NFIB Research Foundation


National Small Business Poll

Volume 5, Issue 7
2005

# NFIB National Small Business Poll

## *Evaluating Banks*

NFIB National
# Small Business
Poll

The *National Small Business Poll* is a series of regularly published survey reports based on data collected from national samples of small-business employers. Eight reports are produced annually with the initial volume published in 2001. The *Poll* is designed to address small-business-oriented topics about which little is known but interest is high. Each survey report treats different subject matter.

The survey reports in this series generally contain three sections. The first section is a brief Executive Summary outlining a small number of themes or salient points from the survey. The second is a longer, generally descriptive, exposition of results. This section is not intended to be a thorough analysis of the data collected nor to explore a group of formal hypotheses. Rather, it is intended to textually describe that which appears subsequently in tabular form. The third section consists of a single series of tables. The tables display each question posed in the survey broken-out by employee size of firm.

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NFIB National
Small Business
Poll

# *Evaluating Banks*

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Volume 5, Issue 7
2005
ISSN - 1534-8326

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The Voice of Small Business.®

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# National Small Business Poll


## *Evaluating Banks*

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# Executive Summary

- The characteristics of a financial institution most important to small-business owners in the conduct of their banking business are in order: *convenient location*, *knows you and your business*, *reliable source of credit*, *speed of decision-making*, *easy access to loan officer*, and *offers a wide range of services*.

- The characteristics on which small-business owners' principal banks are most likely to perform well are in order: *convenient location*, *offers a wide range of services*, *reliable source of credit*, *knows the local market or community*, *speed of decision-making*, and *knows you and your business*.

- The largest shortfall between what small-business owners think important in a bank and level of their principal bank's performance are: *knows you and your business*, *speed of decision-making*, and *offers cheapest money available*. The match between importance of bank characteristic and level of bank performance is similar on all other characteristics evaluated.

- While a majority of owners believe the overall level of service quality at their principal bank is unchanged over the last three years, the percent of small-business owners providing favorable evaluations exceed those providing negative evaluations by a 33 percent to 11 percent margin. The most rapidly improving aspect of service quality is the growing number of bank services available. The only deteriorating aspect of service quality change is staff turnover.

- Just over half (51%) wanted or needed to borrow for business purposes during the last three years. Eighty-five (85) percent of potential borrowers obtained the last loan they requested. Sixty-two (62) percent of potential borrowers obtained the loans they sought all the time; 28 percent did most of the time; 3 percent often did not get what they wanted; and, 8 percent (or 4% of all small employers) could never borrow the money they wanted.

- Half (50%) enjoyed a single account manager over the last three years and another 30 had two. In contrast, at least 7 percent never had an account manager and another 13 percent experienced three or more.

- Small-business owners are hesitatingly adapting to electronic banking. A majority (54%) say that technology at their principal bank has been increasingly helpful in conducting their banking business, while 11 percent believe technology is increasingly getting in the way. The remainder report technology is having no affect on them. However, only half do any electronic banking and only 7 percent have applied for credit on-line. Eighty-three (83) percent believe that banks are not forcing technology on them.

- Sixty-two (62) percent of small employers bank within less than 10 minutes of their business location, an outcome consistent with the importance of *knows you and your business* and the slow adaptation of technology in conducting their banking business.

# Evaluating Banks

**The financial services industry continues to evolve at a seemingly more rapid pace. With the removal of the last vestiges of regulation on branching in the mid-1990s, the consolidation of the banking system has been no less than breathtaking. This is particularly true with respect to the number of community banks, which have long served as the primary banker for small business. In addition, the increased use of technology in the delivery of financial services, especially credit scoring, could turn small business lending into a commodity, thus threatening the banking relationships that many small firms have relied upon for years. Despite these changes, the limited data available suggest that financial needs of smaller enterprises are handled more efficiently and more favorably (toward small business) than ever before. Yet, the pace of consolidation and use of technology continues to move ahead, so that constant monitoring of the interaction of small firms with the banking system is critical. As a result, this issue of the *National Small Business Poll* focuses on small-business owners *Evaluating Banks*.**

The principal financial institution of virtually all (94%) small-business owners is a commercial bank. For that reason and wide familiarity with the term, bank is used throughout the report in lieu of financial institution. In addition, the term principal bank is frequently employed as many small-business customers do significant shares of their banking at more than one institution.

## Electronic Banking

Banks have invested substantial resources in up-grading their capacity to interact with customers electronically, but small-business owners have offered a reserved response. Fifty-four (54) percent say that over the last three years they have found technology at their principal bank increasingly helpful in conducting their banking business; in contrast, just 11 percent believe technology is increasingly getting in the way (Q#7). Another 35 percent indicate that technology is simply having no effect on them. These owners may avoid technology to the extent possible and thus feel unaffected by it. Such avoidance appears possible because banks appear not to overtly force small-business owners to use technology when they prefer not to do so. Eighty-three (83) percent of small employers report that their principal bank does not force them to use more technology in their banking relationship than they would like (Q#8). Sixteen (16) percent hold the opposite view, a group similar in size to the one finding technology getting in the way of their banking relationship. Thus, it appears that the technological transformation in banking, at least with small-business owner customers, is moving at a comfortable pace.

A comfortable pace does not, however, imply that small-business owners are rushing to embrace electronic banking. Only half do any banking over the Internet (Q#9) and size of firm is not closely tied to the propensity to do so. Just 59 percent of owners employing 20 or more people do any electronic banking compared to half (50%) of owners who employ fewer than 10.

The most prevalent form of on-line banking is simply checking balances or deposits. Eighty-nine (89) percent of those doing any on-line banking or 44 percent of the total population use this facility (Q#9a). Its next most common use, of the four assessed, is transferring money from one account to another. Seventy (70) percent do banking on-line or 35 percent of the population transfer money in this manner (Q#9d). While the latter has a modest relationship to employee size-of-business, the former has none whatsoever.

Highly related to firm size is making payroll deposits on-line. Fifty-six (56) percent of the largest do so compared to just 26 percent of the smallest, leaving a weighted average of 31 percent (Q#9c). Yet, that means just 28 percent of those employing more than 20 people make payroll deposits on-line (16 percent of the total population do), a reasonably small number. Most small-business owners obviously do not yet feel comfortable with this aspect of electronic banking.

The least used form of electronic banking, at least of the four assessed here, is applying for credit. Just 15 percent of those using any electronic banking (8% of the population) have applied for credit over the Internet (Q#9b). The low incidence is partially explained by the large number of owners who do not borrow.

## Preferences in Conducting Their Banking Business

Small-business owner respondents evaluated 12 bank attributes on a scale of "1" meaning "very important" to have in their principal bank to "5" meaning "not important." While no fewer than 33 percent consider each of the 12 attributes evaluated to be very important, small-business owners exhibit clear gradations in the relative importance of the various attributes. Thus, all attributes examined are important in a bank, but some are much more important to more small-business customers than are others. The 12 attributes evaluated are discussed below, ordered in terms of their importance to small-business owners.

A *convenient location* is the attribute or characteristic that earns the highest importance in small-business owner evaluations of their principal bank. Sixty-two (62) percent report that a convenient location is very important to them; the average evaluation is 1.64 on a scale of 1 - 5 (Q#1D). The high rating of location is somewhat surprising given the increased use of electronic banking. Even though technology has allowed firms of all sizes to conduct more of their banking business remotely, being physically close remains an important characteristic for small firms in doing business with their principal bank. The importance of location may be partly driven by the need to be physically close for cash deposits – especially for retailing firms – as well as the reluctance of many small employers to fully embrace electronic access to banking services. Small employers may also see proximity as an important factor in getting the bank to know their business and its effect on credit underwriting decisions. Regardless of the reason, the proliferation of branches indicates that banks are putting their money on continued high demand for bricks and mortar.

Following location, three attributes rank closely. The first, *knows you and your business*, ranks second on the importance list. Fifty-seven (57) percent of small-business owners assess this attribute as very important to them (Q#1A). The characteristic's average evaluation is 1.77. This ranking underscores the continuing concern small-business owners exhibit over personal relationships and service, even in an era of electronic commerce and national credit bureaus. An obvious comfort level exists when the owner believes his/her banker understands his/her personal situation. The underlying reason may be the assumption that in difficult times a banker with first-hand knowledge of the situation will be able to do more than a banker without it, let alone a complete stranger. Or, owners may believe that their businesses may not fit the profile of a standard credit scoring system for loan approvals.

The value placed on the personal relationship by small-business owners creates potentially adverse implications for both owners and bankers beyond credit/borrowing. Small-business customers, who often already complain about service fees and the relative cost of money (discussed later), must recognize that personal relationships can be expensive, thereby exacerbating the cost issue. Meanwhile, bankers must recognize that account manager turnover (discussed later) interrupts a personal relationship, thereby temporarily terminating a critical bank asset for a small-business customer.

Closely following *knows you and your business* is *reliable source of credit*. The evaluations of the two attributes are virtually identical. Fifty-seven (57) percent term *reliable source of credit* very important and the average evaluation is 1.80 (Q#1E). Curiously, more claim a *reliable source of credit* very important than borrowed in the last three years (discussed later). The difference suggests that many, while not having borrowed recently, have done so in the past or anticipate doing so in the future and demand the security of a reliable lender. Still, the fact that the overwhelming majority do not consider the attribute very important indicates that many either intend to never borrow, or they are so confident they can obtain needed money somewhere else that the reliability of their principal banks (in terms of lending) is just not an issue.

*Speed of decision-making* is the third member of the three-attribute cluster (and the fourth ranked). The attribute's average evaluation is 1.80, identical to *reliable source of credit* (Q#1G). However, 53 percent term it very important, four points lower than its two cluster partners. The fact that speed seems so relatively important compared to others in the cluster suggests that small-business owners tend to think of the cluster as resolution of a quickly rising, immediate problem, rather than a need for money over a longer period.

Fifth in order is *easy access to loan officer.* Half (50%) call the attribute very important, and its average assessment is 1.90 (Q#1H). Access ease is related to *knows you and your business*. Both are presumed to be part of the personal relationship desired by small-business owners. However, while a strong personal relationship likely guarantees easy access, easy access does not necessarily guarantee a strong personal relationship.

Next in line is *offers a wide range of services*. Forty-six (46) percent consider plentiful services very important and the attribute's average is 1.94 on the 1 - 5 scale (Q#1I). Since larger, small enterprises have greater variety in their business organization, products, services, etc., one assumes a broad range of services is more valuable or desirable to their owners than owners of smaller, small firms. However, that assumption is wrong. Owners of the largest assign no greater value to *offers a wide range of bank services* than owners of the smallest [69% of smallest assign a 1 or 2, while 75% of largest assign a 1 or 2]. The rationale for this response is not clear. One possibility is that larger small firms conduct more financial matters in-house, while smaller ones are more dependent on their banks for them. It is also possible that the meaning of *a wide range of services* may differ by firm size. Owners of larger firms may simply have greater expectations regarding the availability of services because they likely have used a greater variety in the past. Still, both groups think *a wide range of services* is important conditional on the banking needs that they have.

*Knows the local market or community* and *offers the cheapest money available* tie in small-business owner evaluation at 2.09 (Q#1J and Q#1C), substantially below the 1.94 of *offers a wide range of services*. The former displays somewhat more owners reporting the attribute very important (45%) than does the latter (43%). Both attributes are significant to small employers, but in different ways. When a banker *knows the local market or community*, he becomes an excellent source of market intelligence for the small-business owner. In fact, the banker probably has even greater access to non-confidential information than most business people simply because he continually interacts with a variety of them in the course of a day's work. This attribute becomes particularly useful when the owner is considering borrowing money to make a local investment, such as a new business or an expansion.

The *cheapest money available*, of course, reflects the price the borrower pays to rent money. The attribute's evaluation points to the relative importance of availability (*reliable source of credit*) versus cost, i.e., availability trumps cost. Economists argue that availability and costs are the opposite sides of the same coin - pay more and availability increases. As a practical matter, however, small-business owners place a greater emphasis on availability because their risk cannot always be offset by a high enough rate on the lender side. Consequently, cost for small firms also includes collateral requirements, compensating balances, personal banking at the lending bank, etc. Regardless of how cost is measured however, most small employers believe, and likely correctly, that they do not get the cheapest money available.

The ability to *provide(s) helpful suggestions and advice* receives a much lower evaluation. While 40 percent report this type of assistance very important, it obtains an average evaluation of only 2.26 (Q#1B). Though much of this advice could be financial, the banker's primary competence, small-business owners tend to see the banker's job not so much as an advisor, but as a provider of services.

The remaining three attributes rate poorly. Owners evaluate *social contact with loan officer, knows your industry,* and *has a customer friendly Web site* at 2.46, 2.48, and 2.50 respectively with 37 percent, 33 percent, and 35 percent calling them very important (Q#1K, Q#1F, and Q#1L). The reason social contact might be important to a small employer is as an alternative means of enhancing the personal relationship that is so highly valued by many. Thus, while social contact ranks low overall, a substantial number of owners believe such contact is worthwhile. In contrast, industry knowledge could be critically important, particularly where industry peculiarities, such as seasonality, exist. Perhaps because these peculiarities are not often prevalent in an area, or because many owners do not require business loans, or because equipment financing companies specialize in certain types of apparatus, the industry specialization that might otherwise be sought, is simply not frequently required. Finally, the importance of *a customer-friendly Web site* to small-business owners is about as important as electronic banking more generally. And, electronic banking is not particularly valued. From the typical small-business customer's point of view, technology in banking is often nice, but not essential.

To summarize, a definite hierarchy of bank attributes exist for small-business owners. They are looking for a bank with *a convenient location* that is *a reliable source of credit* if and/or when they need it. Other highly desired attributes, and some not quite so highly desired, support the credit availability function. Only when this function is filled do other attributes rise in importance. Then attributes like *a wide variety of banking services* enter. As credit becomes even more widely available and owners who remember the bad old days retire, the shift to relatively greater desirability of various financial services, minimal hassles, etc., may accelerate. But this point has not been reached yet.

## Bank Performance

After small-business owners evaluated the importance of various attributes related to the conduct of their banking business, they were asked to evaluate their principal bank's performance on those same attributes. The assessment scale was again 1 - 5 with "1" meaning "excellent" and "5" meaning "poor." Since their principal bank likely fits the most desired combination of attributes available to them, the evaluations of bank performance on an attribute by attribute basis is likely to be lower than the "wish list" of important characteristics. Still, the comparison of what small-business owners want in their bank and the performance of their principal bank on those same characteristics is instructive because it identifies gaps in what small firms want and what banks deliver in the conduct of the banking business.

On balance, the match between small-business owner demands on their bank and the response received from their banks proves reasonably good. It is almost perfect on a few attributes and close on others. However, there are large gaps in some attributes, particularly in those that are among the most desired (important) to small-businessmen and women. The 12 attributes are presented below in order from the one receiving the best performance score to the one receiving the worst.

Small-business owners believe that banks perform best when providing a *convenient location.* Sixty-two (62) percent say their principal bank is excellent in that regard (Q#2D). The attribute's average evaluation is 1.59, marginally better than the average of its importance to owners. The result is a balance between what small-business customers want and what they get on an item that is very important to them.

The "importance-performance" match continues with the second highest evaluation of principal bank performance, *offers a wide range of services*. While *offers a wide range of services* is the sixth most important attribute, owners assess bank performance on it at 1.81 on the 1 - 5 scale. Forty-five (45) percent report that their principal bank does an excellent job offering *a wide variety of services* (Q#2I). Those are nearly identical numbers to the 46 percent who believe the attribute very important and its 1.94 average importance assessment.

Small-business customers report that their banks also perform quite well on the *reliable source of credit* and *easy access to loan officer* attributes. The former characteristic scores 47 percent excellent and a 1.91 average rating, while the later scores 45 percent excellent and also a 1.91 average rating (Q#3E and Q#3H). Again, the "importance-performance" match is reasonably close. The larger gap occurs in *reliable source of credit* where 57 percent term the attribute very important, 10 percentage points lower than those who term it very important. The performance average is also 0.11 points lower, but similar to the importance evaluation. *Easy access to loan officer* is even closer, being five points lower on the very important (50%) and dead-on the 1.91 average.

Bankers appear to *know(s) the local market or community* as their small-business customers want/expect them to know it. Thirty-eight (38) percent say that their principal bank does an excellent job on the attribute, worse than the 45 percent who say that it is very important (Q#2J). Still, the average performance score is 2.02, better than the average importance score (2.09). The match is again reasonably good.

The first major divergence between importance and performance appears in *speed of decision-making*. Small-business owners would like decisions to be made more quickly than they are. Thirty-five (35) percent rate their principal bank excellent on speed and the overall average is 2.10 (Q#2G). Yet, 53 percent think it a very important attribute; its average importance is 1.80. Implicit in the evaluation is that the desire for speed is greater than the banks' ability to perform. That may or may not be fair. Moreover, it works both ways, i.e., inadequate consideration of a loan application may result in a preemptory turndown, while a delayed decision may make the application irrelevant. Still, owners often need to move quickly and they are not satisfied that their principal banks are doing well in this regard.

The largest discrepancy between importance and performance however, occurs in the attribute *know you and your business*. Small-business owners very much want a personal banking relationship and believe that they often do not get one. Forty-two (42) percent report that their principal bank does an excellent job *know(ing) them and their business*; owners provide a 2.17 average assessment on the attribute (Q#2A). But these evaluations are poor compared to what they would like. For example, 57 percent think *knows you and your business* is a very important attribute and the average importance score was 1.77. Both of these differences are the largest of the 12 attributes assessed. The shortfall between desires and performance reflects the costs of providing the level of intimacy the owner wants. While some banks may want to provide more intimacy, the costs of doing so may be prohibitive if they have to be passed on to the owner. As will be discussed below, the attribute *cheapest money available* has the second to lowest performance rating of all bank attributes evaluated.

Banks are much more likely to provide a *customer friendly Web site* than most small-business owners care about. While those owners intensely interested appear satisfied, the service is more than most owners want or need. Thirty-five (35) percent believe their principal bank has an excellent customer friendly Web site compared to 35 percent who believe that the attribute is very important in a bank (Q#2L). But the performance rating is 2.22, much better than the importance rating of 2.50.

The ninth (of 12) best performance evaluation goes to the attribute, *social contact with loan officer*. Thirty-five (35) percent give their bank excellent marks on this count, suggesting that many loan officers do a very good job getting out and meeting small-business owners in non-business settings (Q#2K). The average performance assessment was 2.35. Once again, the importance-performance match is good. Just two percentage points more think the attribute very important than give their bank an excellent performance. The average difference is just 0.11 with performance better than importance.

The three attributes on which small-business customers give their principal banks the lowest marks are *provides helpful suggestions and advice*, *offers the cheapest money available*, and *knows your industry*. Given that many business difficulties are industry specific, it is possible that the *provides helpful suggestions and advice*, and *knows your industry* attributes are related. Without knowing the industry, it may not be possible to provide useful suggestions, at least on the questions in which the owner is most interested. Thus, it is to be expected that *provid(ing) helpful suggestions and advice* would receive better marks than *knows your industry*, and that is exactly what happens. Thirty (30) percent indicate that their principal bank is excellent at *provid(ing) helpful suggestions and advice*; the average is 2.38 (Q#2B). But, just 25 percent award the same excellent ranking to *knows your industry* and a very low 2.61 average (Q#2F). Performance scores for both attributes are somewhat lower than importance scores. Forty (40) percent of small-business customers think the former is very important and provide an average score of 2.26. One-third (33%) think the latter is very important and give an average score of 2.48.

Another large discrepancy occurs in the importance-performance match on attribute, *offers cheapest money available*, rated on performance as 11th of 12. While small-business owners appear generally satisfied with the services they receive at their principal banks, they also understand they are paying for them. Just 21 percent give their principal bank excellent marks on *offers the cheapest money available*; the attribute's performance average rating was 2.47. Meanwhile, 43 percent of owners believe that the attribute is a very important one (an average of 2.09).

## Change in Services

The majority of small-business owners believe the quality of services provided at their principal bank has not changed over the last three years. But of those who believe they have, more are likely to mention better conditions than worse. One service of the six assessed, staff turnover, is an exception and the margin in others is reasonably close. However, on balance, owners believe the direction of bank service delivery, at least in its relationship with small business, is positive.

Change in the overall ease of doing their banking business is typical. Fifty-five (55) percent report that they see no change in the ease of doing their banking business over the last three years (Q#3G). However, 33 percent report banking has become easier recently compared to 11 percent who believe it has become harder. This cumulative assessment, however, is generally more positive than the sum of its parts.

The most favorable assessment came over the number of services offered. Thirty-six (36) percent think that the number of banking services offered them has grown over the last three years, while 7 percent think the number has shrunk (Q#3C). The majority, 53 percent, maintain that there was no change. The quality of those services does not receive as many positive reviews, however. Just 29 percent of owners report an improved quality of service at their principal bank (Q#3B). Fifteen (15) percent hold a diametrically opposed opinion and 55 percent do not notice any change, one way or the other. Change in the number of services provided, therefore, scores better among small-business owners than does their quality.

Part of the quality of services issue is a bank staff issue. On two personnel points, small-business owners report improvement and on a third, deterioration. Improvement is seen on the capability of staff/personnel. While 61 percent do not find change, 26 percent witness improvement during the last three years (Q#3D). Unfortunately, 12 percent think the present staff less capable. The results are similar when moving from capability of the staff to access to an account manager. Sixty-three (63) percent consider there to be no difference before and after, but 25 percent report favorable change in contrast to 9 percent who report negative change (Q#3A). However, staff turnover continues to be a problem despite other generally positive reviews about bank personnel. Fifty-eight (58) percent believe there to have been no change over the period. But 19 percent see deterioration in staff turnover compared to only 12 percent who see improvement. That may not be a totally negative result. The size of the net negative on the item (in non-directly comparable data) appears to be the smallest in the past several years.

Lending terms appear to have changed little since 2003. Twenty-one (21) percent of those who borrowed in the last three years say that loan terms improved contrasted to 18 percent who say that they deteriorated (Q#3F). As other items assessed, the majority (53%) find no change in lending terms over the period. Since most of the period is marked by slowly rising (from a very low base) interest rates, the generally positive assessment is logically tied to broader terms and conditions. This stable money market environment may have also contributed to the lack of importance of wants the cheapest money available.

## Other Perspectives on Credit Availability and Bank Service

Some questions in the small business-bank relationship are of greater current interest than others. The following offers additional specifics on the more topical.

### *a. Fulfilling Borrowing Needs*

One of the great benefits of financial services deregulation (and the resulting increase in competition) has been its accompanying innovation and the increased success of small-businessmen and women in obtaining business loans. To assess the situation, those who did not want or need a loan must be put aside. Just under half of the population (48%) either did not want or need to borrow at any point in the last three years (Q#4). These small-business owners effectively were not in the credit markets. Of the remaining 51 percent, 31 percentage points (or 61 percent of potential borrowers) were able to satisfy their borrowing needs all of the time. Four percent, in contrast, could never meet them. Thus, those who obtained the money they wanted all of the time outnumbered those that could never do so by a factor of 8:1.

Seventeen (17) percent (or 33 percent of potential borrowers) experienced mixed results - 14 percentage points obtained what they wanted most of the time and 3 percentage points often could not satisfy their needs. But when those who could not satisfy their credit needs at all times were asked about their last loan application, 78 percent respond that they got the loan compared to 17 percent who report they did not; 6 percent did not answer (Q#4a). The upshot is that about 13 percentage points got their last loan, virtually the same number who experienced mixed results in procuring their finance. Combining those who were able to get credit all of the time with those who, while not getting credit all of the time, obtained it on their last attempt, we find about 86 percent of those seeking credit in the last three years were able to obtain it. This is a remarkably high figure, certainly one bolstered by a strong economy and healthy balance sheets. Still, it fits the overall assessment of recent Federal Reserve studies.

The survey also posed a question about the type of loan, for example, a loan for operating capital, expansion capital, that small-business owners tried to get and could not. There were too few instances of turn-downs in the sample to present reliable results.

### *b. Account Managers*

With the rapid consolidation in the banking industry and resulting employee turnover, a complaint often lodged by small-business owners is account manager turnover. The situation appears to have been getting worse over the last three years. The problem from the business owner's perspective is twofold: first, a banking relationship is difficult to develop when the account manager changes regularly. Second, new account managers are going through learning curves with their customers/clients. Those learning curves are not only costly to the bank, but to the individual business.

Half (50%) enjoyed a single account manager over the last three years and another 20 percent experienced two (Q#5). But for the remaining 30 percent the issue is more difficult. First, 7 percent report having no account manager, though the figure is likely low because the 10 percent in the no answer category likely contain a substantial number who do not know simply because they do not have an account manager. While the lion's share of these are the very smallest firms and may not have extensive banking needs, the lack of an account manager suggests either that they may not be taking advantage of the business banking services available to them, or the bank is ignoring them. At the other end of the scale are the 13 percent who experienced three or more account managers over the last three years, an unhealthy situation.

*c. Location*

Small employers evaluate a *convenient location* as a very important bank attribute. The question then becomes, what is a *convenient location*? While an owner may not be satisfied with his principal bank's location but still patronize it, one reasonable measure of convenience is the amount of time that it takes the owner to reach his current institution.

Twenty-seven (27) percent say that it usually takes less than five minutes to travel from their place of business to their principal bank (Q#6). Another 35 percent time their trip at between five and nine minutes. The resulting 62 percent are likely within walking distance of their principal banks which makes them in a very convenient location, at least from a time perspective. The 18 percent who report 10-14 minutes travel time appear to be moving farther away. Small-business people may drive to these locations and pass other banks on their way. Another 18 percent require 15 minutes or more. Most will require a vehicle to reach them which suggests they may not be convenient at all. However, the latter group will contain some owners of rural businesses where access to the closest bank is never a short trip. Only 1 percent say the question is inapplicable because they bank on-line and never go to the institution's site. Thus, if travel time reflects convenience, most small-business owners appear to patronize banks at *convenient location(s)*.

## Final Comments

Small-business owners are generally pleased with their banks. With a few glaring exceptions, the attributes owners desire in their banks are matched with equivalent performance - sometimes even better, at least in aggregate. However, the exceptions are notable in that they involve matters of a personal banking relationship, speed of decision-making, and cost of service, and to a lesser extent, the availability of credit. These matters are consequential for many, thereby diminishing overall satisfaction in the banking relationship.

The small business-bank relationship has traditionally been assessed in terms of loan availability, particularly among policy-makers. Such a narrow focus glosses over the many other critical services and functions banks perform on behalf of smaller firms. But small-business owners recognize that banks and other financial institutions are filling most of their borrowing needs. While only about half of all small employers sought to borrow in the last three years, the ability to obtain a business loan among the population is very high. There are obviously situations and individuals who encounter borrowing difficulties, but they no longer reflect prevailing conditions. Credit availability has moved from a critical issue for many to an afterthought for most, which explains why publicly subsidized small-business loan programs are fading as a policy solution.

The small business-bank relationship is slowly moving toward electronic banking. Small-business owners are not totally happy with that development as they continue to prefer a personal banking relationship. Thus, they have been relatively slow to adopt electronic banking, with no more than half using it for anything. Still, banks do not give small employers the impression that they are forcing technology on them. Owners appear free to accept the types of technology they are comfortable with and reject the types they are not. Consequently, the technology they do use appears to be enabling rather than confining. That attitude is likely to accelerate the process long term, bringing greater efficiencies and lower relative costs and prices over the longer term.

# Evaluating Banks

*(Please review notes at the table's end.)*

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**1.** **On a scale of one-to-five where 1 means very important and 5 means not important, how important to you is EACH of the following bank characteristics in conducting your firm's financial business? How about:?**

**A. Knows you and your business**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Very important | 55.3% | 62.8% | 60.5% | 56.7% |
| 2. | 21.0 | 19.8 | 22.4 | 21.0 |
| 3. | 15.1 | 12.8 | 10.5 | 14.4 |
| 4. | 3.1 | 1.2 | 3.9 | 3.0 |
| 5. Not important | 4.8 | 3.5 | 2.6 | 4.4 |
| 6. (DK/Refuse) | 0.6 | — | — | 0.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 1.80 | 1.62 | 1.65 | 1.77 |

**B. Provides helpful suggestions and advice**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Very important | 40.2% | 41.2% | 36.8% | 40.0% |
| 2. | 20.9 | 22.4 | 22.4 | 21.2 |
| 3. | 19.7 | 21.2 | 23.7 | 20.3 |
| 4. | 6.8 | 5.9 | 6.6 | 6.7 |
| 5. Not important | 11.1 | 8.2 | 10.5 | 10.7 |
| 6. (DK/Refuse) | 1.3 | 1.2 | — | 1.2 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 2.27 | 2.18 | 2.32 | 2.26 |

**C. Offers the cheapest money available**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Very important | 41.4% | 48.2% | 44.7% | 42.5% |
| 2. | 21.7 | 22.4 | 19.7 | 21.6 |
| 3. | 20.5 | 20.0 | 22.4 | 20.7 |
| 4. | 5.8 | 2.4 | 6.6 | 5.5 |
| 5. Not important | 7.0 | 4.7 | 5.3 | 6.5 |
| 6. (DK/Refuse) | 3.6 | 2.4 | 1.3 | 3.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 2.12 | 1.94 | 2.06 | 2.09 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
| **D. Convenient location (hours)** | | | | |
| 1.Very important | 64.1% | 58.8% | 51.9% | 62.3% |
| 2. | 19.4 | 23.5 | 16.9 | 19.6 |
| 3. | 11.1 | 11.8 | 20.8 | 12.1 |
| 4. | 2.2 | 3.5 | 3.9 | 2.5 |
| 5. Not important | 3.0 | 2.4 | 5.2 | 3.1 |
| 6. (DK/Refuse) | 0.3 | — | 1.3 | 0.4 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 1.60 | 1.69 | 1.92 | 1.64 |
| **E. Reliable source of credit** | | | | |
| 1.Very important | 55.8% | 61.2% | 61.8% | 57.0% |
| 2. | 18.5 | 21.2 | 21.1 | 19.1 |
| 3. | 12.9 | 9.4 | 7.9 | 12.0 |
| 4. | 3.5 | 1.2 | 3.9 | 3.4 |
| 5. Not important | 6.1 | 5.9 | 5.3 | 6.0 |
| 6. (DK/Refuse) | 3.0 | 1.2 | — | 2.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 1.83 | 1.70 | 1.68 | 1.80 |
| **F. Knows your industry** | | | | |
| 1.Very important | 32.2% | 38.1% | 34.2% | 33.1% |
| 2. | 19.2 | 21.4 | 21.1 | 19.6 |
| 3. | 24.8 | 22.6 | 26.3 | 24.7 |
| 4. | 9.3 | 8.3 | 9.2 | 9.2 |
| 5. Not important | 13.4 | 9.5 | 9.2 | 12.5 |
| 6. (DK/Refuse) | 1.1 | — | — | 1.0 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 2.52 | 2.30 | 2.38 | 2.48 |
| **G. Speed of decision-making** | | | | |
| 1.Very important | 51.4% | 62.4% | 54.5% | 52.9% |
| 2. | 24.5 | 21.2 | 28.6 | 24.5 |
| 3. | 14.5 | 9.4 | 10.4 | 13.6 |
| 4. | 4.3 | 3.5 | 3.9 | 4.2 |
| 5. Not important | 4.1 | 2.4 | 2.6 | 3.8 |
| 6. (DK/Refuse) | 1.2 | 1.2 | — | 1.0 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 1.84 | 1.61 | 1.69 | 1.80 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
| **H. Easy access to loan officer** | | | | |
| 1. Very important | 48.0% | 57.1% | 61.8% | 49.9% |
| 2. | 24.3 | 20.2 | 21.1 | 23.8 |
| 3. | 16.1 | 14.3 | 7.9 | 15.2 |
| 4. | 3.1 | 2.4 | 3.9 | 3.3 |
| 5. Not important | 6.5 | 4.8 | 5.3 | 6.2 |
| 6. (DK/Refuse) | 2.0 | 1.2 | — | 1.7 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 1.93 | 1.79 | 1.80 | 1.91 |
| **I. Offers a wide range of services** | | | | |
| 1. Very important | 46.1% | 50.0% | 42.1% | 46.1% |
| 2. | 22.6 | 20.9 | 32.9 | 23.4 |
| 3. | 23.4 | 19.8 | 17.1 | 22.4 |
| 4. | 3.3 | 3.5 | 5.3 | 3.5 |
| 5. Not important | 3.6 | 4.7 | 2.6 | 3.7 |
| 6. (DK/Refuse) | 1.0 | 1.2 | — | 1.0 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 1.95 | 1.91 | 1.91 | 1.94 |
| **J. Knows the local market or community** | | | | |
| 1. Very important | 44.6% | 48.2% | 48.1% | 45.3% |
| 2. | 21.9 | 21.2 | 18.2 | 21.5 |
| 3. | 19.0 | 18.8 | 18.2 | 18.9 |
| 4. | 4.8 | 5.9 | 7.8 | 5.2 |
| 5. Not important | 9.1 | 4.7 | 6.5 | 8.3 |
| 6. (DK/Refuse) | 0.6 | 1.2 | 1.3 | 0.8 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 2.11 | 1.95 | 2.05 | 2.09 |
| **K. Social contact with loan officer** | | | | |
| 1. Very important | 37.3% | 41.9% | 30.3% | 37.1% |
| 2. | 16.1 | 19.8 | 17.1 | 16.6 |
| 3. | 22.4 | 17.4 | 21.1 | 21.7 |
| 4. | 7.3 | 7.0 | 15.8 | 8.1 |
| 5. Not important | 15.2 | 11.6 | 15.8 | 14.9 |
| 6. (DK/Reuse) | 1.9 | 2.4 | — | 1.7 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 2.46 | 2.25 | 2.71 | 2.46 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
| **L. Has a customer friendly Web site** | | | | |
| 1. Very important | 35.8% | 29.8% | 36.8% | 35.2% |
| 2. | 15.9 | 19.0 | 18.4 | 16.5 |
| 3. | 20.4 | 17.9 | 17.1 | 19.8 |
| 4. | 6.8 | 7.1 | 11.8 | 7.3 |
| 5. Not important | 15.9 | 20.2 | 13.2 | 16.1 |
| 6. (DK/Refuse) | 5.3 | 6.0 | 2.6 | 5.1 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 2.48 | 2.67 | 2.43 | 2.50 |

2. **On a scale of one-to-five where 1 means excellent and 5 means poor, how would you rate YOUR PRINCIPAL FINANCIAL INSTITUTION'S performance on these same characteristics? How about:?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| **A. Knows you and your business** | | | | |
| 1. Excellent | 41.1% | 44.7% | 42.7% | 41.6% |
| 2. | 21.0 | 25.9 | 30.7 | 22.5 |
| 3. | 18.7 | 18.8 | 16.0 | 18.5 |
| 4. | 7.8 | 8.2 | 4.0 | 7.5 |
| 5. Poor | 9.1 | 2.4 | 6.7 | 8.1 |
| 6. (DK/Refuse) | 2.3 | — | — | 1.8 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 2.21 | 1.98 | 2.04 | 2.17 |
| **B. Provides helpful suggestions and advice** | | | | |
| 1. Excellent | 28.3% | 35.3% | 32.9% | 29.5% |
| 2. | 20.9 | 23.5 | 25.0 | 21.6 |
| 3. | 27.3 | 25.9 | 19.7 | 26.4 |
| 4. | 9.3 | 7.1 | 13.2 | 9.4 |
| 5. Poor | 9.6 | 5.9 | 7.9 | 9.0 |
| 6. (DK/Refuse) | 4.7 | 2.4 | 1.3 | 4.0 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 2.45 | 2.48 | 2.25 | 2.38 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
| **C. Offers the cheapest money available** | | | | |
| 1. Excellent | 21.4% | 22.1% | 21.1% | 21.4% |
| 2. | 22.1 | 26.7 | 30.3 | 23.4 |
| 3. | 31.3 | 30.2 | 30.3 | 31.1 |
| 4. | 8.0 | 5.8 | 7.9 | 7.7 |
| 5. Poor | 5.6 | 5.8 | 6.6 | 5.8 |
| 6. (DK/Refuse) | 11.6 | 9.3 | 3.9 | 10.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 2.49 | 2.41 | 2.45 | 2.47 |
| **D. Convenient location (hours)** | | | | |
| 1. Excellent | 62.9% | 61.2% | 52.6% | 61.7% |
| 2. | 21.8 | 27.1 | 28.9 | 23.1 |
| 3. | 11.4 | 8.2 | 9.2 | 10.8 |
| 4. | 1.7 | 1.2 | 3.9 | 1.8 |
| 5. Poor | 1.8 | 2.4 | 5.3 | 2.2 |
| 6. (DK/Refuse) | 0.5 | — | — | 0.4 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 1.57 | 1.59 | 1.78 | 1.59 |
| **E. Reliable source of credit** | | | | |
| 1. Excellent | 44.7% | 54.1% | 53.9% | 46.7% |
| 2. | 23.7 | 27.1 | 25.0 | 24.2 |
| 3. | 16.9 | 8.2 | 11.8 | 15.4 |
| 4. | 3.5 | 3.5 | 2.6 | 3.4 |
| 5. Poor | 5.6 | 3.5 | 3.9 | 5.2 |
| 6. (DK/Refuse) | 5.6 | 3.5 | 2.6 | 5.1 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 1.96 | 1.73 | 1.75 | 1.91 |
| **F. Knows your industry** | | | | |
| 1. Excellent | 24.0% | 26.7% | 26.7% | 24.6% |
| 2. | 21.0 | 24.4 | 25.3 | 21.8 |
| 3. | 28.5 | 27.9 | 28.0 | 28.4 |
| 4. | 11.9 | 8.1 | 10.7 | 11.4 |
| 5. Poor | 11.4 | 10.5 | 8.0 | 11.0 |
| 6. (DK/Refuse) | 3.1 | 2.3 | 1.3 | 2.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 2.64 | 2.50 | 2.48 | 2.61 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
| **G. Speed of decision-making** | | | | |
| 1. Excellent | 33.9% | 39.5% | 42.1% | 35.4% |
| 2. | 28.3 | 29.1 | 28.9 | 28.5 |
| 3. | 23.5 | 19.8 | 15.8 | 22.3 |
| 4. | 4.0 | 4.7 | 6.6 | 4.3 |
| 5. Poor | 4.8 | 4.7 | 5.3 | 4.8 |
| 6. (DK/Refuse) | 5.5 | 2.3 | 1.3 | 4.7 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 2.12 | 2.03 | 2.03 | 2.10 |
| **H. Easy access to loan officer** | | | | |
| 1. Excellent | 43.6% | 48.8% | 50.7% | 44.9% |
| 2. | 26.0 | 29.1 | 25.3 | 26.2 |
| 3. | 16.7 | 14.0 | 12.0 | 15.9 |
| 4. | 4.0 | 2.3 | 5.3 | 3.9 |
| 5. Poor | 4.5 | 3.5 | 4.0 | 4.3 |
| 6. (DK/Refuse) | 5.3 | 2.3 | 2.7 | 4.7 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 1.94 | 1.81 | 1.85 | 1.91 |
| **I. Offers a wide range of services** | | | | |
| 1. Excellent | 43.8% | 48.8% | 48.7% | 44.8% |
| 2. | 33.2 | 28.6 | 31.6 | 32.5 |
| 3. | 17.4 | 20.2 | 15.8 | 17.5 |
| 4. | 1.8 | 1.2 | 2.6 | 1.8 |
| 5. Poor | 1.8 | 1.2 | 1.3 | 1.7 |
| 6. (DK/Refuse) | 2.0 | — | — | 1.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 1.82 | 1.79 | 1.74 | 1.81 |
| **J. Knows the local market or community** | | | | |
| 1. Excellent | 36.1% | 45.9% | 48.7% | 38.4% |
| 2. | 30.6 | 29.4 | 27.6 | 30.2 |
| 3. | 20.0 | 17.6 | 14.5 | 19.2 |
| 4. | 5.1 | 3.5 | 5.3 | 5.0 |
| 5. Poor | 4.3 | 1.2 | 2.6 | 3.8 |
| 6. (DK/Refuse) | 3.8 | 2.4 | 1.3 | 3.4 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 2.07 | 1.83 | 1.82 | 2.02 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
| **K. Social contact with loan officer** | | | | |
| 1. Excellent | 37.4% | 34.9% | 37.7% | 37.1% |
| 2. | 17.9 | 26.7 | 16.9 | 18.8 |
| 3. | 19.0 | 18.3 | 19.5 | 19.0 |
| 4. | 7.8 | 8.1 | 11.7 | 8.2 |
| 5. Poor | 12.4 | 7.0 | 10.4 | 11.6 |
| 6. (DK/Refuse) | 5.6 | 4.7 | 3.9 | 5.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 2.36 | 2.21 | 2.38 | 2.35 |
| **L. Has a customer friendly Web site** | | | | |
| 1. Excellent | 35.2% | 30.6% | 36.0% | 34.7% |
| 2. | 17.9 | 21.2 | 21.3 | 18.6 |
| 3. | 15.9 | 20.0 | 21.3 | 16.9 |
| 4. | 5.5 | 4.7 | 8.0 | 5.6 |
| 5. Poor | 8.5 | 9.4 | 6.7 | 8.4 |
| 6. (DK/Refuse) | 17.1 | 14.1 | 6.7 | 15.7 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| Avg | 2.21 | 2.31 | 2.22 | 2.22 |

**3. At your primary financial institution or bank over the last three years, have you noticed a change for the better, a change for the worse or no change in:**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| **A. Accessibility to an account manager** | | | | |
| 1. Better | 23.2% | 29.4% | 36.4% | 25.2% |
| 2. Worse | 8.6 | 8.2 | 10.4 | 8.7 |
| 3. No change | 65.1 | 61.2 | 49.4 | 63.1 |
| 4. (Not applicable) | 2.5 | — | 2.6 | 2.2 |
| 5. (DK/Refuse) | 0.7 | 1.2 | 1.3 | 0.8 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| **B. Quality of service** | | | | |
| 1. Better | 26.8% | 33.7% | 36.8% | 28.6% |
| 2. Worse | 15.4 | 15.1 | 13.2 | 15.1 |
| 3. No change | 56.3 | 50.0 | 50.0 | 55.0 |
| 4. (Not applicable) | 0.8 | — | — | 0.7 |
| 5. (DK/Refuse) | 0.6 | 1.2 | — | 0.7 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
| **C. Number of services offered** | | | | |
| 1. Better | 33.9% | 38.4% | 44.7% | 35.5% |
| 2. Worse | 7.5 | 4.7 | 3.9 | 6.8 |
| 3. No change | 53.5 | 50.0 | 47.4 | 52.5 |
| 4. (Not applicable) | 1.7 | 2.3 | — | 1.6 |
| 5. (DK/Refuse) | 3.0 | 4.7 | 2.6 | 3.1 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| **D. Capability of staff or personnel** | | | | |
| 1. Better | 25.7% | 27.9% | 30.7% | 26.4% |
| 2. Worse | 11.8 | 14.0 | 12.0 | 12.0 |
| 3. No change | 61.6 | 57.0 | 57.3 | 60.7 |
| 4. (Not applicable) | 0.7 | — | — | 0.5 |
| 5. (DK/Refuse) | 0.4 | 1.2 | — | 0.4 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| **E. Staff turnover** | | | | |
| 1. Better | 11.9% | 8.2% | 12.0% | 11.5% |
| 2. Worse | 18.8 | 20.0 | 18.7 | 19.0 |
| 3. No change | 58.0 | 62.4 | 57.3 | 58.4 |
| 4. (Not applicable) | 2.0 | 1.2 | 1.3 | 1.8 |
| 5. (DK/Refuse) | 9.3 | 8.2 | 10.7 | 9.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| **F. Lending terms (If borrowed in Q#4.)** | | | | |
| 1. Better | 17.7% | 28.6% | 29.4% | 20.8% |
| 2. Worse | 16.7 | 19.6 | 21.6 | 17.7 |
| 3. No change | 55.6 | 48.2 | 43.1 | 52.9 |
| 4. (Not applicable) | 4.9 | 3.6 | 3.9 | 4.6 |
| 5. (DK/Refuse) | 5.2 | — | 2.0 | 4.1 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 160 | 129 | 133 | 422 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**G. Ease of doing your banking business**

| | | | | |
|---|---|---|---|---|
| 1. Better | 32.2% | 36.5% | 39.0% | 33.4% |
| 2. Worse | 11.6 | 14.1 | 6.5 | 11.3 |
| 3. No change | 55.7 | 49.4 | 54.5 | 54.9 |
| 4. (Not applicable) | 0.3 | — | — | 0.3 |
| 5. (DK/Refuse) | 0.2 | — | — | 0.1 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

**4. Over the last three years has your firm been able to SATISFY its borrowing needs: ?**

| | | | | |
|---|---|---|---|---|
| 1. All of the time | 27.2% | 43.0% | 46.1% | 30.6% |
| 2. Most of the time | 13.1 | 17.4 | 15.8 | 13.8 |
| 3. You often could not satisfy borrowing needs | 3.3 | 2.3 | 3.9 | 3.3 |
| 4. You could never satisfy borrowing needs | 4.1 | 2.3 | 1.3 | 3.7 |
| 5. You did not want or need to borrow | 51.7 | 34.9 | 31.6 | 47.8 |
| 6. (DK/Refuse) | 0.7 | — | 1.3 | 0.7 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

**4a. The last time you applied for a business loan, did you get it? (If could not satisfy ALL borrowing needs in Q#4.)**

| | | | | |
|---|---|---|---|---|
| 1. Yes | 74.8% | —% | —% | 77.7% |
| 2. No | 17.9 | — | — | 16.6 |
| 3. (DK/Refuse) | 7.4 | — | — | 5.7 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 72 | 43 | 41 | 156 |

**5. How many account managers have you had in the last three years?**

| | | | | |
|---|---|---|---|---|
| 1. None | 7.5% | 4.8% | 2.6% | 6.7% |
| 2. One | 50.8 | 45.2 | 47.4 | 49.9 |
| 3. Two | 18.2 | 25.0 | 32.9 | 20.4 |
| 4. Three | 8.6 | 13.1 | 5.3 | 8.8 |
| 5. Four or more | 4.5 | 3.6 | 7.9 | 4.6 |
| 6. (DK/Refuse) | 10.4 | 8.3 | 3.9 | 9.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**6. What is the approximate time in minutes that it usually takes to go from your place of business to your current primary financial institution?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. < 5 minutes | 27.1% | 32.5% | 20.0% | 27.0% |
| 2. 5 - 9 minutes | 35.5 | 32.5 | 34.7 | 35.1 |
| 3. 10 - 14 minutes | 18.3 | 13.3 | 21.3 | 18.0 |
| 4. 15 minutes or more | 18.2 | 19.3 | 17.4 | 18.3 |
| 5. (Not applicable; use phone only, etc.) | 0.7 | 2.4 | 4.0 | 1.2 |
| 6. (DK/Refuse) | 0.2 | — | 2.6 | 0.4 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

**7. Over the last three years at your primary financial institution or bank, have you found technology ________ in conducting your banking business?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Increasingly helpful | 52.9% | 49.4% | 63.2% | 53.5% |
| 2. Increasingly getting in the way | 11.4 | 10.6 | 7.9 | 11.0 |
| 3. Having no effect | 35.2 | 36.5 | 27.6 | 34.6 |
| 4. (DK/Refused) | 0.5 | 3.6 | 1.3 | 1.0 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

**8. Is your principal financial institution forcing you to use more technology in your banking relationship than you would like?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 17.0% | 16.3% | 10.7% | 16.3% |
| 2. No | 82.8 | 81.4 | 89.3 | 83.3 |
| 3. (DK/Refuse) | 0.2 | 2.3 | — | 0.4 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

**9. Does your firm do any banking over the Internet?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 49.9% | 50.0% | 59.2% | 50.8% |
| 2. No | 49.9 | 47.7 | 40.8 | 48.8 |
| 3. (DK/Refuse) | 0.2 | 2.3 | — | 0.4 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| | **Employee Size of Firm** | | | |

**9a. Do you check on balances and/or deposits on-line? (If "Yes" in Q#9.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 88.7% | 88.4% | 89.1% | 88.7% |
| 2. No | 10.6 | 11.6 | 10.9 | 10.8 |
| 3. (DK/Refuse) | 0.7 | — | — | 0.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 178 | 97 | 116 | 391 |

**9b. Have you applied for credit on-line?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 13.9% | 16.7% | 17.8% | 14.7% |
| 2. No | 85.8 | 83.3 | 82.2 | 85.1 |
| 3. (DK/Refuse) | 0.3 | — | — | 0.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 178 | 97 | 116 | 391 |

**9c. Do you make payroll deposits on-line?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 26.2% | 40.5% | 55.6% | 31.2% |
| 2. No | 72.1 | 59.5 | 42.2 | 67.3 |
| 3. (DK/Refuse) | 1.7 | — | 2.2 | 1.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 178 | 97 | 116 | 391 |

**9d. Do you transfer money from one account to another on-line?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 68.1% | 73.8% | 77.8% | 69.8% |
| 2. No | 31.2 | 26.2 | 22.2 | 29.6 |
| 3. (DK/Refuse) | 0.7 | — | — | 0.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 178 | 97 | 116 | 391 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

## Demographics

**D1. Which best describes your position in the business?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Owner/manager | 83.8% | 77.6% | 68.4% | 81.6% |
| 2. Owner but NOT manager | 3.6 | 5.9 | 5.3 | 4.1 |
| 3. Manager but NOT owner | 12.6 | 16.5 | 26.3 | 14.4 |
| 4. (DK/Refuse) | | | | |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

**D2. Is your primary business activity: (NAICs code)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Agriculture, forestry, fishing | 4.0% | 1.2% | 2.6% | 3.5% |
| 2. Construction | 9.7 | 11.8 | 7.9 | 9.8 |
| 3. Manufacturing, mining | 7.4 | 10.6 | 11.8 | 8.3 |
| 4. Wholesale trade | 6.9 | 5.9 | 3.9 | 6.5 |
| 5. Retail trade | 12.5 | 22.4 | 13.2 | 13.7 |
| 6. Transportation and warehousing | 3.5 | 3.5 | 5.3 | 3.7 |
| 7. Information | 2.5 | 1.2 | 1.3 | 2.2 |
| 8. Finance and insurance | 4.6 | 3.5 | 2.6 | 4.3 |
| 9. Real estate and rental leasing | 2.6 | 1.2 | 3.9 | 2.6 |
| 10. Professional/scientific/ technical services | 16.5 | 7.1 | 7.9 | 14.6 |
| 11. Adm. support/waste management services | 4.0 | 2.4 | 1.3 | 3.5 |
| 12. Educational services | 1.0 | — | 2.6 | 1.0 |
| 13. Health care and social assistance | 4.1 | 5.9 | 7.9 | 4.7 |
| 14. Arts, entertainment, or recreation | 2.1 | 3.5 | 5.3 | 2.6 |
| 15. Accommodations or food service | 5.4 | 10.6 | 14.5 | 6.9 |
| 16. Other service, incl. repair, personal care | 9.7 | 7.1 | 5.3 | 9.0 |
| 17. (Other) | 2.5 | 2.4 | 2.6 | 2.2 |
| 18. (DK/Refuse) | 1.0 | — | — | 0.8 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**D3. Over the last two years, have your real volume sales:?**

| | | | | |
|---|---|---|---|---|
| 1. Increased by 30 percent or more | 15.4% | 21.2% | 29.5% | 17.4% |
| 2. Increased by 20 to 29 percent | 20.0 | 16.5 | 11.5 | 18.8 |
| 3. Increased by 10 to 19 percent | 21.7 | 23.5 | 28.2 | 22.5 |
| 4. Changed less than 10 percent one way or the other | 25.1 | 28.2 | 19.2 | 24.9 |
| 5. Decreased by 10 percent or more | 12.6 | 7.1 | 7.7 | 11.5 |
| 6. (DK/Refuse) | 5.3 | 3.6 | 3.9 | 5.0 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

**D4. Is this business operated primarily from the home, including any associated structures such as a garage or a barn?**

| | | | | |
|---|---|---|---|---|
| 1. Yes | 29.4% | 9.3% | 5.3% | 24.8% |
| 2. No | 69.6 | 90.7 | 93.4 | 74.3 |
| 3. (DK/Refuse) | 1.0 | — | 1.3 | 0.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

**D5. How long have you owned or operated this business?**

| | | | | |
|---|---|---|---|---|
| 1. < 6 years | 22.7% | 26.2% | 22.4% | 23.0% |
| 2. 6-10 years | 18.5 | 19.0 | 15.8 | 18.3 |
| 3. 11-20 years | 23.0 | 25.0 | 23.7 | 23.3 |
| 4. 21-30 years | 22.7 | 19.0 | 19.7 | 22.0 |
| 5. 31 years+ | 12.3 | 10.7 | 15.8 | 12.4 |
| 6. (DK/Refuse) | 0.8 | — | 2.6 | 0.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**D6. What is your highest level of formal education?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Did not complete high school | 2.2% | 2.4% | 1.3% | 2.1% |
| 2. High school diploma/GED | 19.2 | 21.2 | 14.3 | 18.9 |
| 3. Some college or an associates degree | 23.8 | 16.5 | 19.5 | 22.6 |
| 4. Vocational or technical school degree | 3.3 | 3.5 | 1.3 | 3.1 |
| 5. College diploma | 25.3 | 41.2 | 41.6 | 28.7 |
| 6. Advanced or professional degree | 25.5 | 15.3 | 20.8 | 23.9 |
| 7. (DK/Refuse) | 0.7 | — | 1.3 | 0.7 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

**D7. Please tell me your age.**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. <25 | 1.0% | —% | 1.3% | 0.9% |
| 2. 25-34 | 7.4 | 5.9 | 6.6 | 7.2 |
| 3. 35-44 | 15.5 | 24.7 | 22.4 | 17.2 |
| 4. 45-54 | 34.4 | 35.3 | 31.6 | 34.2 |
| 5. 55-64 | 27.1 | 22.4 | 27.6 | 26.6 |
| 6. 65+ | 12.1 | 9.4 | 7.9 | 11.4 |
| 7. (DK/Refuse) | 2.5 | 2.4 | 2.6 | 2.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

**D8. What is the zip code of your business?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. East (zips 010-219) | 20.8% | 18.8% | 22.4% | 20.8% |
| 2. South (zips 220-427) | 18.0 | 20.0 | 22.4 | 18.7 |
| 3. Mid-West (zips 430-567, 600-658) | 21.8 | 23.5 | 23.7 | 22.2 |
| 4. Central (zips 570-599, 660-898) | 22.1 | 25.9 | 22.4 | 22.6 |
| 5. West (zips 900-999) | 15.0 | 10.6 | 7.9 | 13.8 |
| 6. (DK/Refuse) | 2.1 | 1.2 | 1.3 | 2.0 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| | Employee Size of Firm | | | |
| **D9. Urbanization (Derived from zip code.)** | | | | |
| 1. Highly Urban | 12.7% | 11.8% | 11.8% | 12.5% |
| 2. Urban | 20.0 | 17.6 | 19.7 | 19.7 |
| 3. Fringe Urban | 18.7 | 21.2 | 18.4 | 18.9 |
| 4. Small Cities/Towns | 19.5 | 25.9 | 18.4 | 20.1 |
| 5. Rural | 21.7 | 18.6 | 23.7 | 21.5 |
| 6. (Not Known) | 7.4 | 4.7 | 7.9 | 7.2 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |
| **D10. Sex** | | | | |
| Male | 76.2% | 82.6% | 83.1% | 77.6% |
| Female | 23.8 | 17.4 | 16.9 | 22.4 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 202 | 200 | 752 |

## Table Notes

1. All percentages appearing are based on **weighted** data.
2. All "Ns" appearing are based on **unweighted** data.
3. Data are not presented where there are fewer than 50 unweighted cases.
4. ( )s around an answer indicate a volunteered response.

**WARNING** – When reviewing the table, care should be taken to distinguish between the percentage of the population and the percentage of those asked a particular question. Not every respondent was asked every question. All percentages appearing on the table use the number asked the question as the denominator.

# Data Collection Methods

The data for this survey report were collected for the NFIB Research Foundation by the executive interviewing group of The Gallup Organization. The interviews for this edition of the *Poll* were conducted between February 2 - March 8, 2006 from a sample of small employers. "Small employer" was defined for purposes of this survey as a business owner employing no fewer than one individual in addition to the owner(s) and no more than 249.

The sampling frame used for the survey was drawn at the Foundation's direction from the files of the Dun & Bradstreet Corporation, an imperfect file but the best currently available for public use. A random stratified sample design is typically employed to compensate for the highly skewed distribution of small-business owners by employee size of firm (Table A1). Almost 60 percent of employers in the United States employ just one to four people meaning that a random sample would yield comparatively few larger small employers to interview. Since size within the small-business population is often an important differentiating variable, it is important that an adequate number of interviews be conducted among those employing more than 10 people. The interview quotas established to achieve these added interviews from larger, small-business owners are arbitrary but adequate to allow independent examination of the 10-19 and 20-249 employee size classes as well as the 1-9 employee size group.

**Table A1**

## Sample Composition Under Varying Scenarios

| | Expected from Random Sample* | | Obtained from Stratified Random Sample | | | |
|---|---|---|---|---|---|---|
| Employee Size of Firm | Interviews Expected | Percent Distribution | Interview Quotas | Percent Distribution | Completed Interviews | Percent Distribution |
| 1-9 | 593 | 79 | 350 | 47 | 350 | 46 |
| 10-19 | 82 | 11 | 200 | 27 | 202 | 27 |
| 20-249 | 75 | 10 | 200 | 27 | 200 | 27 |
| All Firms | 750 | 100 | 750 | 101 | 752 | 101 |

* *Sample universe developed from the Bureau of the Census (2002 data) and published by the Office of Advocacy at the Small Business Administration.*

# Previous Publications in This Series

# The Sponsor

The **NFIB Research Foundation** is a small-business-oriented research and information organization affiliated with the National Federation of Independent Business, the nation's largest small and independent business advocacy organization. Located in Washington, DC, the Foundation's primary purpose is to explore the policy related problems small-business owners encounter. Its periodic reports include *Small Business Economic Trends, Small Business Problems and Priorities*, and now the *National Small Business Poll.* The Foundation also publishes ad hoc reports on issues of concern to small-business owners. Included are analyses of selected proposed regulations using its Regulatory Impact Model (RIM). The Foundation's functions were recently transferred from the NFIB Education Foundation.


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