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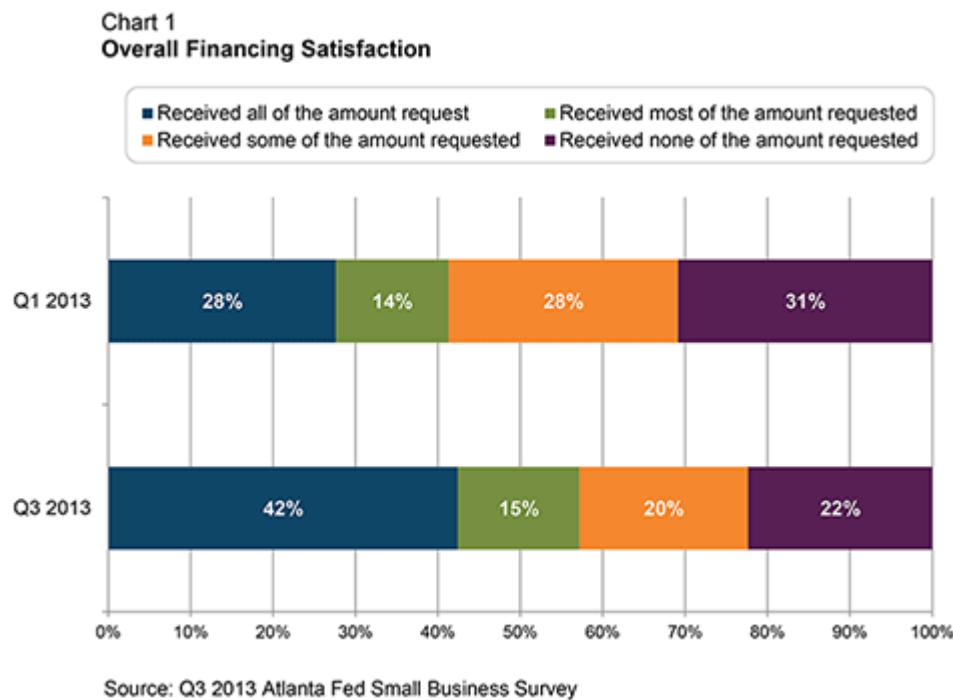
Is Credit to Small Businesses Flowing Faster? Evidence from the Atlanta Fed Small Business Survey

The spigot of credit to small businesses appears to be turning faster. As of June 2013, [outstanding amounts](#) of small loans on the balance sheets of banks were 4 percent higher than their September 2012 levels, according to the Federal Deposit Insurance Corporation. While they are still 12 percent off 2007 levels, the recent increase is encouraging.

The turnaround in small loan portfolios is not the only sign of improved credit flows to small businesses. The [Fed's October 2013 senior loan officer survey](#) indicates that credit terms to small firms have gradually eased since the second quarter of 2010. Approval ratings of banks and alternative lenders, as measured by [Biz2Credit's lending index](#), have also risen steadily over the past two years.

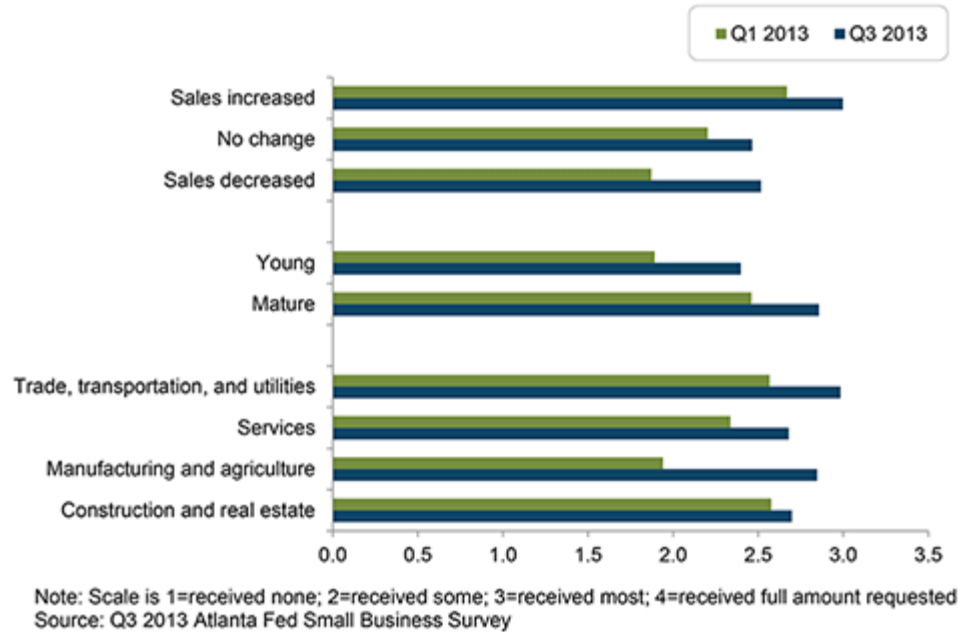
In addition to these positive signs, the Atlanta Fed's third-quarter 2013 Small Business Survey has revealed signs of improvement among small business borrowers in the Southeast. The survey asked recent borrowers about their requests for credit and how successful they were at each place they applied. We also asked, "Over ALL your applications for credit, to what extent were you total financing needs met?" This measure of overall financing satisfaction showed some signs of improvement in the third quarter.

Chart 1 compares the overall financing satisfaction of small business borrowers in the first and third quarter of 2013. The portion of firms that received the full amount requested rose from 28 percent in the first quarter to 42 percent in the third quarter. Meanwhile, the portion that received none of the credit requested declined from 31 percent of the sample in the first quarter to 22 percent in the third quarter.



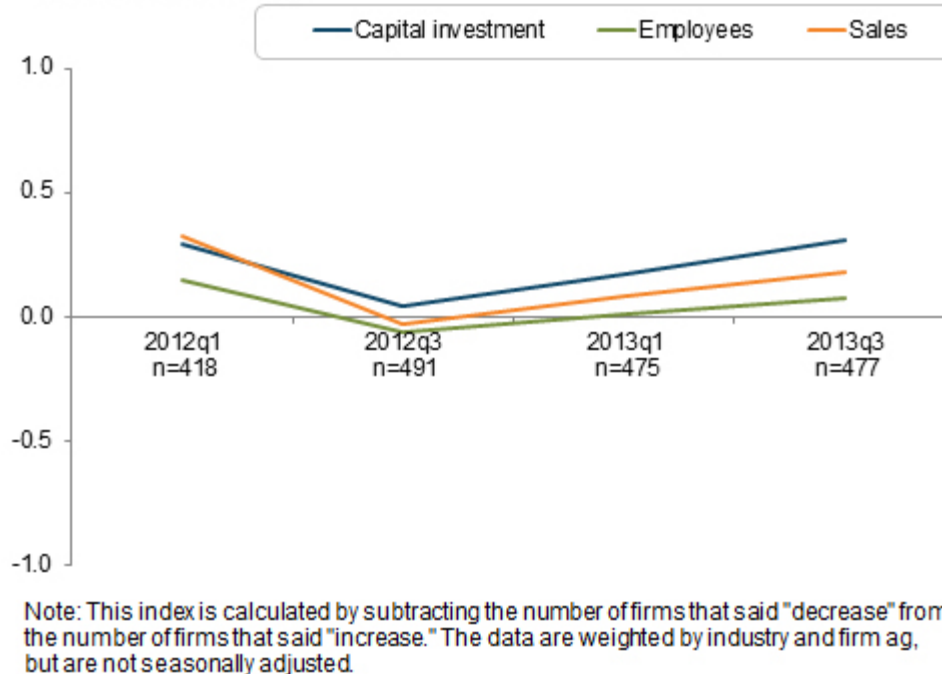
Further, financing satisfaction rose across a variety of dimensions. Chart 2 shows how average financing satisfaction changed for young firms and mature firms, across industries and by recent sales performance. In all cases, there were increases in the average amount of financing received from the first to the third quarter of 2013.

Chart 2
Average Amount of Financing Received Overall



This broad-based increase in overall financing satisfaction is encouraging. Greater financial health of the applicant pool helped fuel the improvement in borrowing conditions. In the October survey, 52 percent of businesses reported that sales increased while 34 percent reported decreases. Sales have improved significantly from a year ago, when about as many firms reported sales increases as reported decreases. Measures of hiring and capital improvements over the year have also improved for the average firm in the survey (see chart 3).

Chart 3
Actual Business Performance Diffusion Index
(over the past 12 months)



Source: Q3 2013 Atlanta Fed Small Business Survey

Lending standards have been improving and small businesses have been slowly gaining momentum, but many obstacles remain. Open-ended questions in our survey revealed that small businesses are still concerned about a number of factors, including the general political and economic uncertainty, the impact of the Affordable Care Act, the higher collateral and personal guarantees required to obtain financing, and regulatory requirements that restrict lending. So while conditions on the ground seem to be improving for small businesses, there still appear to be headwinds that may be holding back a greater pace of improvement.

[Read the full survey results.](#)

By *Ellie Terry*, an economic policy analysis specialist in the Atlanta Fed's research department