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# BANKING SURVEY

Part II

August 2023

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This report is a follow-up to the banking survey NFIB released in April 2023, one month after the banking failures and one year into the Federal Reserve's rate hikes. Small business owners were again asked about their 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.

In 1983 there were 14,469 independent banks; today only 4,136 remain according to the FDIC. The number of branches available has also declined as well from its peak in 2010<sup>1</sup> but not as much as the number of independent banks. That matters! Consider the extreme case, one bank has merged all other banks into one. There are many branches. You apply for a loan and are turned down. Where do you go? Every bank is the same bank; your rejection is on file at every branch. No competition to enforce critical evaluations of your application, just a "one and done" deal. Increasing concentration in financial markets is not conducive to innovation, risk taking, and good market pricing (competition) for the loan risks that banks undertake. The decline in bank competition and banking disruptions are of concern. These issues have the potential to significantly disrupt and negatively impact the small business economy. This survey helps assess their impact on small businesses.

Bank (branch) location is important to small firms. Forty-two percent of small business owners (or someone from their business) visit their bank in-person more than once per week. Another 35% visit their bank several times a month and 15% a few times a year. Only 8% reported using the internet or phone for their banking needs.

Sixty-four percent of small business owners use a small or regional bank. Eighteen percent use a large bank (Chase, Citi, Bank of America, Wells Fargo, Capital One, U.S. Bank, etc.) and 16% use a medium bank (PNC, Fifth-Third, Bank of the West, KeyBank, HSCB, Schwab, etc.). Three percent reported other, and none reported using an online bank (SOFI, LiveOak, etc.).

Twenty-one percent borrowed or tried to borrow from a bank or credit union in the last three months, 3% from another type of lender, and 2% from an internet lender. Of those borrowing, 32% were very satisfied with the amount and terms offered for the financing received. Another 33% were mostly satisfied and 19% were moderately satisfied. Seventeen percent of small business owners reported they were not satisfied. Banks have differing lending criteria, industry and regional foci. This provides those who are turned down or not offered expected credit terms or conditions the opportunity to shop their application to different, competing banks. Three-quarters of small business owners did not borrow or try to borrow money for business purposes in the last three months, nearly the same as in April 2023.

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<sup>1</sup> <https://www.fdic.gov/resources/data-tools/>

Over half (58%) of small business owners reported high interest rates as their largest complaint in accessing financing. Fourteen percent reported the amount of credit approved being too low as their largest complaint, and another 9% reported that the application, approval, or closing process was too slow. Seven percent reported too much paperwork, 6% reported that the repayment schedule was too short, and 3% reported collateral requirement was too big.

Small business owners who were not completely satisfied were asked to evaluate issues in their most recent experience accessing financing. Forty percent reported that interest rates were a significant issue. Almost a quarter (23%) reported it was a moderate issue and 13% a mild issue. Interest rates were not an issue for 23% of small business owners. Regarding collateral requirements, 16% reported it was a significant issue in the process of accessing credit, and another 16% reported it as a moderate issue. Fourteen percent reported it was a mild issue, and a little over half (55%) reported it was not an issue. Six percent reported that the repayment schedule was a significant issue, 15% a moderate issue, and 12% a mild issue. Sixty-eight percent of small business owners reported that the repayment schedule was not an issue. Thirteen percent reported that the paperwork requirements associated with accessing financing was a significant issue. Another 13% reported a moderate it was a issue, and 16% reported it was a mild issue. Fifty-eight percent reported it was not an issue. The amount of approved credit was not an issue for 62% of small business owners. Thirteen percent reported it was a significant issue, 12% a moderate issue, and 13% a mild issue. Similarly, the application, approval, or closing process was not an issue for 60% of respondents. Fourteen percent reported that it was a significant issue, 12% a moderate issue, and 14% a mild issue. These issues, of varying importance, represent the “margins” on which borrowers can search for better terms at competing banks.

Small business owners who borrowed were also asked what their main purpose was for seeking financing. A third reported the main purpose was to meet operating and inventory expenses, 26% reported to replace capital assets or make repairs, 20% reported to expand their business, and 13% reported other. Refinance or pay down debt was the main financing purpose for 5% of owners.

Among those who borrowed, over half (56%) received a term loan. Thirty-seven percent received a line of credit, and none reported factoring. Seven percent reported none of the above. Of those who received a term loan, about half (51%) reported receiving a 3-5 year loan, and 19% reported a 6-10 year loan. Another 10% reported the term duration of their loans as longer than 10 years. Only 10% had a term loan duration of less than one year and 8% reported 1-2 years. Fifteen percent reported that their term loan was an adjustable-rate loan.

Among those who did not apply for financing in the last three months, 80% reported that the primary reason they did not was because they did not need financing. Three percent

reported that credit costs were too high, and 1% did not think their application would be approved. Another 1% reported that the application process was too difficult or confusing, and 2% cited other reasons.

Fifty-three percent of small business owners currently have a line of credit for business purposes. For about half (54%), the total credit limit is \$100,000 or more. Four percent reported less than \$10,000, 20% reported between \$10,000-49,999, and 19% reported \$50,000-99,999. Two percent did not know. The vast majority (85%) of small business owners with a line of credit have had it for over a year. Three percent reported they have had this line of credit for less than three months, 3% reported 3-6 months, and 6% reported 6-12 months. Two percent did not know.

The vast majority (80%) of business owners with a line of credit have not had their bank change the terms or conditions of that loan in the last three months. Three percent reported that their bank has reduced the amount of credit available in the last three months. One percent reported that additional collateral was required, and none reported that their bank shortened the time duration of the loan.

Small business owners' concerns over the health of their bank have eased significantly since last reported in April. Owners were asked in July how concerned they are about the health of the bank they use for business purposes in light of the recent bank failures. Over half (54%) were not at all concerned, a significant increase from when they were asked in April (31%). Four percent were very concerned, 13% were moderately concerned, and 29% slightly concerned. Seven percent of small business owners have reached out to their bank about concerns related to the most recent bank failures. Thirteen percent reported that their bank reached out to them, and 80% reported that they did not reach out to their bank and their bank did not reach out to them.

Small business owners are generally confident in the stability of their bank and therefore not seeking out alternative financial institutions. Ninety-seven percent of small business owners have not changed their primary financial institution that they use for business purposes in the last three months. Only 6% are considering changing their primary financial institution in the next three months. Eleven percent did not know.

When asked to characterize the current financial state of their business, 26% reported excellent. Almost half (45%) reported good and another 25% okay. Only 5% characterized the current financial state of their business as poor. Small business owners were also asked about the current state of their local economy. Just 3% reported excellent, while 33% reported good, and another 44% reported okay. One-in-five reported poor. When it comes to the national economy, small business owners have a dismal view of the current situation. Over half (58%) of owners assessed the current state of the national economy as poor. Only 1% reported excellent, 9% reported good, and 32% reported okay. As for when the U.S. economy will enter the next recession, just over half (52%) of small businesses

think the U.S. is already in a recession. Two percent think the next recession will start in the July to September 2023 period. Seventeen percent believe a recession will occur in the October to December 2023 period, 20% reported the January to June 2024 period, and 10% reported July 2024 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 (90%) of small business owners are not at all familiar with this new federal regulation. Nine percent are somewhat familiar, and only 1% are very familiar. While most small business owners will be required to comply with the regulation, few owners currently know of its existence.

### **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 July 20–26 , 2023. NFIB collected 646 responses.

## Questionnaire

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

18% 1. Large (Chase, Citi, Bank of America, Wells Fargo, Capital One, U.S. Bank, etc.)

16% 2. Medium (PNC, Fifth-Third, Bank of the West, KeyBank, HSCB, Schwab, etc.)

64% 3. Small/Regional/Local

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

3% 5. Other

N= 645

If you answered "other," please describe:

### Q2. How often do you or someone from your business visit your bank?

42% 1. More than 1 time per week

35% 2. Several times a month

15% 3. A few times a year

8% 4. Use internet /phone

N= 643

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

21% 1. Yes, from a bank or credit union

2% 2. Yes, from an internet lender

3% 3. Yes, from other type of lender

75% 4. No

N= 644

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

32% 1. Very satisfied

33% 2. Mostly satisfied

19% 3. Moderately satisfied

17% 4. Not satisfied

N= 162

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

#### A. Interest rate

40% 1. Significant issue

23% 2. Moderate issue

13% 3. Mild issue

23% 4. No issue

N= 141

### **B. Collateral requirement**

16% 1. Significant issue

16% 2. Moderate issue

14% 3. Mild issue

55% 4. No issue

N= 141

### **C. Repayment schedule**

6% 1. Significant issue

15% 2. Moderate issue

12% 3. Mild issue

68% 4. No issue

N= 142

### **D. Paperwork requirement**

13% 1. Significant issue

13% 2. Moderate issue

16% 3. Mild issue

58% 4. No issue

N= 142

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

13% 1. Significant issue

12% 2. Moderate issue

13% 3. Mild issue

62% 4. No issue

N= 142

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

14% 1. Significant issue

12% 2. Moderate issue

14% 3. Mild issue

60% 4. No issue

N= 141

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

58% 1. Interest rate too high

3% 2. Collateral requirement too big

6% 3. Repayment schedule too short

7% 4. Too much paperwork

14% 5. Amount of credit approved too low

9% 6. Application, approval, or closing process too slow  
3% 7. Other  
N= 118

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

**Q7. If you borrowed, what was the main purpose your business was seeking financing?**

33% 1. Meet operating and inventory expenses  
20% 2. Expand business  
26% 3. Replace capital assets or make repairs  
5% 4. Refinance or pay down debt  
13% 5. Other  
4% 6. Does not apply  
N= 160

**Q8. If you borrowed, what type of financing did you receive?**

56% 1. Term Loan  
37% 2. Line of Credit  
0% 3. Factoring  
7% 4. None of the above  
N= 156

**Q9. If you received a term loan, what was the duration of the loan?**

10% 1. Less than 1 year  
8% 2. 1-2 years  
51% 3. 3-5 years  
19% 4. 6-10 years  
10% 5. Longer than 10 years  
0% 6. I don't know  
1% 7. Does not apply  
N= 88

**Q10. If you received a term loan, was it an adjustable-rate loan?**

15% 1. Yes  
55% 2. No  
2% 3. I don't know  
29% 4. Does not apply  
N= 145

**Q11. If your business did not apply for financing, what was the primary reason?**

80% 1. Did not need financing  
1% 2. Did not think application would be approved



3% 3. Credit cost was too high  
1% 4. Application process was too difficult or confusing  
2% 5. Other  
13% 6. Does not apply  
N= 475

**Q12. Does your firm currently have a line of credit for business purposes?**

53% 1. Yes  
46% 2. No  
1% 3. I don't know  
0% 4. Does not apply  
N= 571

**Q13. What is the total credit limit of this credit line?**

1% 1. Less than \$5,000  
3% 2. \$5,000–9,999  
12% 3. \$10,000–29,999  
8% 4. \$30,000–49,999  
19% 5. \$50,000–99,999  
54% 6. \$100,000 or more  
2% 7. I don't know  
1% 8. Does not apply  
N= 306

**Q14. How long has your business had this line of credit?**

3% 1. Less than 3 months  
3% 2. 3–6 months  
6% 3. 6–12 months  
85% 4. Over a year  
2% 5. I don't know  
2% 6. Does not apply  
N= 309

**Q15. If you have a line of credit, has your bank changed the terms or conditions of that loan in the last 3 months?**

3% 1. Yes, reduced the amount of credit available  
0% 2. Yes, shortened the time duration of the loan  
1% 3. Yes, additional collateral was required  
80% 4. No, nothing has changed  
11% 5. I don't know  
5% 6. Does not apply  
N= 307

**Q16. 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)?**

4% 1. Very concerned  
13% 2. Moderately concerned  
29% 3. Slightly concerned  
54% 4. Not at all concerned  
N= 594

**Q17. 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  
13% 2. Yes, my bank reached out to me  
80% 3. No, neither  
N= 602

**Q18. Have you changed your primary financial institution that you use for business purposes in the last 3 months?**

3% 1. Yes  
97% 2. No  
N= 608

**Q19. Are you considering changing your primary financial institution in the next 3 months?**

6% 1. Yes  
83% 2. No  
11% 3. I don't know  
N= 605

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

26% 1. Excellent  
45% 2. Good  
25% 3. Okay  
5% 4. Poor  
N= 615

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

3% 1. Excellent  
33% 2. Good  
44% 3. Okay  
20% 4. Poor  
N= 615

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

- 1% 1. Excellent
  - 9% 2. Good
  - 32% 3. Okay
  - 58% 4. Poor
- N= 617

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

- 52% 1. The U.S. is already in a recession
  - 2% 2. July–Sept. 2023
  - 17% 3. Oct.–Dec. 2023
  - 20% 4. Jan.–June 2024
  - 10% 5. July 2024 or later
- N= 577

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 the 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?

### Q24. How familiar are you with this new regulation?

- 90% 1. Not at all familiar
  - 9% 2. Somewhat familiar
  - 1% 3. Very familiar
- N= 632

### Q25. Which industry best describes your business?

- 17% 1. Construction
  - 13% 2. Manufacturing
  - 18% 3. Retail
  - 30% 4. Services
  - 8% 5. Finance, Real Estate, Insurance
  - 3% 6. Wholesale
  - 5% 7. Agriculture
  - 4% 8. Transportation
  - 2% 9. Other
- N= 632

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

**Q26. How many full-time and part-time employees work at your business (not including owners)?**

11% 1. No employees  
56% 2. 1–9 employees  
14% 3. 10–19 employees  
12% 4. 20–49 employees  
8% 5. 50 or more employees  
N= 557