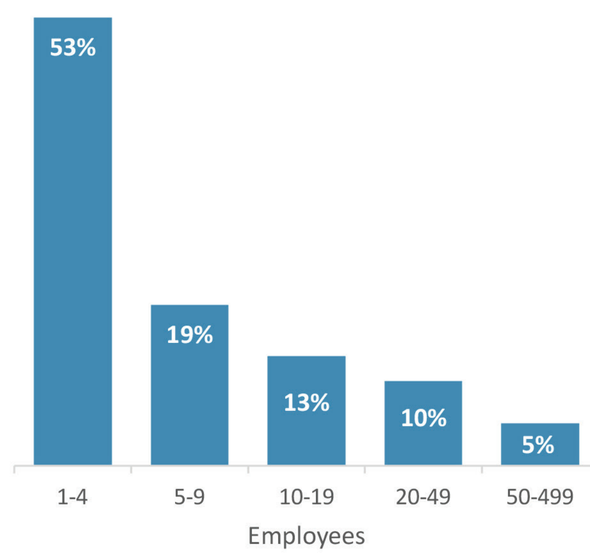

## GEOGRAPHIC LOCATION[1]

% of employer firms, n = 910




## NUMBER OF EMPLOYEES

% of employer firms, n = 910




1 Urban and rural definitions come from Centers for Medicare & Medicaid Services.

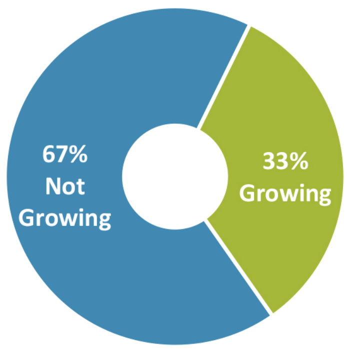


*Source: Small Business Credit Survey, Federal Reserve Banks*

# DEMOGRAPHICS (CONTINUED)

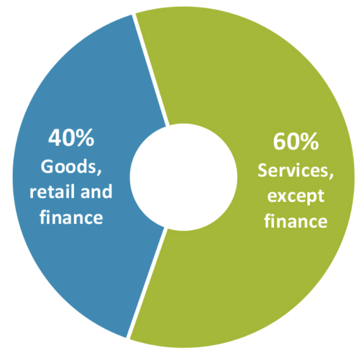
## BUSINESS STAGE OF FIRM[1]

% of employer firms, n = 841




## INDUSTRY

% of employer firms, n = 910

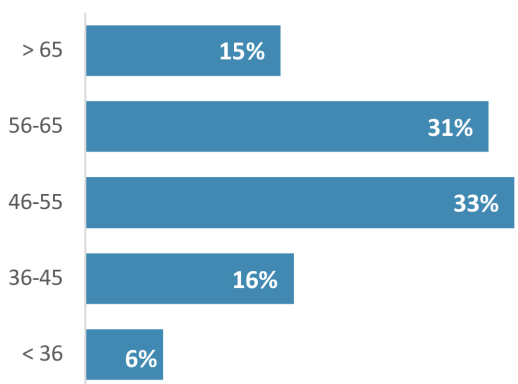



**FORTY-NINE PERCENT*** OF FIFTH DISTRICT EMPLOYERS USED CONTRACT WORKERS COMPARED TO **39%** NATIONWIDE.

% of employer firms, Fifth District n = 905, U.S. n = 4,584

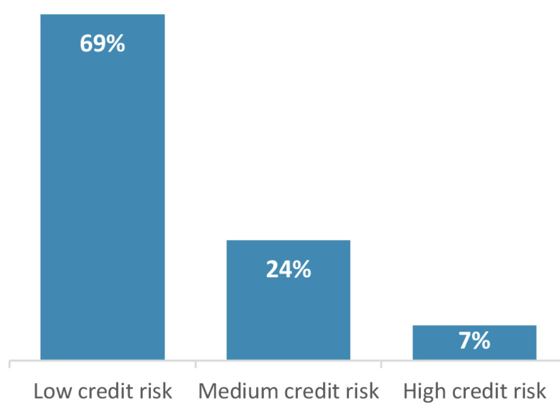
## AGE OF PRIMARY DECISION MAKER

% of employer firms, n = 865




## CREDIT RISK[2]

% of employer firms, n = 615




* Denotes a significant difference between the value of the District and the U.S. at the 95 percent level.
1 Firms that expanded their workforce and had an increase in revenues during the past 12 months and that do not anticipate declines in their workforce numbers during the next 12 months.
2 Credit Risk is the self-reported business credit score or personal credit score, depending on which is used to obtain financing for the business. If the firm uses both, the highest credit rating is used. Low risk: 80 – 100 business score or 720+ personal score; Medium risk: 50 – 79 business or 620 – 719 personal; High risk: 1 – 49 business or <620 personal.

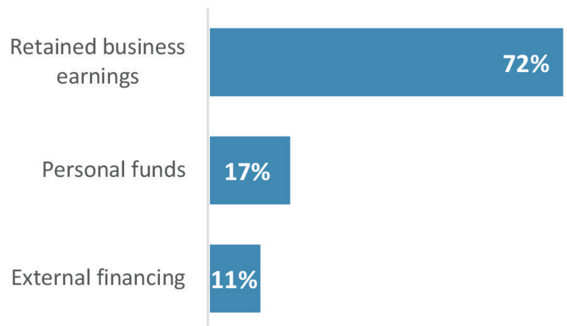

*Source: Small Business Credit Survey, Federal Reserve Banks*

FINANCIAL CHALLENGES EXPERIENCED, PRIOR 12 MONTHS[1]

% of employer firms, n = 905

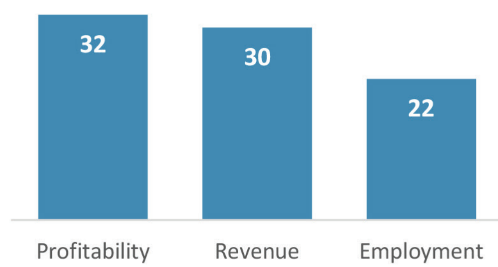

PRIMARY FUNDING SOURCE

% of employer firms, n = 901



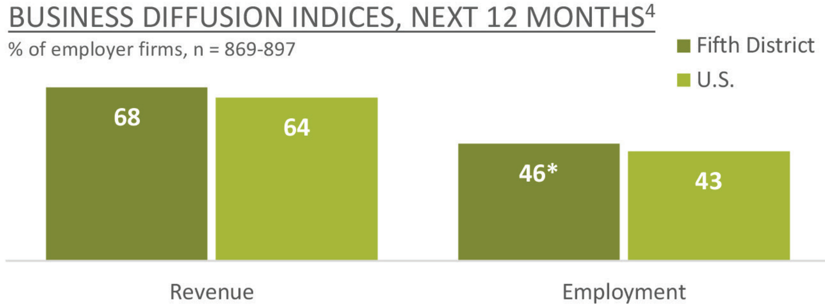

BUSINESS DIFFUSION INDICES, PREVIOUS 12 MONTHS[2,3]

% of employer firms, n = 865 -888




BUSINESS DIFFUSION INDICES, NEXT 12 MONTHS[4]

% of employer firms, n = 869-897




*Denotes a significant difference between the value of the District and the U.S. at the 95 percent level.
1 Respondents could choose multiple options.
2 Profitability at the end of 2016.
3 For revenue and employment growth, the index is the share reporting positive growth minus the share reporting negative growth during the prior 12 months. For profitability, it is the share profitable minus the share not profitable at the end of 2016.
4 For revenue and employment growth, the index is the share expecting positive growth minus the share expecting negative growth in the next 12 months

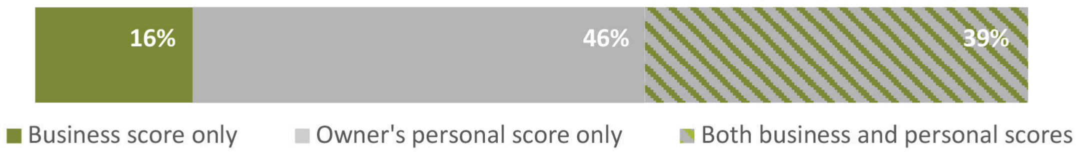


*Source: Small Business Credit Survey, Federal Reserve Banks*

# PERFORMANCE

## USE OF PERSONAL VERSUS BUSINESS SCORE

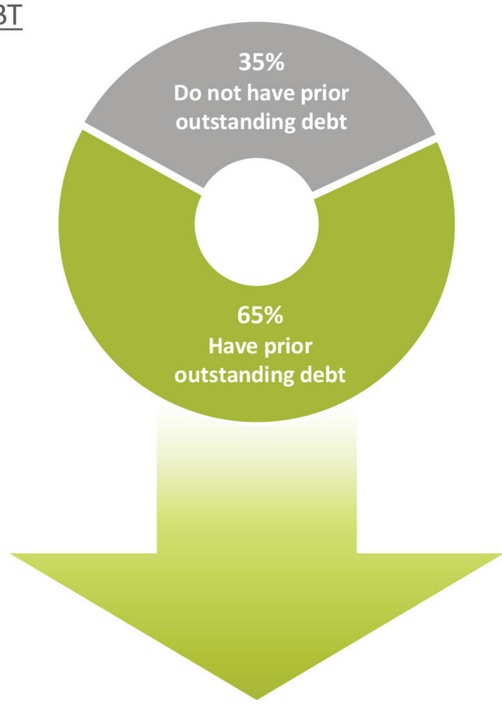
% of employer firms, n = 681




# DEBT

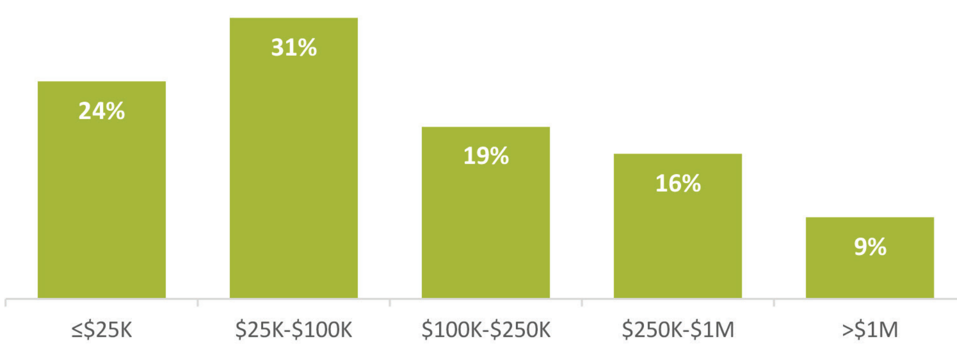
## SHARE WITH OUTSTANDING DEBT

% of employer firms, n = 899




## AMOUNT OF OUTSTANDING DEBT

% employer firms with debt, n = 594



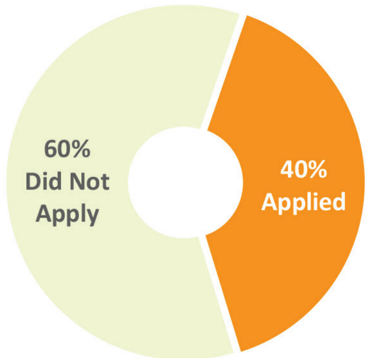



*Source: Small Business Credit Survey, Federal Reserve Banks*

# FINANCING

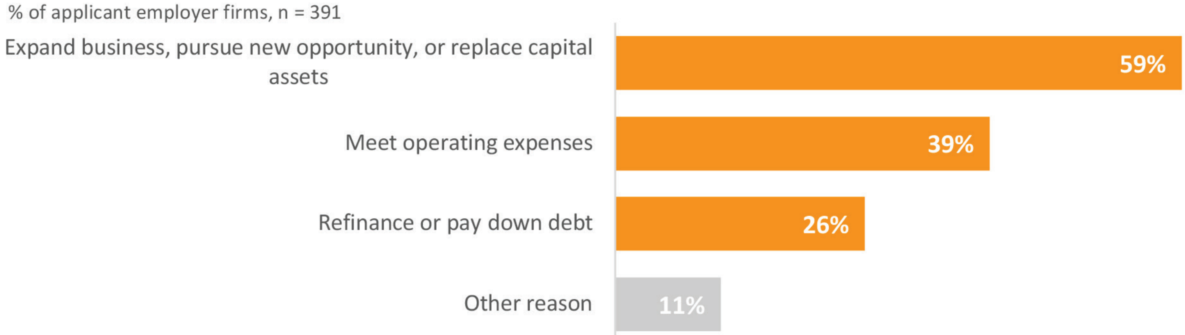
## APPLIED FOR FINANCING, PRIOR 12 MONTHS[1]

% of employer firms, n = 910




## REASONS FOR SEEKING FINANCING, APPLICANTS[1]

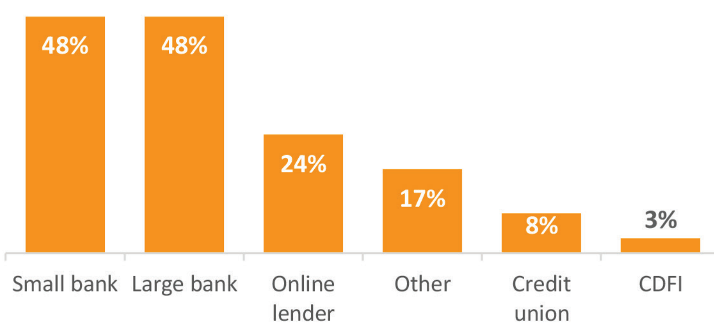
% of applicant employer firms, n = 391




# FINANCING APPLICATION RATES

## APPLICATION RATE BY SOURCE, APPLICANTS[1,2,3,4]

% of appliant employer firms, n = 391




1 Respondents could make multiple selections.
2 Respondents were provided a list of large banks (those with at least $10B in total deposits) operating in their state.
3 'Online lenders' are defined as nonbank alternative lenders, examples include Lending Club, OnDeck, CAN Capital, Paypal Working Capital, Kabbage, etc.
4 Community development financial institutions (CDFIs) are financial institutions that provide credit and financial services to underserved markets and populations. CDFIs are certified by the CDFI Fund at the U.S. Department of the Treasury.

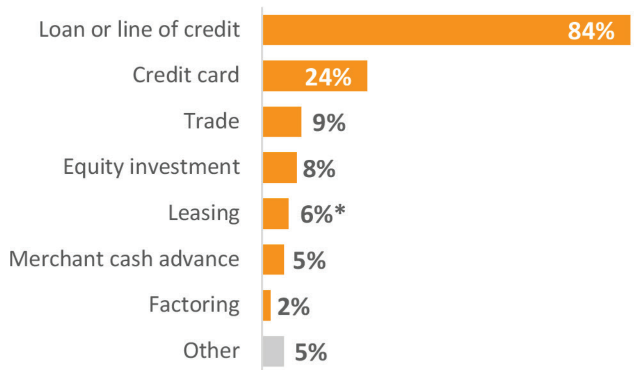


*Source: Small Business Credit Survey, Federal Reserve Banks*

# FINANCING APPLICATION RATES (CONTINUED)

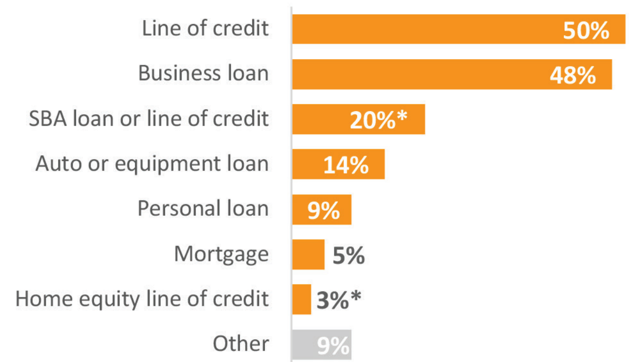
## APPLICATION RATE BY FINANCIAL PRODUCT, APPLICANTS[1]

% of applicant employer firms, n = 391



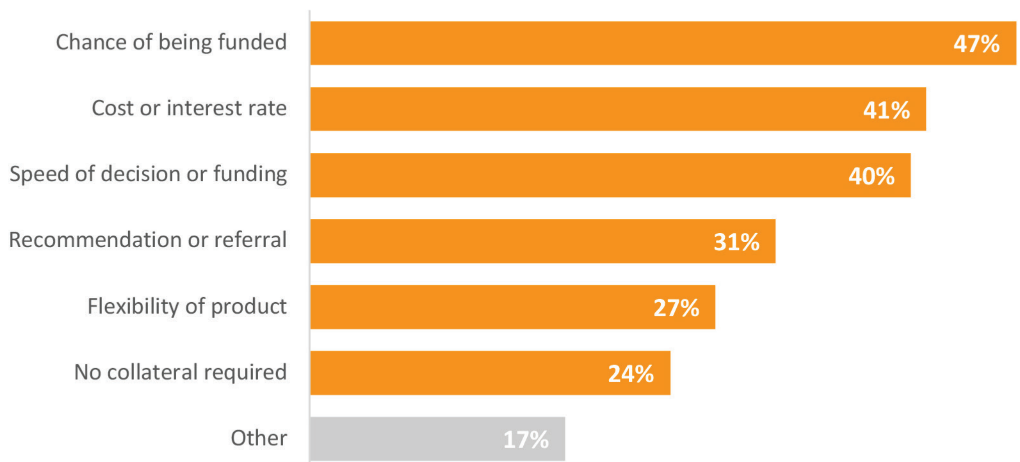

## APPLICATION RATE BY TYPE OF LOAN, APPLICANTS[1]

% of applicant employer firms, n = 391




## FACTORS INFLUENCING CREDIT TYPE, APPLICANTS[1]

% of applicant employer firms, n = 391



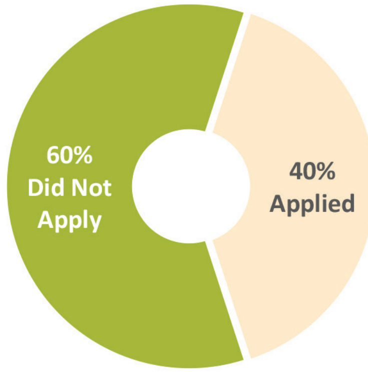

* Denotes a significant difference between the value of the Fifth District and the U.S. at the 95 percent level.
1 Respondents could make multiple selections.



*Source: Small Business Credit Survey, Federal Reserve Banks*

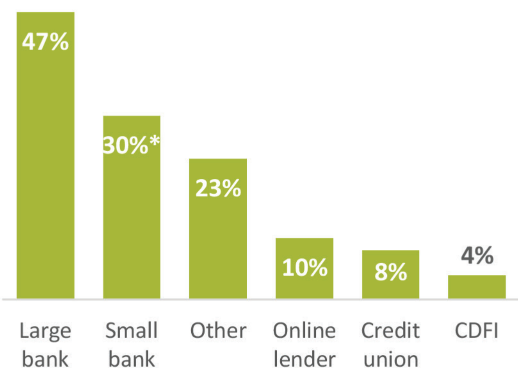
## DID NOT APPLY FOR FINANCING, PRIOR 12 MONTHS

% of employer firms, n = 910



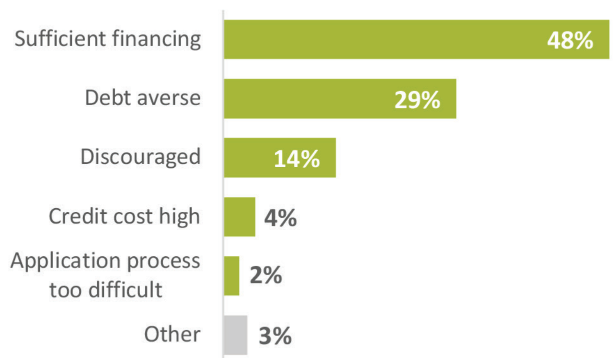

## SOURCE OF EXISTING PRODUCT, NONAPPLICANTS[1,2,3,4]

% of nonapplicant employer firms, n = 519



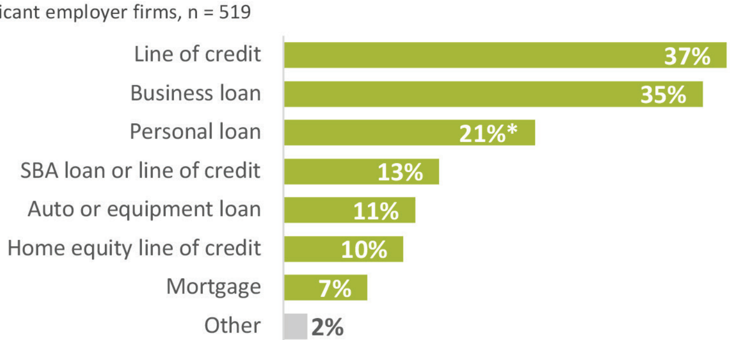

## PRIMARY REASON FOR NOT APPLYING, NONAPPLICANTS

% of nonapplicant employer firms, n = 519




## TYPES OF EXISTING LOANS AND LINES OF CREDIT USED, NONAPPLICANTS[1]

% of nonapplicant employer firms, n = 519




* Denotes a significant difference between the value of the Fifth District and the U.S. at the 95 percent level.
1 Respondents could make multiple selections.
2 Respondents were provided a list of large banks (those with at least $10B in total deposits) operating in their state.
3 'Online lenders' are defined as nonbank alternative lenders, examples include Lending Club, OnDeck, CAN Capital, Paypal Working Capital, Kabbage, etc.
4 Community development financial institutions (CDFIs) are financial institutions that provide credit and financial services to underserved markets and populations. CDFIs are certified by the CDFI Fund at the U.S. Department of the Treasury.



*Source: Small Business Credit Survey, Federal Reserve Banks*

# EXECUTIVE SUMMARY: MARYLAND

**Maryland small businesses are generally similar to employer firms in the United States.**

- The majority of employer firms in Maryland have been in operation for less than six years, employ fewer than five people and are not growing.
- Fifty-five percent of Maryland employer firms reported using contract workers, which is larger than national respondents (39%).
- Maryland has a smaller share of employer firms with revenues of less than $100,000 than the U.S.

**Maryland employer firms are optimistic about future employment prospects and rely more on earnings for funding**.

- A greater share of Maryland employer firms reported retained earnings as their primary funding source (75%) than the U.S. (70%).
- Seven percent of Maryland employer firms utilize external financing as primary funding source, which is less than 11% of U.S. employer firms.
- Although Maryland business condition indices track closely with the nation, they diverge in optimism about employment prospects. The state's employment expectation index was ten points above the national respondents'.

**A smaller share of Maryland employer firms owe large amounts of debt.**

- Twelve percent of Maryland respondents reported owing between $250,000 and $1 million in debt, compared to 18% for the U.S.
- A smaller share of Maryland employer firms (5%) owed more than $1 million in debt than national respondents (9%).

**A comparable percentage of Maryland small businesses applied for financing in the prior year to U.S. small businesses.**

- Fewer firms in Maryland (35%) compared to firms nationally (50%) reported relying on the owners' personal credit score to obtain financing.
- Three percent of Maryland employer firms applied for mortgages, compared to 7% of national respondents.
- Twelve percent of U.S. employer firms reported applying for personal loans in 2017. Two percent of Maryland firms reported applying for that type of loan.
- No Maryland small business that was surveyed applied for home equity lines of credit (4% of U.S. firms did).
- A larger share of firms in Maryland (42%) were influenced by a recommendation or referral on where they should apply for financing than firms nationally (30%).

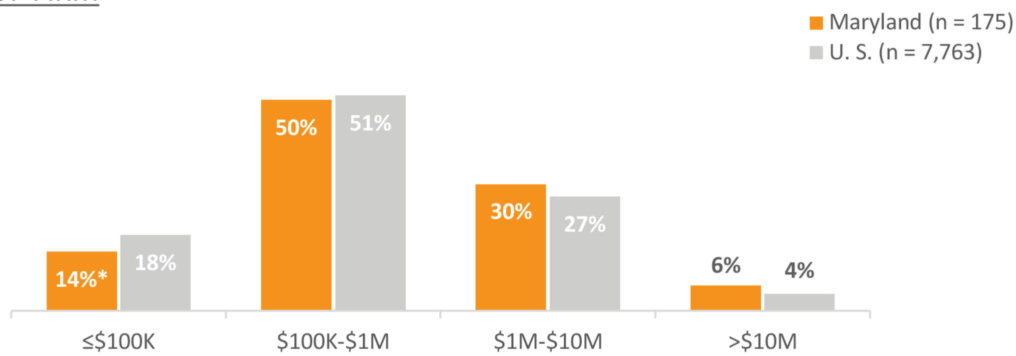


*Source: Small Business Credit Survey, Federal Reserve Banks*

# DEMOGRAPHICS

## REVENUE SIZE OF FIRM

% of employer firms



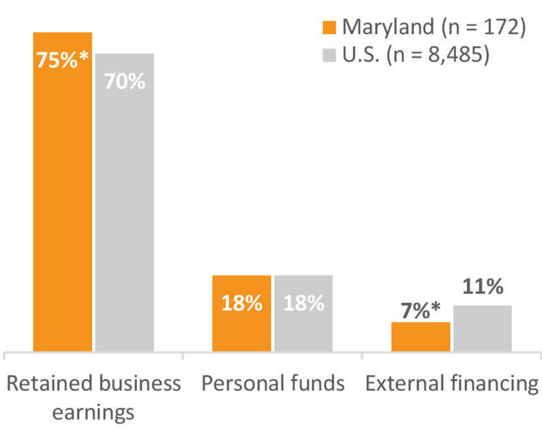

**FIFTY-FIVE PERCENT*** OF MARYLAND EMPLOYERS USED CONTRACT WORKERS, COMPARED TO **39%** NATIONWIDE.

% of employer firms, Maryland n = 176 U.S. n = 4,584

# PERFORMANCE AND DEBT

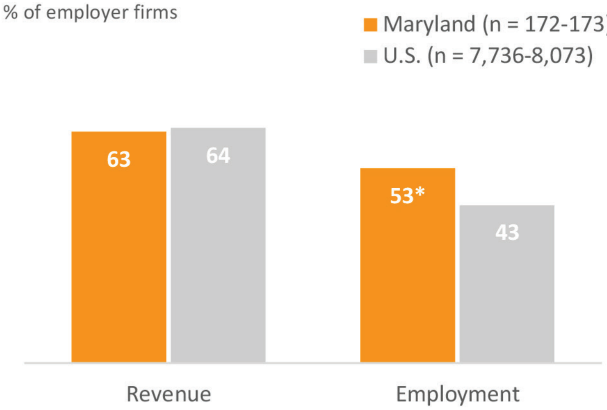
## PRIMARY FUNDING SOURCE

% of employer firms




## BUSINESS DIFFUSION INDICIES NEXT 12 MONTHS[1]

% of employer firms




* Denotes a significant difference between the value of the state and the U.S. at the 95 percent level.
1 For revenue and employment growth, the index is the share expecting positive growth minus the share expecting negative growth in the next 12 months.

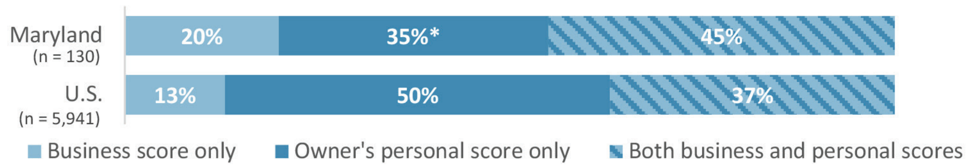


*Source: Small Business Credit Survey, Federal Reserve Banks*

# PERFORMANCE AND DEBT (CONTINUED)

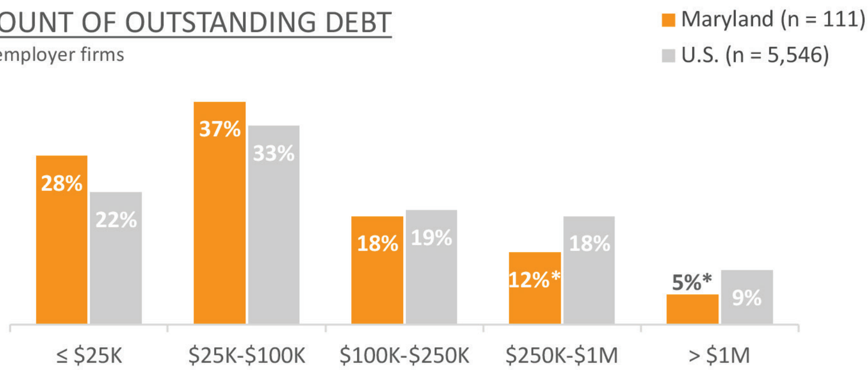
## USE OF PERSONAL VERSUS BUSINESS SCORE

% of employer firms




## AMOUNT OF OUTSTANDING DEBT

% of employer firms




# FINANCING

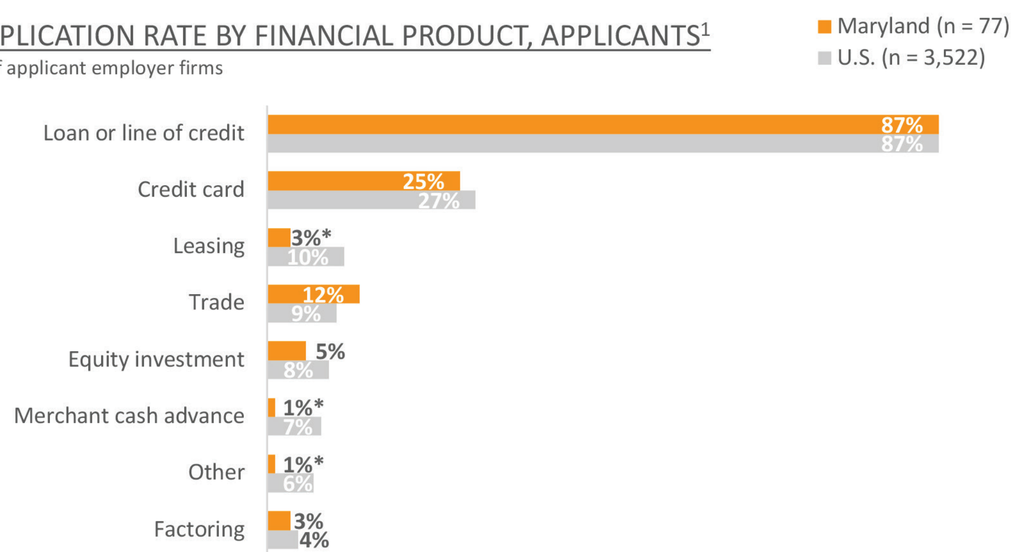
**THIRTY-FIVE PERCENT** OF MARYLAND EMPLOYERS APPLIED FOR FINANCING IN THE PAST 12 MONTHS, COMPARED TO **40%** NATIONWIDE.[1]

% of employer firms, Maryland n = 176 U.S. n = 8,597

# FINANCING APPLICATION RATES

## APPLICATION RATE BY FINANCIAL PRODUCT, APPLICANTS[1]

% of applicant employer firms




* Denotes a significant difference between the value of the state and the U.S. at the 95 percent level.
1 Respondents could make multiple selections.

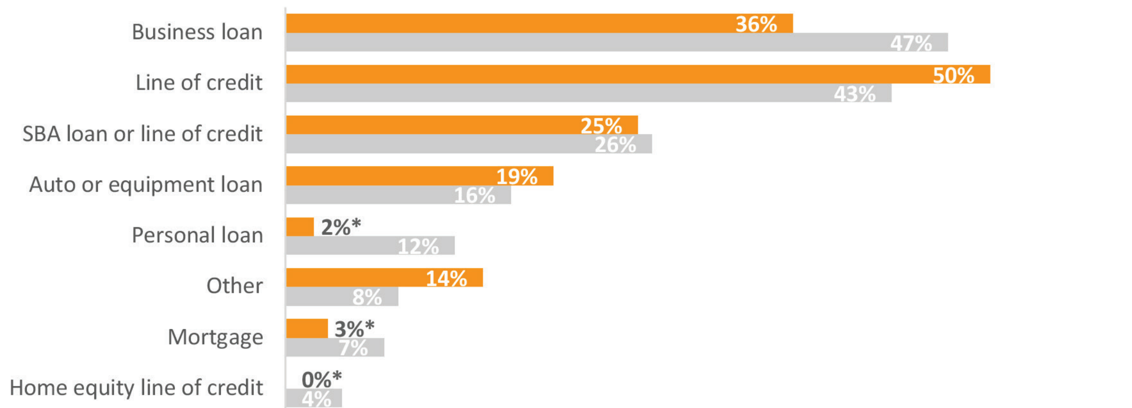


*Source: Small Business Credit Survey, Federal Reserve Banks*

# FINANCING APPLICATION RATES (CONTINUED)

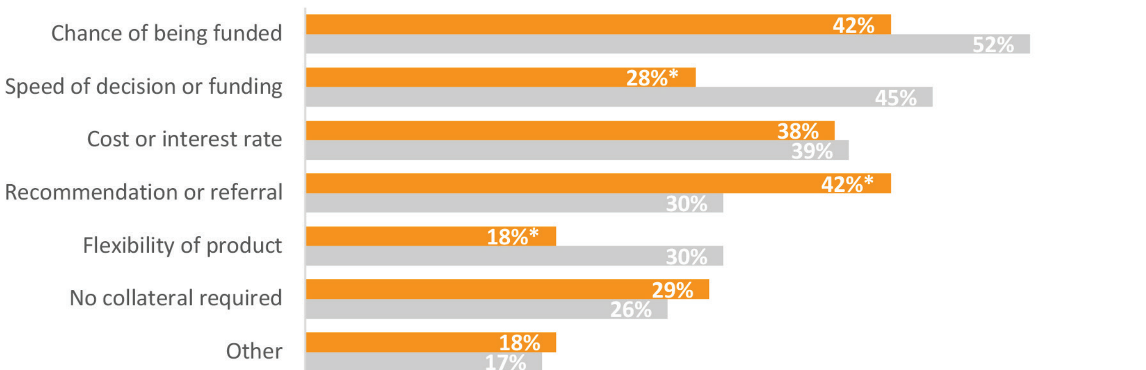
## APPLICATION RATE BY TYPE OF LOAN, APPLICANTS[1]

% of applicant employer firms



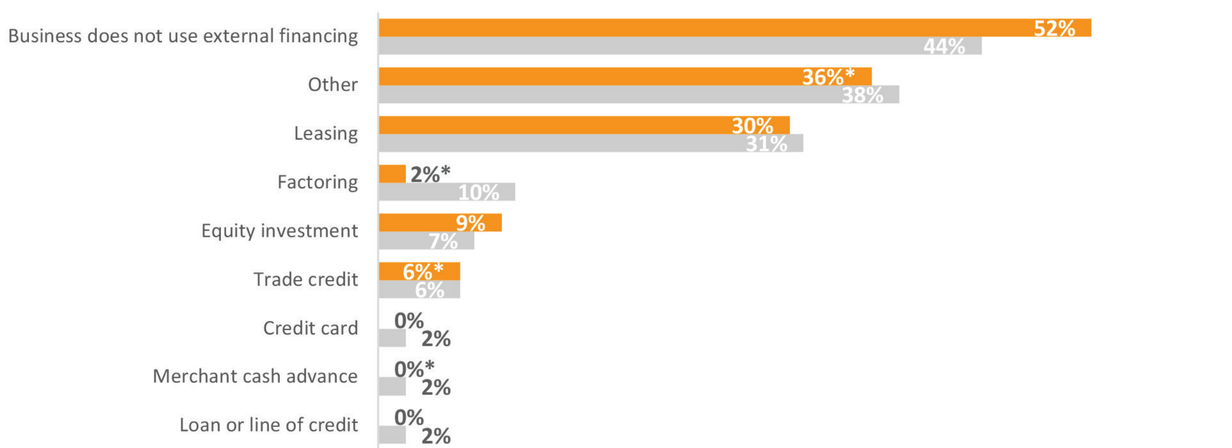

## INFLUENCING FACTORS FOR APPLICATION SOURCE, APPLICANTS[1]

% of applicant employer firms




## USE OF EXTERNAL FINANCING, NONAPPLICANTS[1]

% of nonapplicant employer firms




* Denotes a significant difference between the value of the state and the U.S. at the 95 percent level.
1 Respondents could make multiple selections.



*Source: Small Business Credit Survey, Federal Reserve Banks*

# EXECUTIVE SUMMARY: NORTH CAROLINA

**North Carolina small businesses share similar demographics with employer firms nationwide and use significantly more contract workers.**

- Fifty-five percent of employer firms reported using contract workers, significantly more than U.S. small businesses.
- A majority of North Carolina employer firms are young, employ fewer than five people, and are not growing. Additionally, a large share of North Carolina employer firms have low credit risk and have revenues between $100,000 and $1 million.

**Performance tracks closely with U.S. statistics, but a smaller share of North Carolina employer firms owe a moderate amount of debt**.

- Twenty-one percent of North Carolina respondents reported outstanding debt of between $25,000 and $100,000, compared to 33% nationwide.

**North Carolina employer firms applied for financing at a comparable rate to national respondents.**

- Thirty-eight percent of North Carolina employer firms applied for financing in the last 12 months. Half said the primary reason for seeking financing was to expand business, while 40% aimed to pay down debt or refinance.
- A smaller share of employer firms applied for factoring in North Carolina (1%) than U.S. businesses (4%).
- Three percent of North Carolina small businesses applied for mortgages, significantly less than 7% nationwide.
- Twenty-six percent of national respondents cited "no required collateral" as influencing where employer firms applied for financing. Significantly more – 43% – of North Carolina small businesses indicated it as an important factor.
- A majority of North Carolina employer firms applied for financing through large banks (56%).

**Employer firms that did not apply for financing slightly differed from the country in reasoning and the use of external financing.**

- Fewer North Carolina small businesses cited sufficient financing as the primary reason for not applying for financing in the prior 12 months.
- No North Carolina employer firms reported that the financing application process was too long, whereas 3% of national respondents did.
- A smaller share of non-applicant employer firms used equity investment as a form of external financing (North Carolina 3%, U.S. 6%).
- Flexibility of financial products was not as important a factor influencing where non-applicants would seek financing for North Carolina respondents (28%) as it was for employer firms nationwide (35%).

*Source: Small Business Credit Survey, Federal Reserve Banks*

## DEMOGRAPHICS

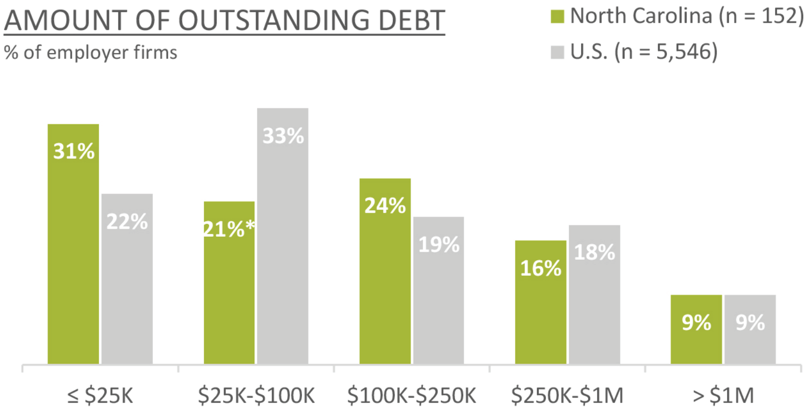
**FIFTY-TWO PERCENT *** OF NORTH CAROLINA EMPLOYERS USED CONTRACT WORKERS, COMPARED TO **39%** NATIONWIDE.

% of employer firms, North Carolina n = 213 U.S. n = 4,584

## DEBT

AMOUNT OF OUTSTANDING DEBT

% of employer firms




## FINANCING

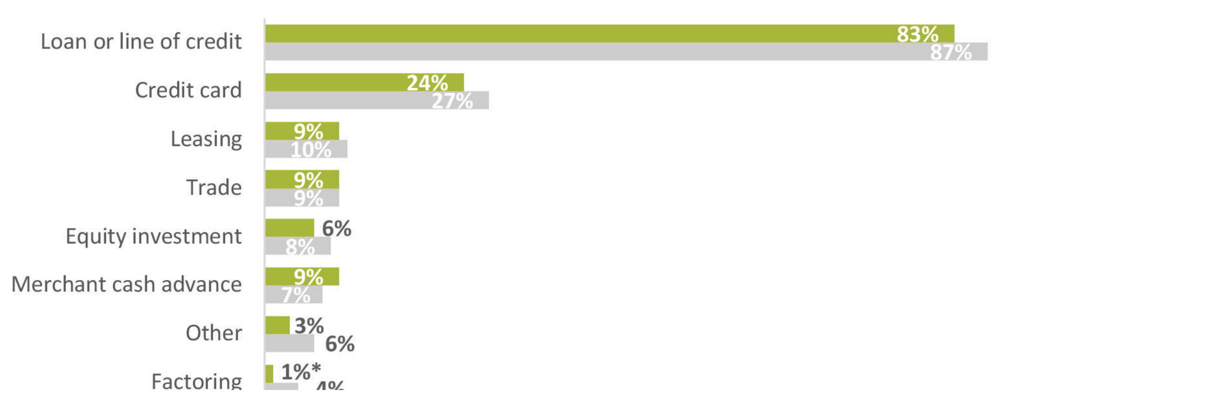
**THIRTY-EIGHT PERCENT** OF NORTH CAROLINA EMPLOYERS APPLIED FOR FINANCING IN PRIOR 12 MONTHS, COMPARED TO **40%** NATIONWIDE.[1]

% of employer firms, North Carolina n = 215 U.S. n = 8,597

## FINANCING APPLICATION RATES

APPLICATION RATE BY FINANCIAL PRODUCT, APPLICANTS[1]

% of applicant employer firms

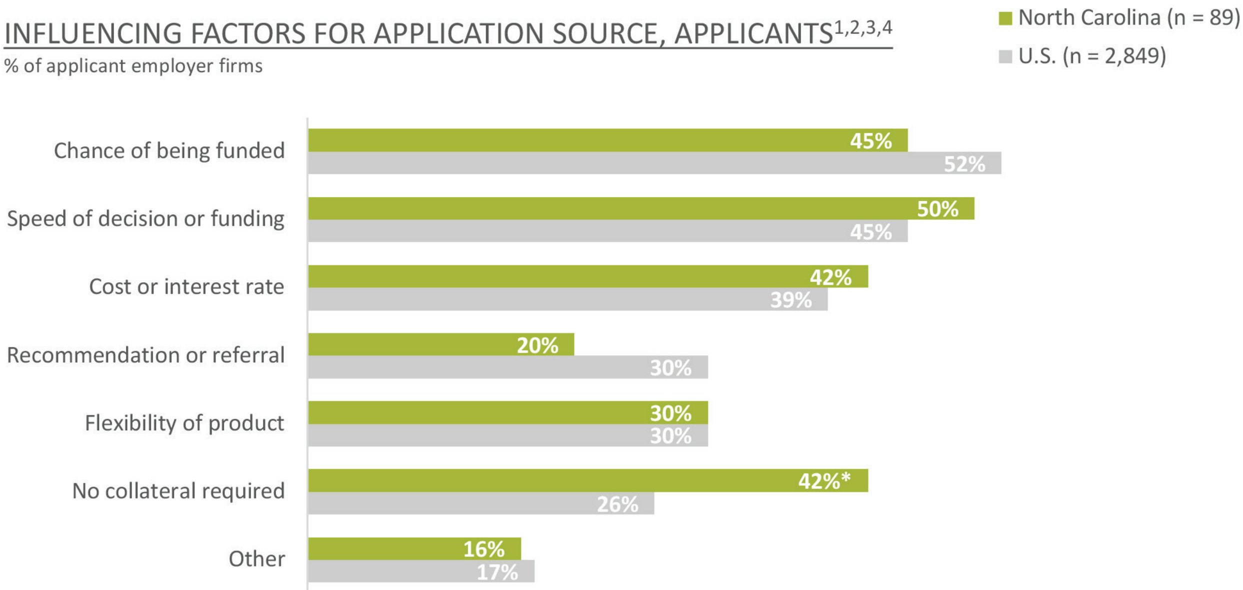



* Denotes a significant difference between the value of the state and the U.S. at the 95 percent level.
1 Respondents could make multiple selections.

# FINANCING APPLICATION RATES (CONTINUED)

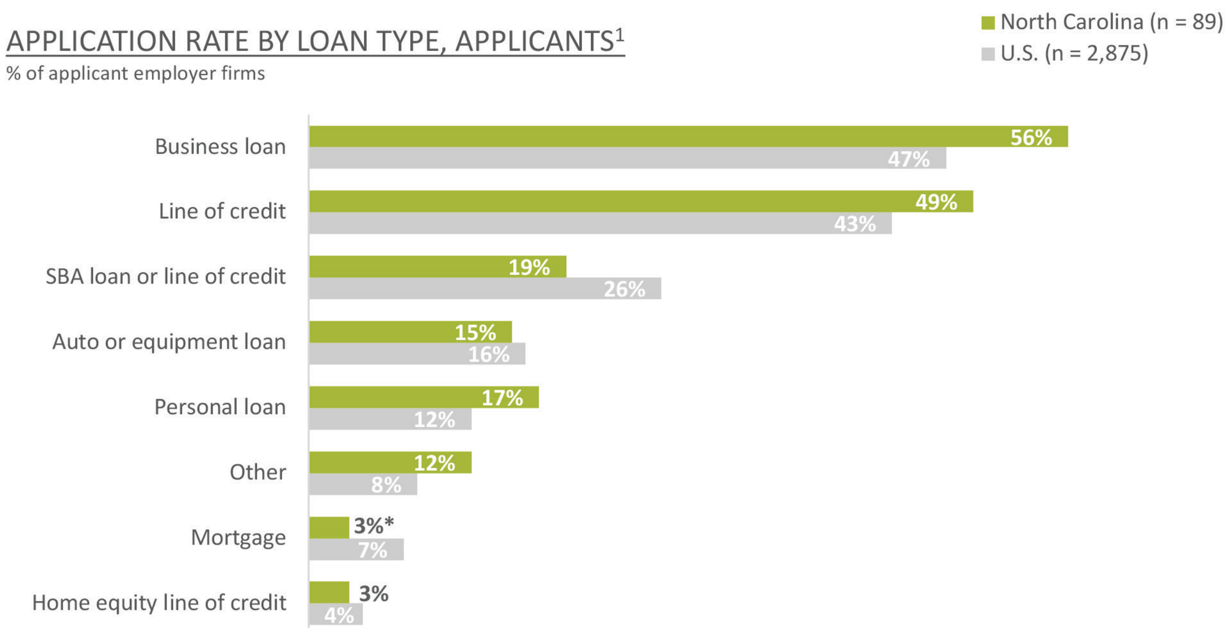
## INFLUENCING FACTORS FOR APPLICATION SOURCE, APPLICANTS[1,2,3,4]

% of applicant employer firms




## APPLICATION RATE BY LOAN TYPE, APPLICANTS[1]

% of applicant employer firms



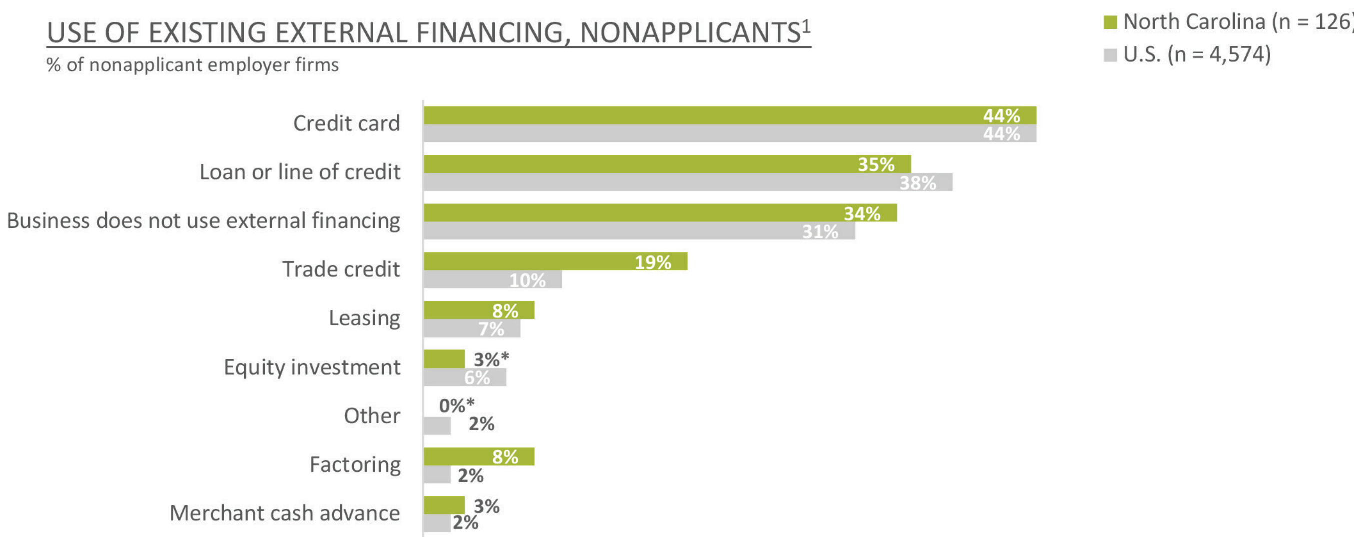

* Denotes a significant difference between the value of the state and the U.S. at the 95 percent level.
1 Respondents could make multiple selections.
2 Respondents were provided a list of large banks (those with at least $10B in total deposits) operating in their state.
3 'Online lenders' are defined as nonbank alternative lenders, examples include Lending Club, OnDeck, CAN Capital, Paypal Working Capital, Kabbage, etc.
4 Community development financial institutions (CDFIs) are financial institutions that provide credit and financial services to underserved markets and populations. CDFIs are certified by the CDFI Fund at the U.S. Department of the Treasury.



*Source: Small Business Credit Survey, Federal Reserve Banks*

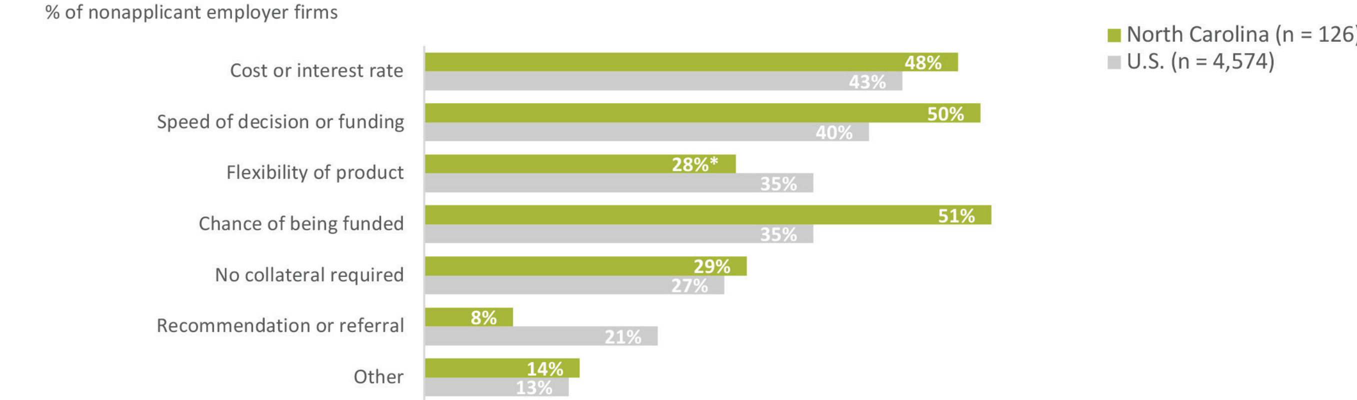
## USE OF EXISTING EXTERNAL FINANCING, NONAPPLICANTS[1]

% of nonapplicant employer firms



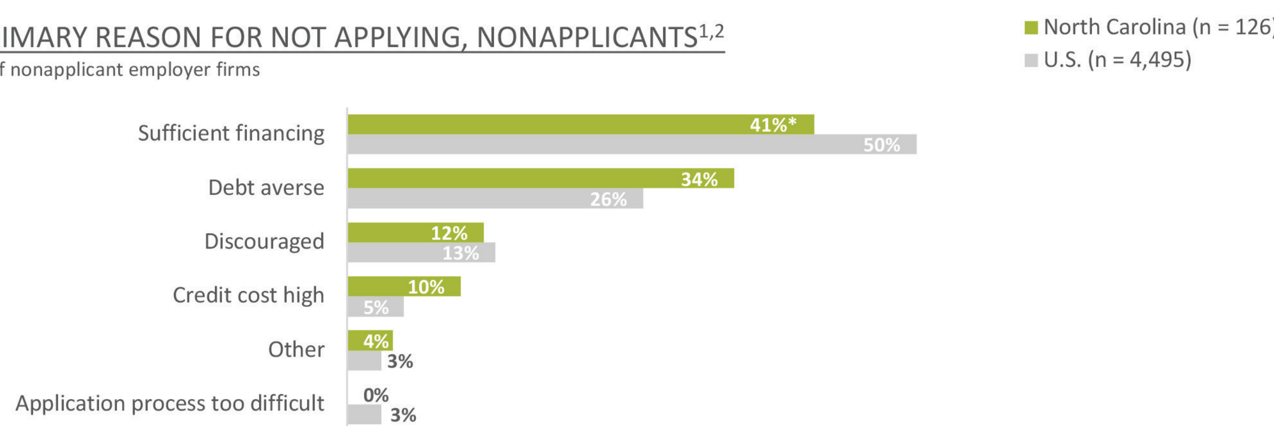

## INFLUENCING FACTORS FOR SOURCE OF EXISTING FINANCING, NONAPPLICANTS[1]

% of nonapplicant employer firms




## PRIMARY REASON FOR NOT APPLYING, NONAPPLICANTS[1,2]

% of nonapplicant employer firms




* Denotes a significant difference between the value of the state and the U.S. at the 95 percent level.
1 Respondents could make multiple selections.
2 Reason for not applying for financing in prior 12 months.



*Source: Small Business Credit Survey, Federal Reserve Banks*

# EXECUTIVE SUMMARY: SOUTH CAROLINA

**South Carolina employer firm demographics resemble the Fifth District and U.S.**

- Almost three quarters of firms are not growing, and most firms are young (32% are less than six years old) and have between $100,000 and $1 million in revenues (48%).
- A significantly larger share (53%) of South Carolina employer firms use contract workers when compared to national respondents (39%).

**Employer firms in South Carolina are performing well and business conditions are similar to national respondents.**

- Significantly more employer firms in the state reported experiencing no financial challenges – 44% – eight percentage points higher than U.S. firms.
- Future business condition indices show positive expectations for employment and revenues.
- Seventy percent of South Carolina employer firms are primarily funded through retained business earnings.

**South Carolina small businesses in debt are similar to employer firms nationwide.**

- The share of employer firms in South Carolina with outstanding debt was 70%, comparable to 68% nationally.
- A majority of small businesses with debt (40%) owed between $25,000 and $100,000.
- South Carolina small businesses used both business and personal credit scores more (44%) than owner's personal score (35%), whereas a larger percentage of national respondents use owner's personal score more (50%) than both scores combined (37%). The distribution is different but is not statistically significant.

**Employer firms that applied for financing in the prior 12 months share similar characteristics with U.S. respondents.**

- The majority of South Carolina respondents had a higher financing application rate with small banks. Fifty-eight percent of the state's respondents applied to small banks compared to 47% nationally. A larger share of U.S. firms applied to large banks (48%) than South Carolina applicants (43%).
- A significantly smaller share of employer firms (1%) in South Carolina applied for financing with CDFIs than small businesses nationwide (5%).
- Employer firms sought financing amounting to $25,000 to $100,000 most frequently (29%) followed closely with smaller dollar financing of $25,000 and less (26%).
- South Carolina employer firms were successful in receiving most of the financing for which they applied.

**Employer firms that did not apply for financing recently use different forms of external finance than firms nationwide.**

- On average, firms in South Carolina received most of the financing for which they applied.
- No South Carolina employer firms used merchant cash advances whereas 2% of U.S. employer firms did.
- A significantly larger share of South Carolina non-applicant small businesses use equity investment more than the U.S. (South Carolina 13%, compared to 6% nationally).



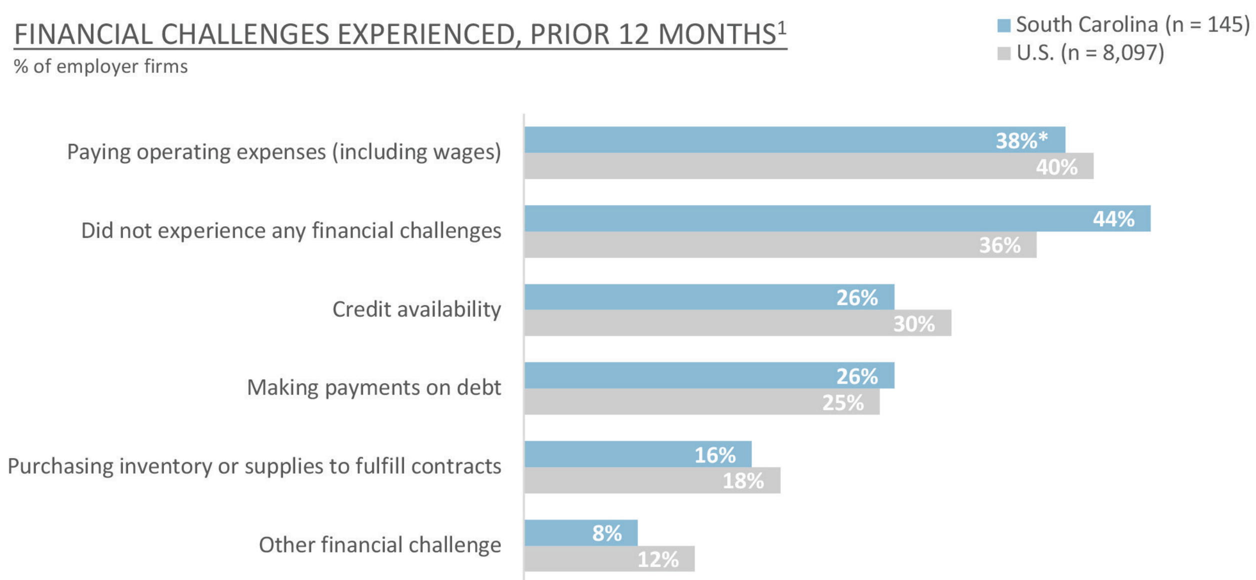
*Source: Small Business Credit Survey, Federal Reserve Banks*

# DEMOGRAPHICS

**FIFTY-THREE PERCENT*** OF SOUTH CAROLINA EMPLOYERS USED CONTRACT WORKERS, COMPARED TO **39%** NATIONWIDE.

% of employer firms, South Carolina n = 146    U.S. n = 4,584

# PERFORMANCE




* Denotes a significant difference between the value of the state and the U.S. at the 95 percent level.
1 Respondents could make multiple selections.


*Source: Small Business Credit Survey, Federal Reserve Banks*

# FINANCING

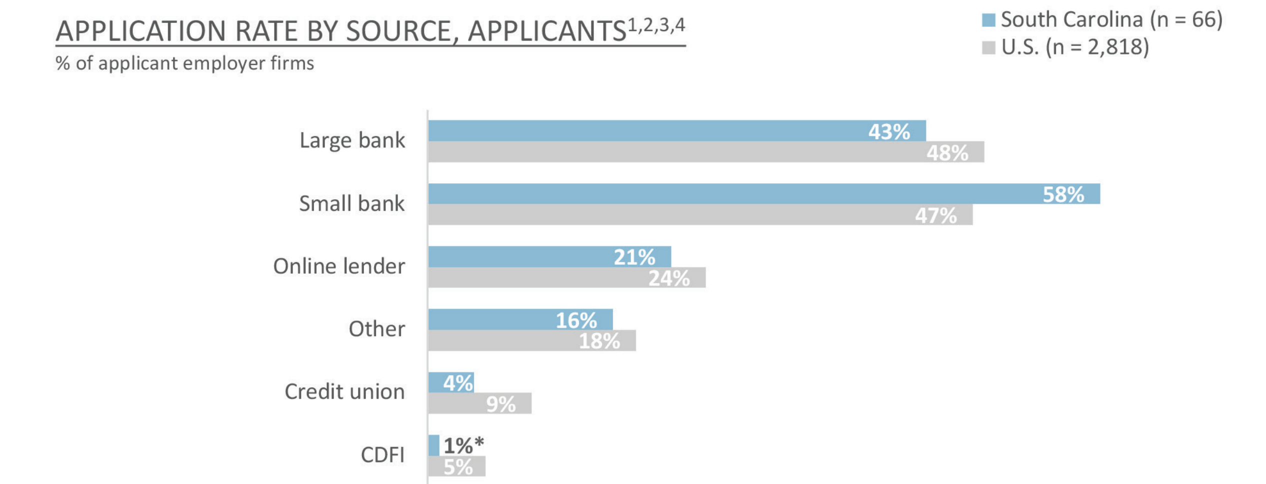
**FORTY-FIVE PERCENT** OF SOUTH CAROLINA EMPLOYERS APPLIED FOR FINANCING IN THE PRIOR 12 MONTHS, COMPARED TO **40%** NATIONWIDE.[1]

% of employer firms, South Carolina n = 147 U.S. n = 8,597

# FINANCING APPLICATION RATES

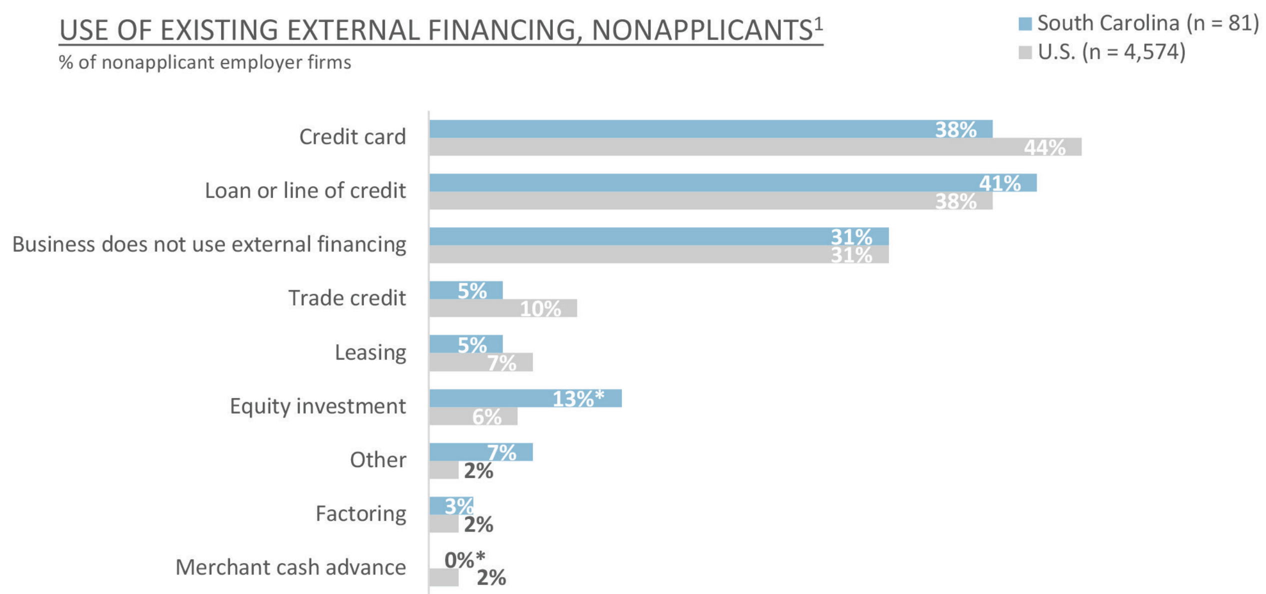
## APPLICATION RATE BY SOURCE, APPLICANTS[1,2,3,4]

% of applicant employer firms




## USE OF EXISTING EXTERNAL FINANCING, NONAPPLICANTS[1]

% of nonapplicant employer firms




* Denotes a significant difference between the value of the state and the U.S. at the 95 percent level.
1 Respondents could make multiple selections.
2 Respondents were provided a list of large banks (those with at least $10B in total deposits) operating in their state.
3 'Online lenders' are defined as nonbank alternative lenders, examples include Lending Club, OnDeck, CAN Capital, Paypal Working Capital, Kabbage, etc.
4 Community development financial institutions (CDFIs) are financial institutions that provide credit and financial services to underserved markets and populations. CDFIs are certified by the CDFI Fund at the U.S. Department of the Treasury.



*Source: Small Business Credit Survey, Federal Reserve Banks*

# EXECUTIVE SUMMARY: VIRGINIA

**Virginia employer firms have older decision makers and are growing more than nationwide.**

- Four percent of decision makers for Virginia employer firms were under the age of 36, which is significantly less than 7% of U.S. employer firms. The majority of Virginia small businesses have primary decision makers between 46 and 55 years old.
- Although a majority are not growing, a larger share of Virginia small businesses are growing (39%) than nationally (29%).

**Small businesses in Virginia performed well in 2017 and are optimistic about future earnings.**

- Three quarters of employer firms in the state primarily rely on retained business earnings for funding.
- A larger share of Virginia employer firms (34%) experienced difficulty with credit availability than national respondents (30%).
- Virginia employer firms' employment index for the previous 12 months was positive, and similar to U.S. employer firms, the future employment index was even larger.
- Revenue expectations were very high (73) and improve greatly upon an already positive revenue index for the prior 12 months (38).

**A smaller share of Virginia employer firms had outstanding debt than national respondents.**

- Fifty-nine percent of Virginia employer firms reported having outstanding debt, statistically less than nationwide (68%).
- Fewer of Virginia small businesses used an owner's personal credit score (44%), compared to half of national respondents.

**Financing trends of Virginia employer firms were very similar to U.S. firms.**

- A larger share of small businesses in the state that applied for financing applied for business loans (55%) than national respondents (47%).
- CDFIs were less popular source of loans, lines of credit or cash advances in Virginia (1%) compared to the nation (5%).
- Recommendations and referrals were larger influences on where employer firms sought financing (41%) than the nation (30%).
- One percent of Virginia non-applicants cited difficult application processes as a reason for their decision to not apply for funds. Further, non-applicants did not use merchant cash advances and factoring whereas 2% of U.S. employer firms did.

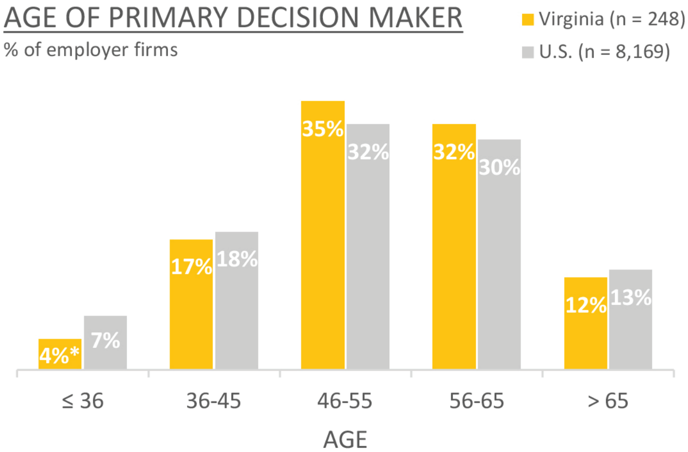


*Source: Small Business Credit Survey, Federal Reserve Banks*

# DEMOGRAPHICS

## AGE OF PRIMARY DECISION MAKER

% of employer firms




**THIRTY-NINE PERCENT*** OF VIRGINIA FIRMS WERE GROWING, COMPARED TO **29%** NATIONWIDE.

GROWING FIRMS REPORTED:

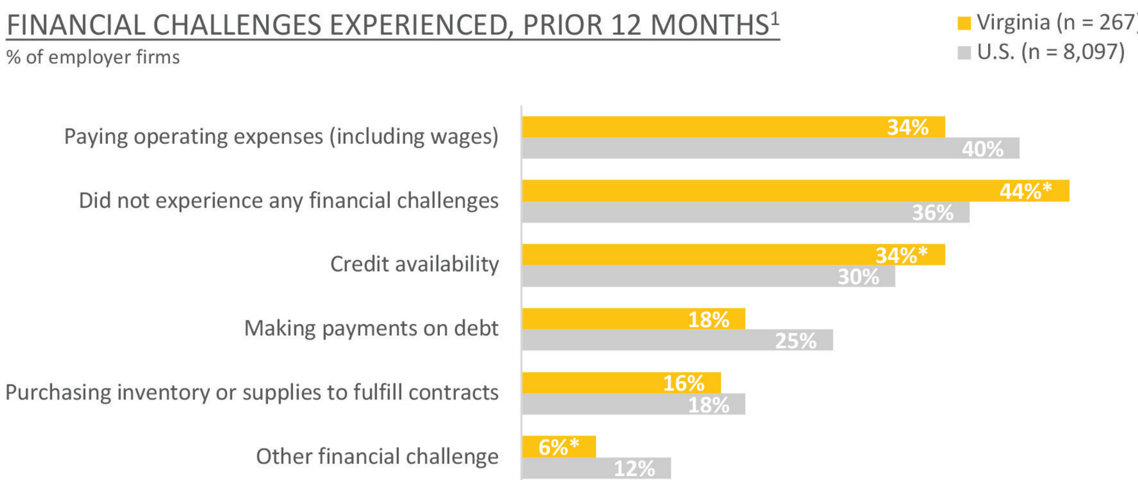
- ✓ INCREASED REVENUES[1]
- ✓ INCREASED NUMBER OF EMPLOYEES[1]
- ✓ PLAN TO INCREASE OR MAINTAIN NUMBER OF EMPLOYEES[2]

% of employer firms, Virginia n = 248 U.S. n = 7,444

# PERFORMANCE AND DEBT

## FINANCIAL CHALLENGES EXPERIENCED, PRIOR 12 MONTHS[1]

% of employer firms

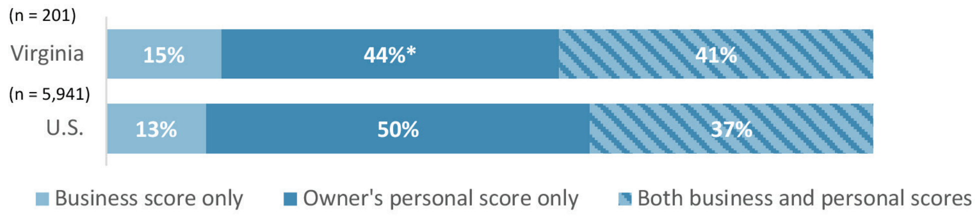



* Denotes a significant difference between the value of the state and the U.S. at the 95 percent level.
1 Prior 12 months. Approximately the second half of 2016 through the second half of 2017.
2 Expected change in approximately the second half of the surveyed year through the second half of the following year.

# PERFORMANCE AND DEBT (CONTINUED)

USE OF PERSONAL VERSUS BUSINESS SCORE

% of employer firms




**FIFTY-NINE PERCENT*** OF VIRGINIA FIRMS HAD OUTSTANDING DEBT, COMPARED TO **68%** NATIONWIDE.

% of employer firms, Virginia n = 157 U.S. n = 5,546

# FINANCING

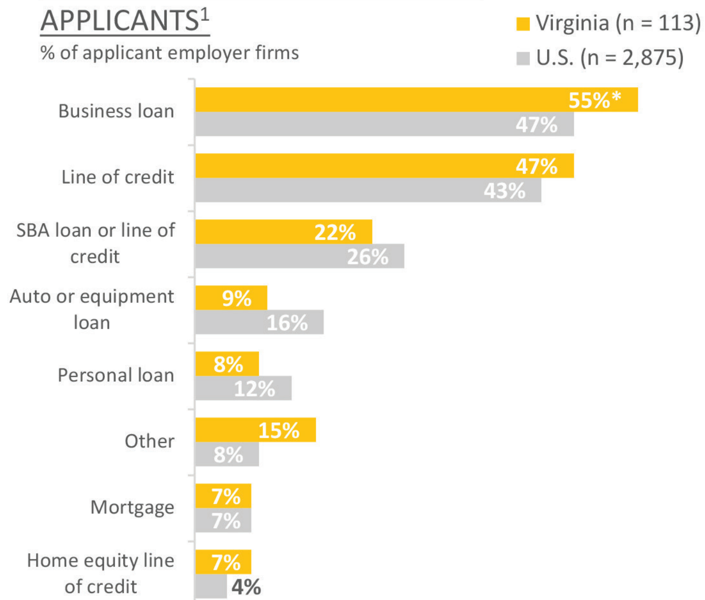
**THIRTY-SEVEN PERCENT** OF VIRGINIA EMPLOYERS APPLIED FOR FINANCING IN THE PRIOR 12 MONTHS, COMPARED TO **40%** NATIONWIDE.[1]

% of employer firms, Virginia n = 267 U.S. n = 8,597

# FINANCING APPLICATION RATES

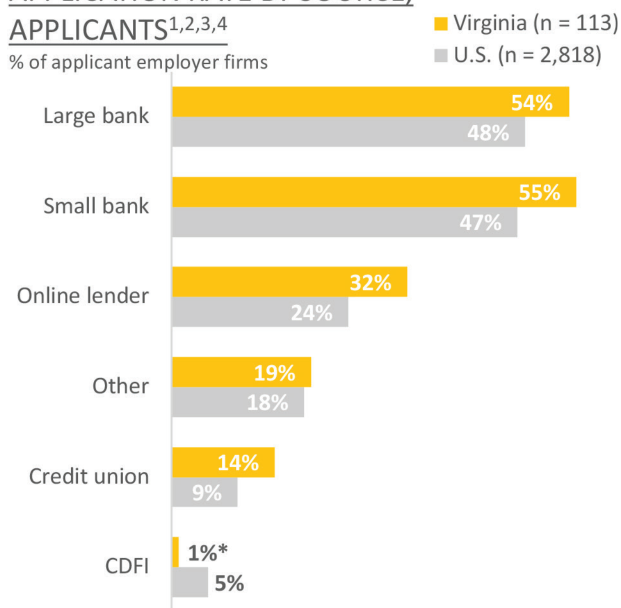
APPLICATION RATE BY LOAN TYPE, APPLICANTS[1]

% of applicant employer firms




APPLICATION RATE BY SOURCE, APPLICANTS[1,2,3,4]

% of applicant employer firms




* Denotes a significant difference between the value of the state and the U.S. at the 95 percent level.
1 Respondents could make multiple selections.
2 Respondents were provided a list of large banks (those with at least $10B in total deposits) operating in their state.
3 'Online lenders' are defined as nonbank alternative lenders, examples include Lending Club, OnDeck, CAN Capital, Paypal Working Capital, Kabbage, etc.
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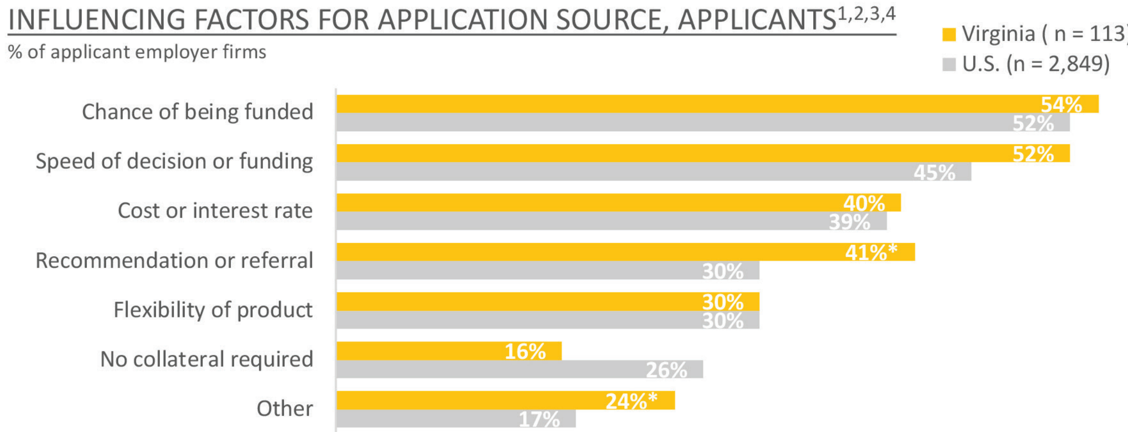
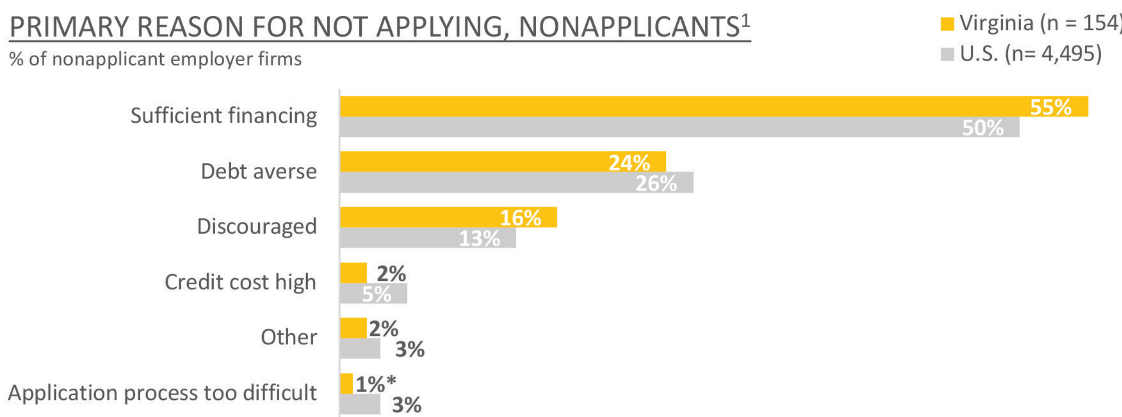
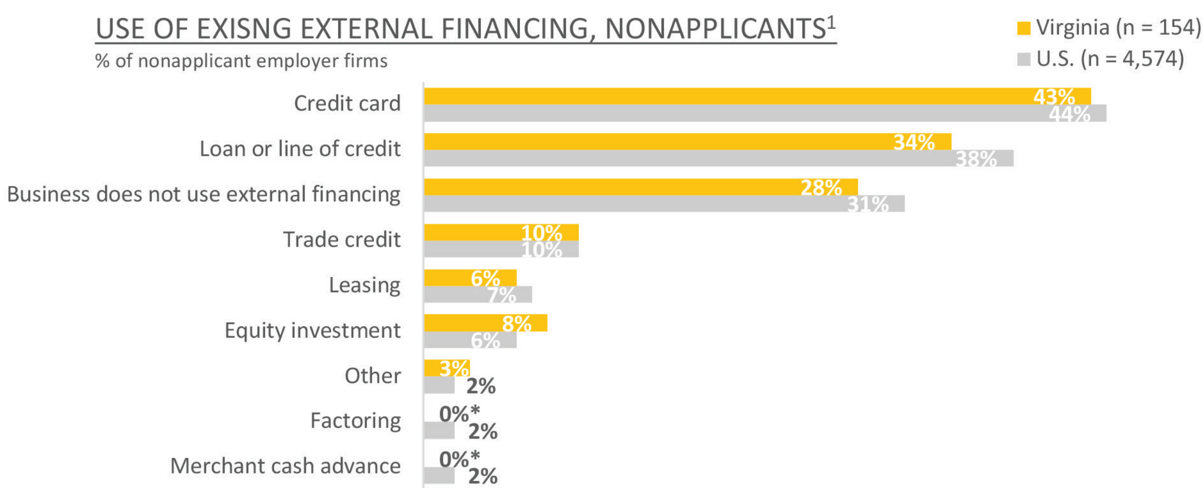
*Source: Small Business Credit Survey, Federal Reserve Banks*

# FINANCING APPLICATION RATES (CONTINUED)

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*Source: Small Business Credit Survey, Federal Reserve Banks*