

**2016**



# **SMALL BUSINESS CREDIT SURVEY**

## **12<sup>th</sup> DISTRICT REPORT**

Published November 2017



FEDERAL RESERVE BANK  
OF SAN FRANCISCO

# INTRODUCTION

The Small Business Credit Survey (SBCS) is a national collaboration of the Community Development Offices of the 12 Federal Reserve Banks. It was designed to provide timely information on small business financing needs, decisions, and outcomes to policy makers, researchers, and service providers.

The 2016 SBCS yielded responses from employer firms in 50 states and the District of Columbia.<sup>1</sup> While the SBCS provides an analysis of data on a national level, this 12<sup>th</sup> District report provides an in-depth look at small business performance and debt at the state level for Arizona, California, Hawaii, Nevada, Oregon, and Washington.<sup>2</sup> This state level data is provided to inform policy makers, researchers, service providers and community development stakeholders and help them better understand their respective markets.

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 our partner organizations in the 12<sup>th</sup> District:

- Accion San Diego
- California Small Business Association
- Chamber of Commerce Hawaii
- College of the Canyons Small Business Development Center
- Clearinghouse CDFI
- Council for Native Hawaiian Advancement
- Enterprise Honolulu (Oahu Economic Development Board)
- Fresno SBA Office
- Hawaii Alliance for Community Based Economic Development
- Hawaii Green Infrastructure Authority
- Hawaii Small Business Development Center
- Honolulu Business Network
- Local First Arizona
- Los Angeles Regional SBDC
- Main Street BIDCO Capital
- Maricopa Small Business Development Center
- Maui Economic Development Board
- National Development Council – Greater Salt Lake Area
- Nevada Small Business Development Center
- Northern Nevada SCORE
- Orange County/Inland Empire Regional SBDC
- Orange County SBDC
- Pacific Asian Consortium in Employment (PACE)
- Patsy T. Mink Center for Business & Leadership
- SBA, Hawaii District Office
- State of Hawaii, Department of Commerce and Consumer Affairs Business Action Center
- State of Hawaii, Department of Business, Economic Development & Tourism
- The Kohala Center
- University of La Verne SBDC
- USDA Rural Development
- Valley Small Business Development Corporation
- Women’s Economic Ventures

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**Research Associate**  
**Federal Reserve Bank of San Francisco**

<sup>1</sup> Visit [www.newyorkfed.org/smallbusiness](http://www.newyorkfed.org/smallbusiness) to view the national level survey results.

<sup>2</sup> State level data were not available for AK, ID, and UT due to low response rates.

*The views expressed herein are those of the author and do not necessarily represent the views of the Federal Reserve Bank of San Francisco or the Federal Reserve System.*

# ABOUT THE SURVEY

The Small Business Credit Survey (SBCS) is an annual survey of firms with 500 or fewer employees. These types of firms represent 99.7% of all employer establishments in the United States.<sup>1</sup> Respondents are asked to report information about their business performance, financing needs and challenges, as well as borrowing behaviors and experiences.

The 2016 SBCS, which was fielded in Q3 and Q4 2016, yielded 10,303 responses from employer firms in 50 states and the District of Columbia. Given the breadth of the survey data, this report focuses exclusively on western states that belong to the Federal Reserve's 12<sup>th</sup> District. For more information on national level trends and results, please see the [2016 Small Business Credit Survey: Report on Employer Firms](#).

The SBCS's contribution towards understanding the small business landscape across the country is significant. The facts presented in the survey allow policy makers, researchers, and service providers to understand and monitor the health and growth of the sector. They also provide a deeper dive into the dynamics behind aggregate lending trends and segments of small businesses.

The data captured by this survey underscore areas of opportunities for both borrowers and lenders.

One example is the importance of expanding access to capital for small businesses. Another example is the prevalence of various types of financial institutions, including community development financial institutions, as well as alternative lenders such as online lenders in providing access to capital for small businesses.

The SBCS is not a random sample; results should be analyzed with awareness of potential biases that are associated with convenience samples. For detailed information about the survey design and weighting methodology, please consult the Methodology section of the [2016 Small Business Credit Survey: Report on Employer Firms](#).

<sup>1</sup> U.S. Census Bureau, 2014 County Business Patterns, Table CB 1400A13

# ARIZONA: EXECUTIVE SUMMARY

In Arizona, there were 318 respondents for the 2016 Small Business Credit Survey.

## OPTIMISM ABOUT FUTURE GROWTH

- Arizona firms had a profitability index of 33 at the end of 2015, which reflects the share of firms reporting profitability minus the share not profitable. Nationally, the profitability index is 27.<sup>1</sup>
- 55 percent of respondents reported facing financial challenges in the last year, compared to 61 percent nationally.
- Business owners in Arizona are optimistic that their businesses are poised for growth in terms of revenue and for an expansion in their workforce.
- Arizona business owners also have a lower expectation of increasing their debt level in 2017 compared to the national levels.

- While 45 percent of firms in the US have outstanding debts more than \$100,000, this applies to 30 percent of Arizona business owners.

## BUSINESSES STILL FACE SOME FINANCIAL CHALLENGES

- 70 percent of firms rely on retained business earnings as their primary funding source, while 21 percent of firms rely on personal funds. 9 percent of businesses' primary funding source comes externally.
- The biggest financial challenge posed to businesses in the last year has been the lack of credit availability or funds for expansion.

## HALF OF NONAPPLICANTS FEEL SUFFICIENTLY FINANCED

- 51 percent of businesses who did not apply for funds indicated they have sufficient financing.

- Of those who did not indicate possessing sufficient funds, 15 percent responded saying they were discouraged, believing they would be turned down.

- 27 percent of non-applicants with insufficient financing did not apply because they were debt averse.

## MOST APPLICANTS SEEKING FINANCING DO SO FOR EXPANSION

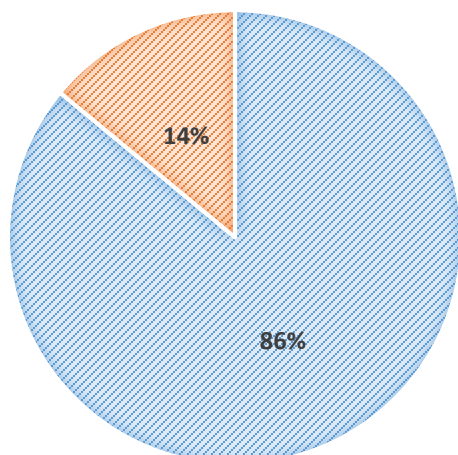
- Nearly 60 percent of firms have sought financing in the past year in order to expand their business or explore new opportunities.
- The three most significant factors influencing a firm's decision to apply are: existing relationships with the lender, the cost (interest rate), and the likelihood of receiving funds.

<sup>1</sup> A number of above 0 indicates more respondents selected 'profitable' than 'not profitable'.

# ARIZONA

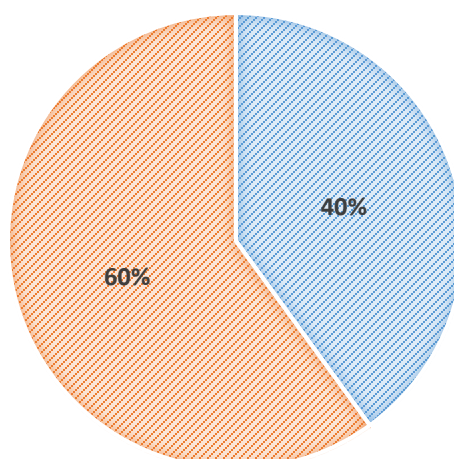
## LOCATION<sup>1,2</sup>

■ Urban ■ Rural



## INDUSTRY<sup>1,3</sup>

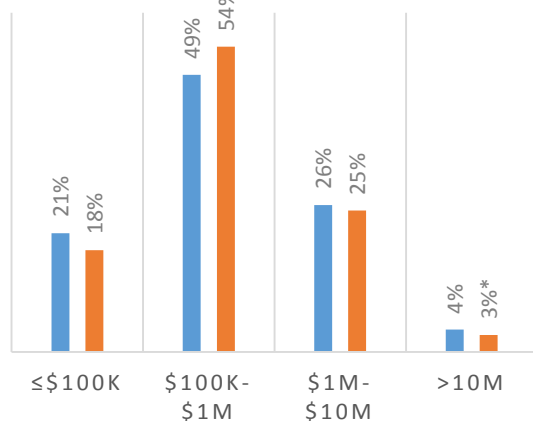
■ Goods, retail, and finance ■ Services, except finance



**54% of employer firms have revenue of \$100K - \$1M**  
**33% of employer firms in Arizona are growing**

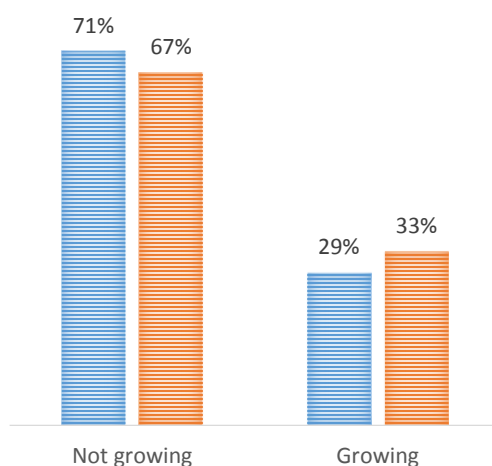
## REVENUE SIZE OF FIRM (% OF EMPLOYER FIRMS)

■ US ■ Arizona



## GROWTH STAGE OF FIRM<sup>4</sup>

■ US ■ Arizona



\* Denotes a significant difference between the value of a particular state and the United States at the ninety-five percent level.

<sup>1</sup> SBCS responses throughout the report are weighted using Census data to represent the US small business population of the following dimensions: firm age, size, industry, and geography.

<sup>2</sup> Urban and rural definitions come from Centers for Medicare & Medicaid Services.

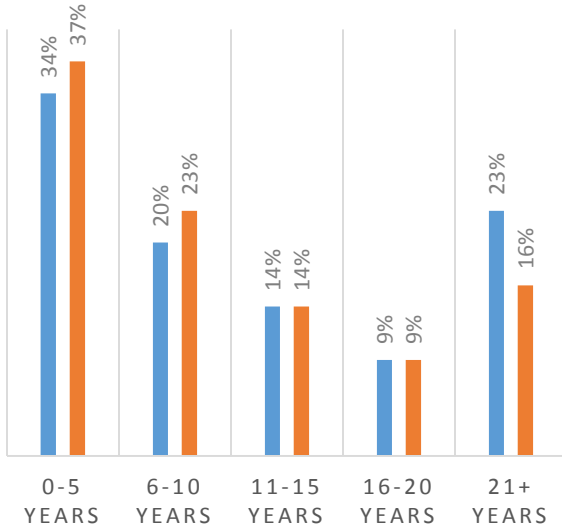
<sup>3</sup> Firm industry is classified based on the description of what the business does, as provided by the survey participant.

<sup>4</sup> Growing firms are defined as those that increased revenues, increased employees and plan to increase or maintain number of employees.

# ARIZONA

## AGE OF FIRM<sup>1,2</sup>

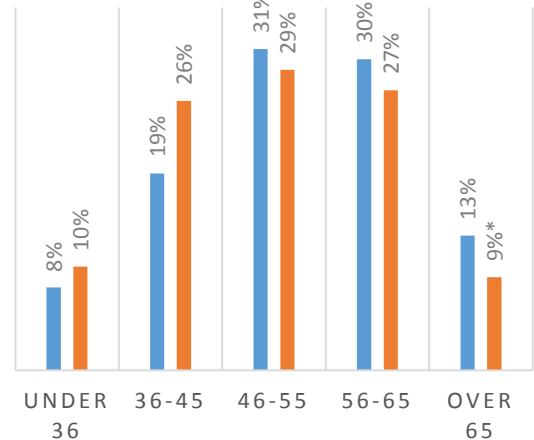
■ US ■ Arizona



## AGE OF PRIMARY OWNER<sup>2</sup>

(% OF EMPLOYER FIRMS)

■ US ■ Arizona

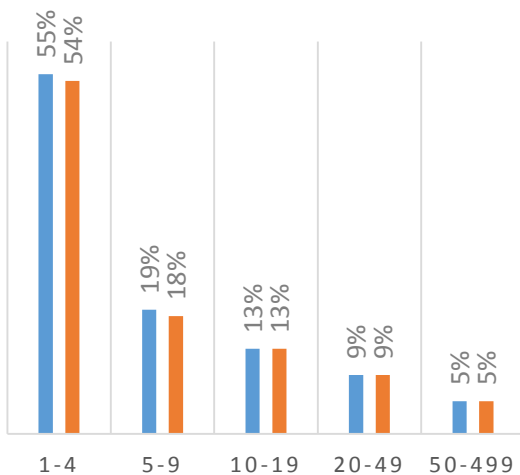


**47% of employer firms use contract workers**  
**69% of employer firms in Arizona have low credit risk**

## NUMBER OF EMPLOYEES<sup>1,2,3</sup>

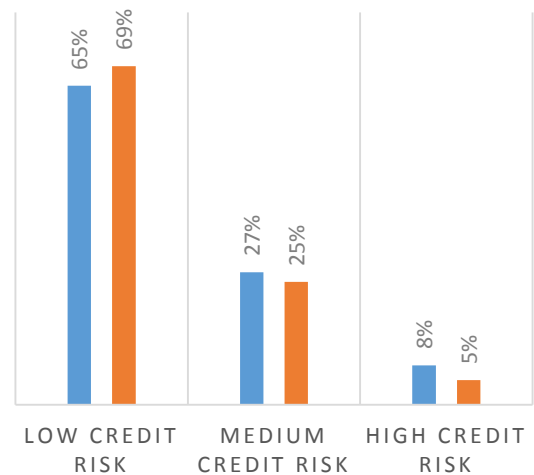
(% OF EMPLOYER FIRMS)

■ US ■ Arizona



## CREDIT RISK<sup>4</sup>

■ US ■ Arizona

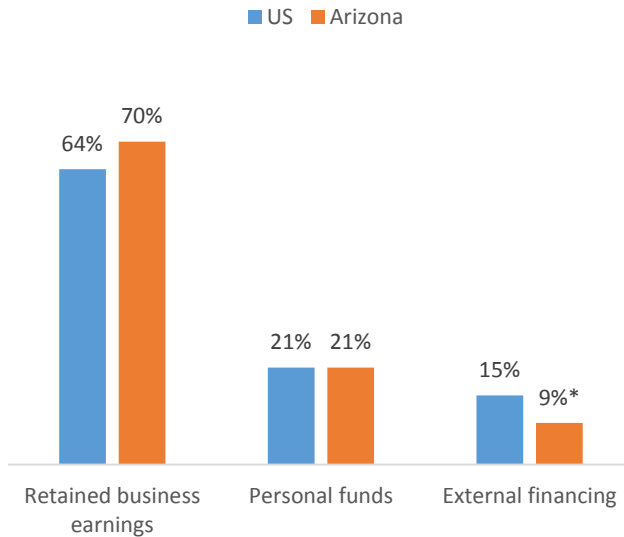


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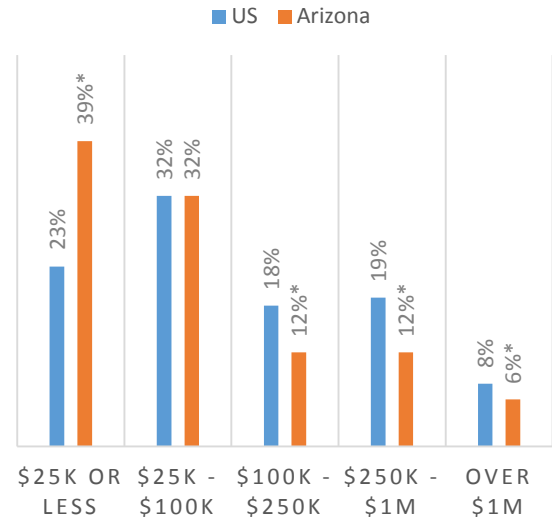
- SBCS responses throughout the report are weighted using Census data to represent the US small business population of the following dimensions: firm age, size, industry, and geography. For details on weighting, see Methodology section.
- Percentages may not sum to 100 due to rounding.
- Employer firms are those that reported having at least one full- or part-time employee. Does not include self-employed or firms where the owner is the only employee.
- 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 highest risk rating is used. 'Low credit risk' is a 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 or a <620 personal credit score.

# ARIZONA

## PRIMARY FUNDING SOURCE

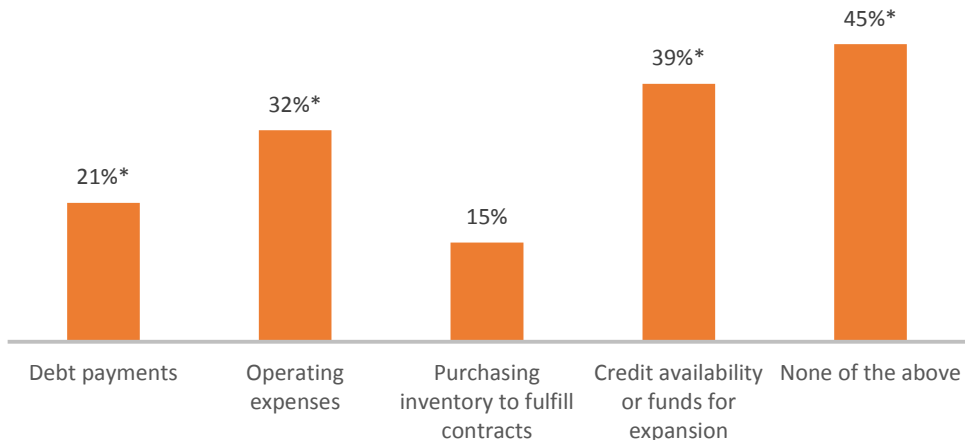


## AMOUNT OF OUTSTANDING DEBT



**9% of employer firms use external financing**  
**66% of employer firms have outstanding debt**

## TYPES<sup>1</sup> OF FINANCIAL CHALLENGES EXPERIENCED IN PRIOR 12 MONTHS<sup>2</sup>



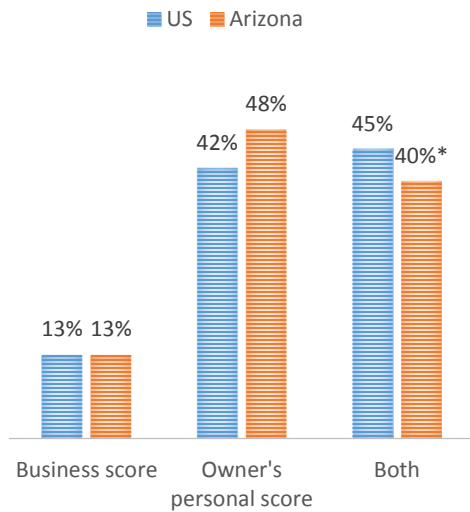
\* Denotes a significant difference between the value of a particular state and the United States at the ninety-five percent level.

<sup>1</sup> Financial challenges are listed in chart below. Respondents could select multiple options.

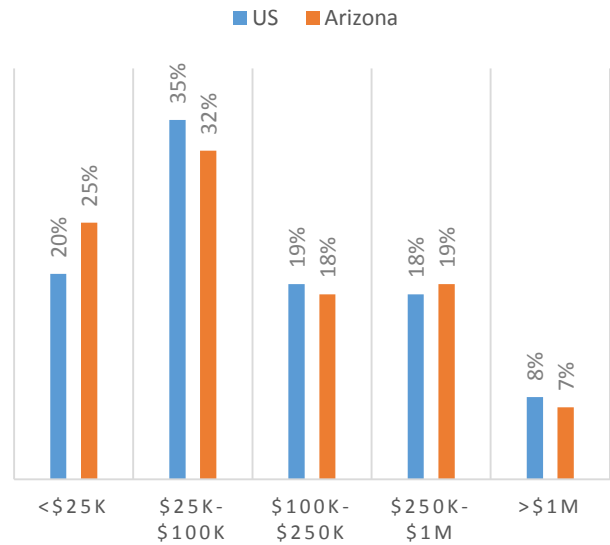
<sup>2</sup> Approximately the second half of 2015 through the second half of 2016.

# ARIZONA

## USE OF PERSONAL VERSUS BUSINESS CREDIT SCORE

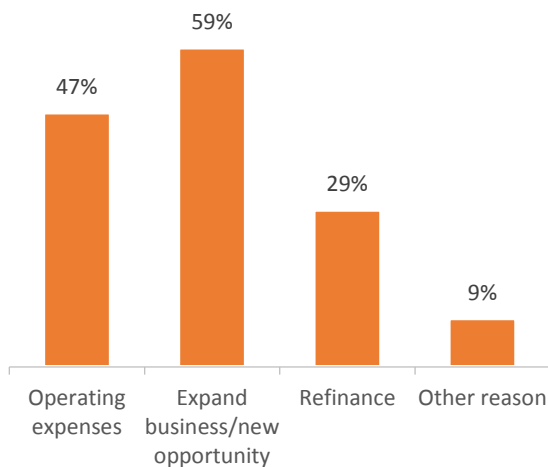


## AMOUNT OF FINANCING SOUGHT<sup>1</sup>

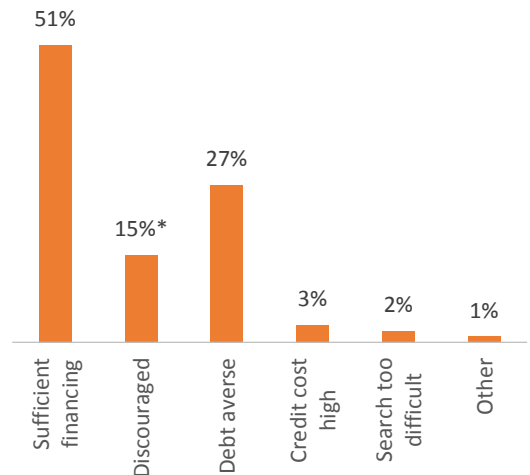


**35% of employer firms applied for financing in prior 12 months**  
**32% of employer firms sought financing of \$25K - \$100K**

## REASONS<sup>2</sup> FOR SEEKING FINANCING



## PRIMARY REASON FOR NOT APPLYING



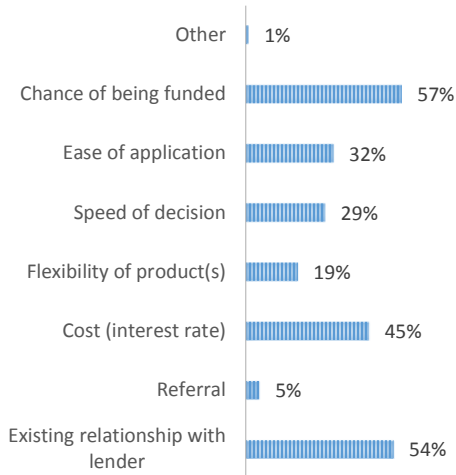
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<sup>1</sup> Percentages may not sum to 100 due to rounding.

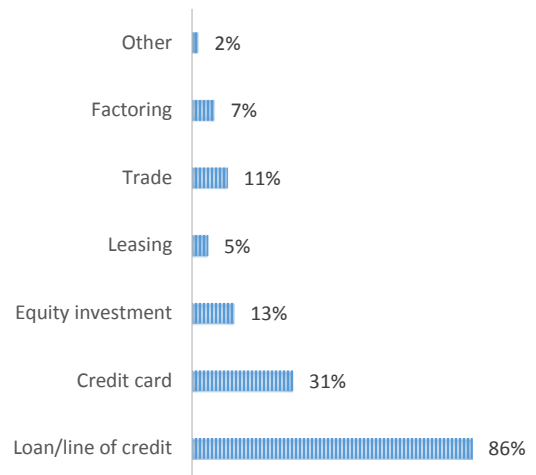
<sup>2</sup> Respondents could select multiple options.

# ARIZONA

## FACTORS INFLUENCING APPLICATION DECISION<sup>1</sup>

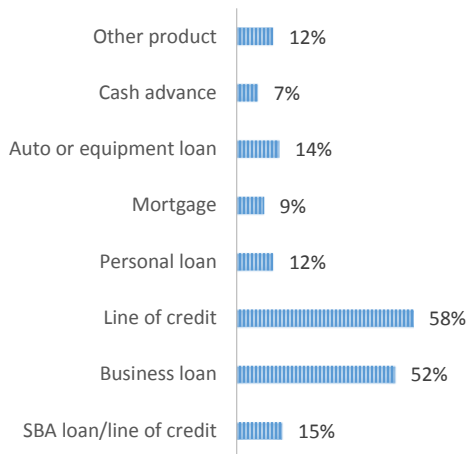


## APPLICATION RATE BY FINANCIAL PRODUCT<sup>1</sup>

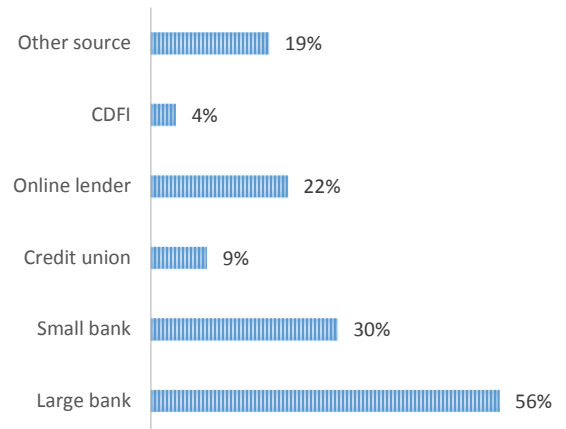


**86% of employer firms applied for a loan/line of credit**  
**22% of employer firms applied for a loan/line of credit by an online lender**

## APPLICATION RATE BY TYPE OF LOAN/LINE OF CREDIT<sup>1</sup>



## APPLICATION RATE BY SOURCE OF LOAN/LINE OF CREDIT<sup>1</sup>



<sup>1</sup> Respondents could select multiple options.

# CALIFORNIA: EXECUTIVE SUMMARY

In California, there were 702 respondents for the 2016 Small Business Credit Survey.

## MODEST PERFORMANCE YET HIGH EXPECTATIONS OF GROWTH

- California firms had a profitability index of 25 at the end of 2015, which reflects the share of firms reporting profitability minus the share not profitable. Nationally, the profitability index is 27.<sup>1</sup>
- 55 percent of respondents reported facing some financial challenges in the last year, compared to 61 percent nationally.
- The greatest financial difficulties that businesses in California face are operating expenses and credit availability or funds for expansion.
- More than 67 percent of firms in California possess outstanding debt. Of those firms, 44 percent of them have debts greater than \$100,000.

- Despite difficulties, most firms are optimistic that they will grow and expand their workforce in the next year.

## MOST FIRMS NEED FUNDING BUT DID NOT APPLY

- 51 percent of Californian firms did not apply for funding.
- 38 percent of firms who did not apply for funds are sufficiently financed.
- The most common reason for not applying for funding is aversion to taking on more debt (30 percent of firms). 21 percent of firms also felt discouraged from applying, out of fear of being turned down.

## MOST FIRMS THAT APPLIED DID SO FOR GROWTH OPPORTUNITIES

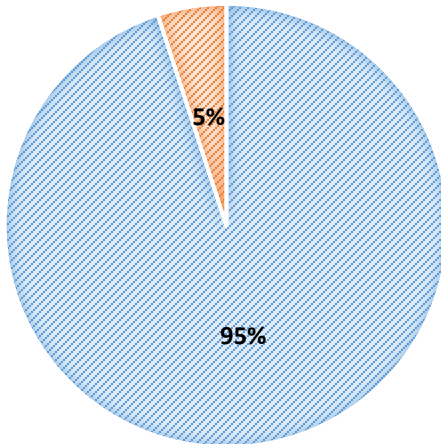
- 49 percent of firms applied for funds in the past year, mostly to expand their business or explore new opportunities.
- However, many respondents also cited the need to address operating expenses as one of the major reasons for applying for funding.
- 49 percent of firms applied for funding of \$100,000 or less, while 44 percent of firms applied for funding between \$100,000 to \$1,000,000. 7 percent of firms applied for funding greater than \$1,000,000.
- The three most important factors influencing firms to apply for funding included the chance of being funded, the cost (interest rate), and existing relationships with lenders.

<sup>1</sup> A number of above 0 indicates more respondents selected 'profitable' than 'not profitable'.

# CALIFORNIA

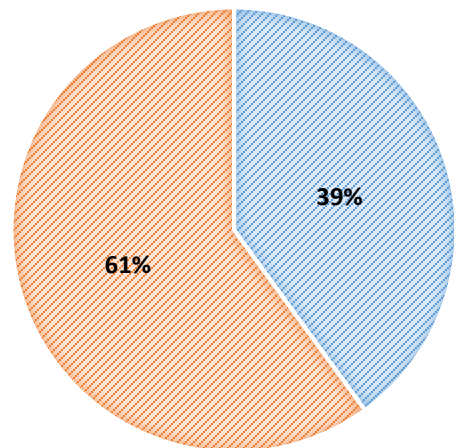
**LOCATION<sup>1,2</sup>**

■ Urban ■ Rural



**INDUSTRY<sup>1,3</sup>**

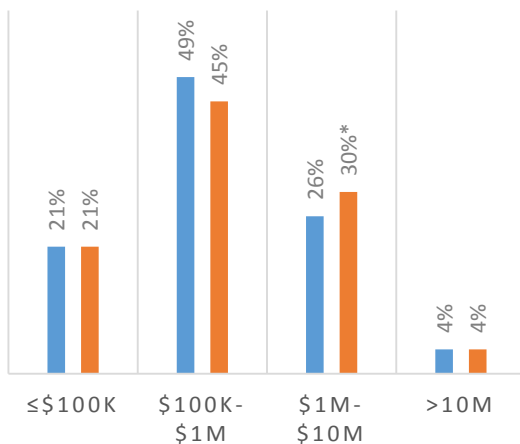
■ Goods, retail, and finance ■ Services, except finance



**45% of employer firms have revenue of \$100K - \$1M**  
**28% of employer firms in California are growing**

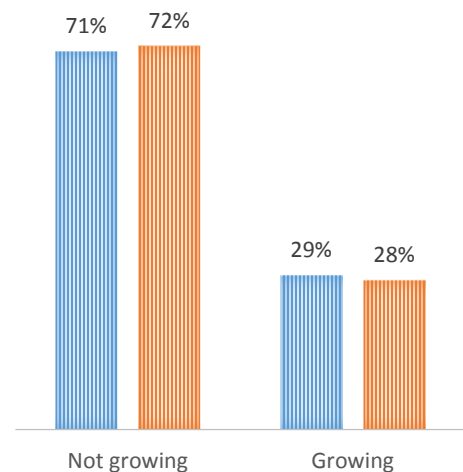
**REVENUE SIZE OF FIRM**  
(% OF EMPLOYER FIRMS)

■ US ■ California



**GROWTH STAGE OF FIRM<sup>4</sup>**

■ US ■ California



\* Denotes a significant difference between the value of a particular state and the United States at the ninety-five percent level.

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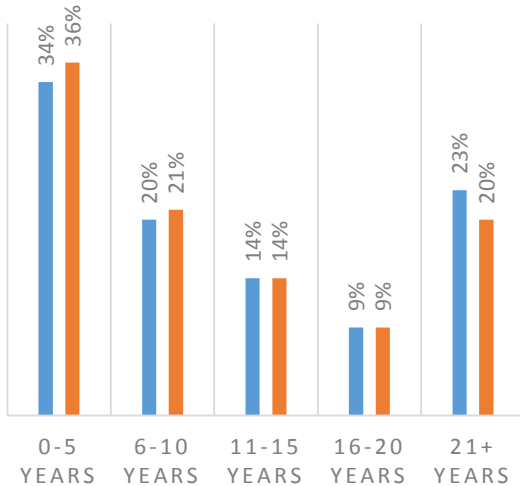
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4 Growing firms are defined as those that increased revenues, increased employees and plan to increase or maintain number of employees.

# CALIFORNIA

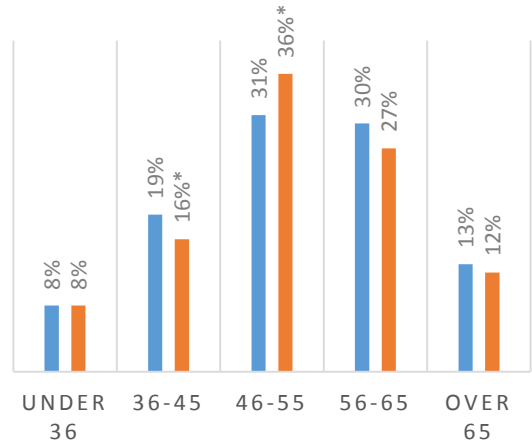
## AGE OF FIRM<sup>1,2</sup>

■ US ■ California



## AGE OF PRIMARY OWNER<sup>2</sup> (% OF EMPLOYER FIRMS)

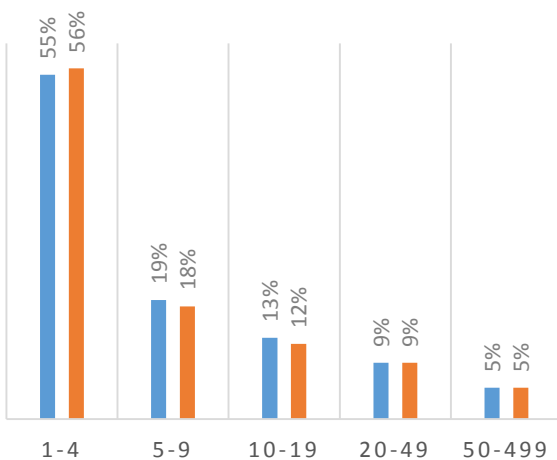
■ US ■ California



**52% of employer firms use contract workers**  
**66% of employer firms in California have low credit risk**

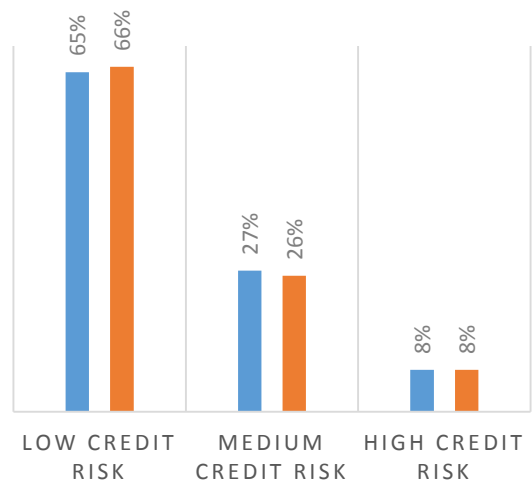
## NUMBER OF EMPLOYEES<sup>1,2,3</sup> (% OF EMPLOYER FIRMS)

■ US ■ California



## CREDIT RISK<sup>4</sup>

■ US ■ California

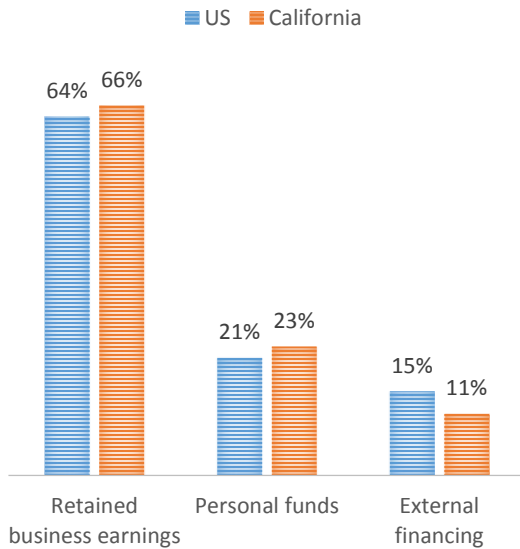


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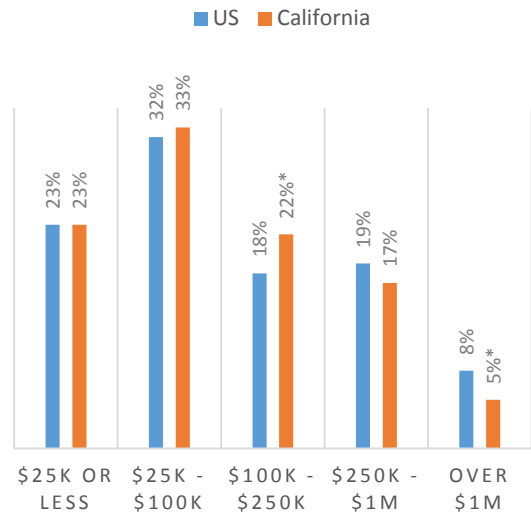
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- 2 Percentages may not sum to 100 due to rounding.
- 3 Employer firms are those that reported having at least one full- or part-time employee. Does not include self-employed or firms where the owner is the only employee.
- 4 Self-reported business credit score or personal credit score, depending on which is used to obtain financing for their business. If the firm uses both, the highest risk rating is used. 'Low credit risk' is a 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 or a <620 personal credit score.

# CALIFORNIA

## PRIMARY FUNDING SOURCE

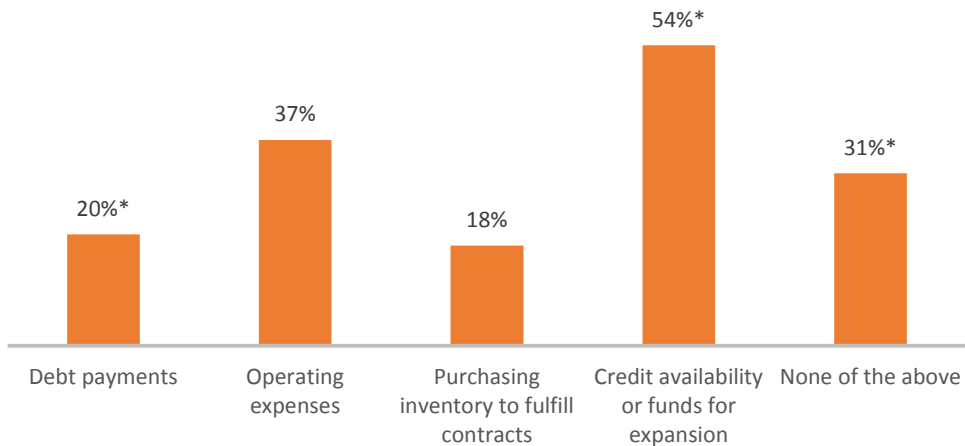


## AMOUNT OF OUTSTANDING DEBT



**11% of employer firms use external financing**  
**67% of employer firms have outstanding debt**

## TYPES<sup>1</sup> OF FINANCIAL CHALLENGES EXPERIENCED IN PRIOR 12 MONTHS<sup>2</sup>



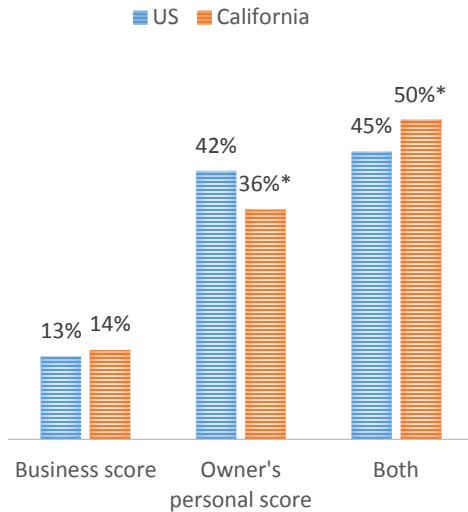
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<sup>1</sup> Financial challenges are listed in chart below. Respondents could select multiple options.

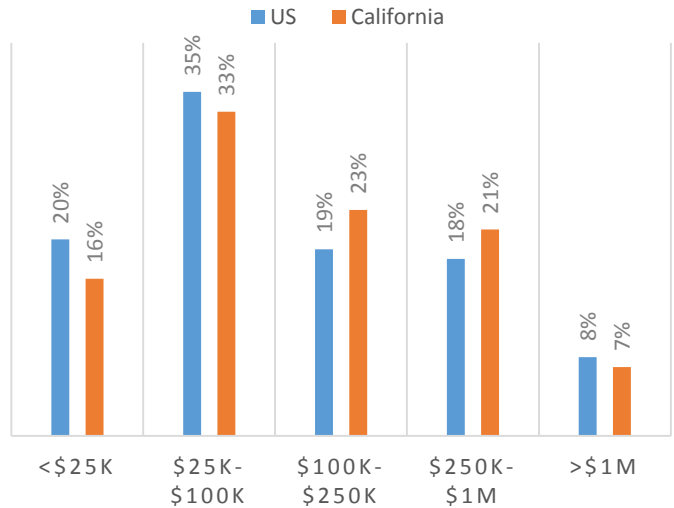
<sup>2</sup> Approximately the second half of 2015 through the second half of 2016.

# CALIFORNIA

## USE OF PERSONAL VERSUS BUSINESS CREDIT SCORE

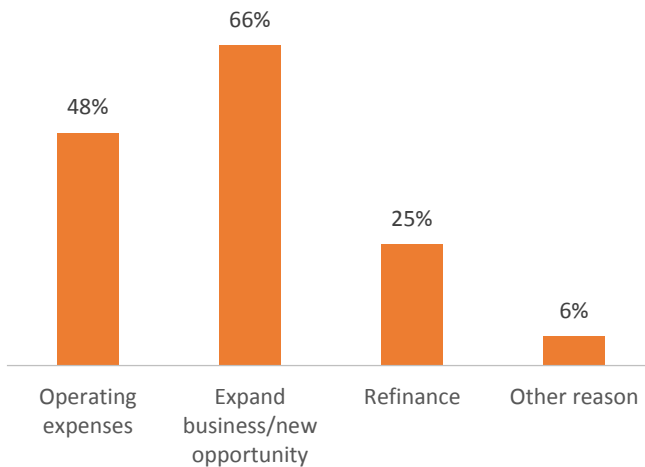


## AMOUNT OF FINANCING SOUGHT<sup>1</sup>

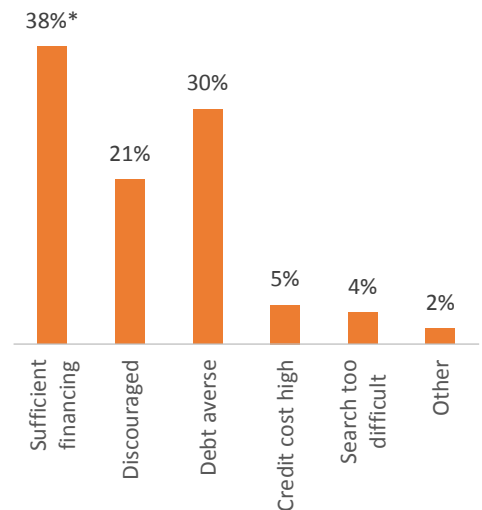


**49%** of employer firms applied for financing in prior 12 months  
**33%** of employer firms sought financing of \$25K - \$100K

## REASONS<sup>2</sup> FOR SEEKING FINANCING



## PRIMARY REASON FOR NOT APPLYING



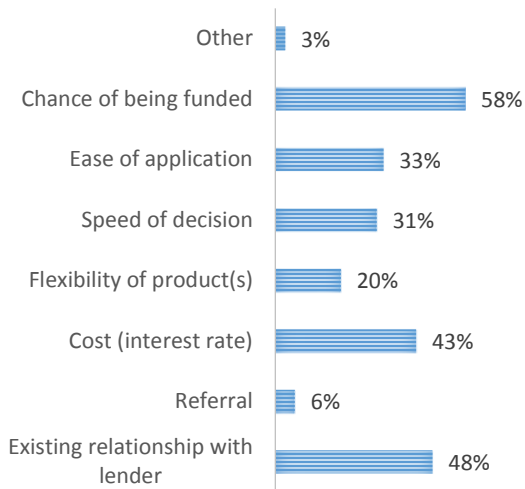
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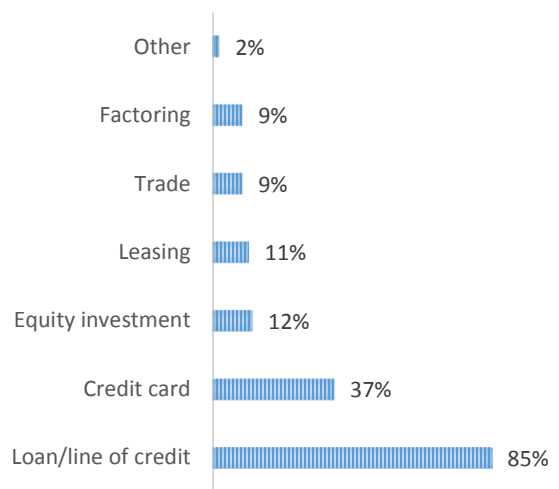
<sup>2</sup> Respondents could select multiple options.

# CALIFORNIA

## FACTORS INFLUENCING APPLICATION DECISION<sup>1</sup>

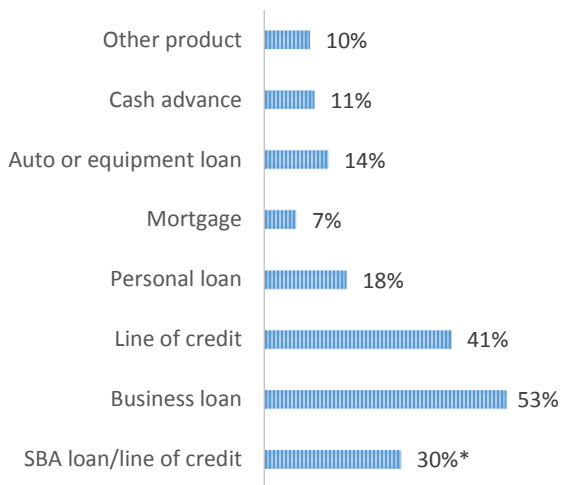


## APPLICATION RATE BY FINANCIAL PRODUCT<sup>1</sup>

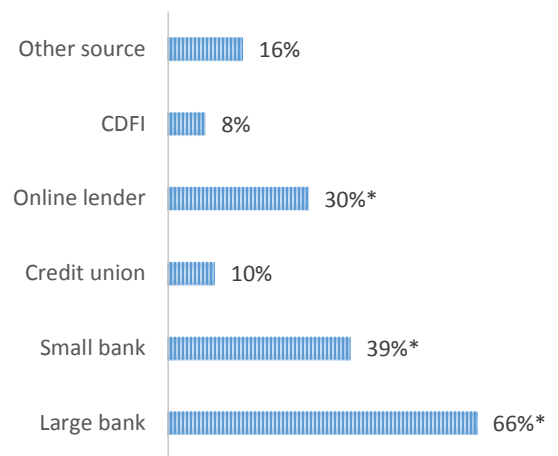


**85% of employer firms applied for a loan/line of credit**  
**30% of employer firms applied for a loan/line of credit by an online lender**

## APPLICATION RATE BY TYPE OF LOAN/LINE OF CREDIT<sup>1</sup>



## APPLICATION RATE BY SOURCE OF LOAN/LINE OF CREDIT<sup>1</sup>



\* Denotes a significant difference between the value of a particular state and the United States at the ninety-five percent level.

<sup>1</sup> Respondents could select multiple options.

# HAWAII: EXECUTIVE SUMMARY

In Hawaii, there were 142 respondents for the 2016 Small Business Credit Survey.

## POSITIVE PERFORMANCE AND HIGH EXPECTATIONS OF GROWTH

- Hawaii firms had a profitability index of 35 at the end of 2015, which reflects the share of firms reporting profitability minus the share not profitable. Nationally, the profitability index is 27.<sup>1</sup>
- A majority of firms expect to grow in revenue in the next year. Most firms also expect to expand their workforce in the next year as well.
- Compared to the national average, fewer Hawaiian firms increased their debt load this year.

## DESPITE POSITIVE PERFORMANCES, MANY FIRMS STILL FACE FINANCIAL DIFFICULTIES

- While most Hawaiian firms have not increased their debts this year, 73 percent of firms possessed outstanding debt, roughly on par with the national average.

- Of firms with prior outstanding debt, nearly 40 percent of them have debts amounting to more than \$100,000.

- More than 61 percent of firms did not apply for funds. Of those that did not apply, 45 percent chose not to apply because they were sufficiently financed.

- A quarter of businesses did not apply for financing out of fear of being turned down, and another quarter did not apply because they were debt averse.

- The three most cited financial challenges experienced in 2016 were debt payments, operating expenses, and a lack of credit availability.

## FIRMS SEEK FINANCING FOR GROWTH AND OPERATING EXPENSES; LARGE DEMAND FOR SMALL LOANS

- While most firms who applied for funding cited expansion of business as a primary reason, addressing operating expenses comprised a significant reason to seek financing.

- Most applicants sought out funding for less than \$100,000 (nearly 62 percent of applicants, compared to 55 percent nationally).

- Loans and lines of credit were the dominant financing products. Nearly 94 percent of applicants applied for a loan or line of credit; 35 percent applied for a credit card.

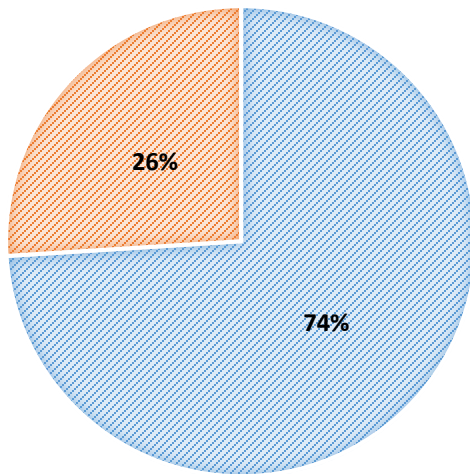
- Firms sought out both large banks (50 percent) and small banks (52 percent), with few seeking online lenders (12 percent). Only 1 percent of firms applied for funding from CDFIs, which was significantly lower than the national rate of 6 percent.

<sup>1</sup> A number of above 0 indicates more respondents selected 'profitable' than 'not profitable'.

# HAWAII

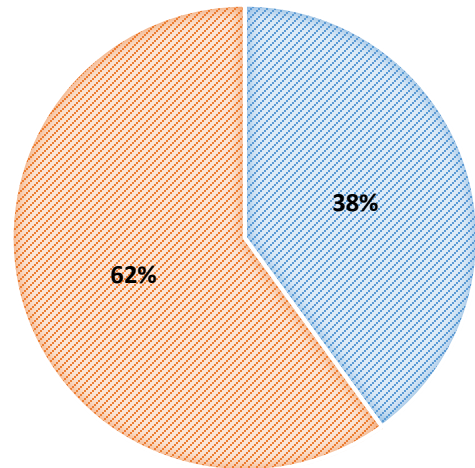
**LOCATION<sup>1,2</sup>**

■ Urban ■ Rural



**INDUSTRY<sup>1,3</sup>**

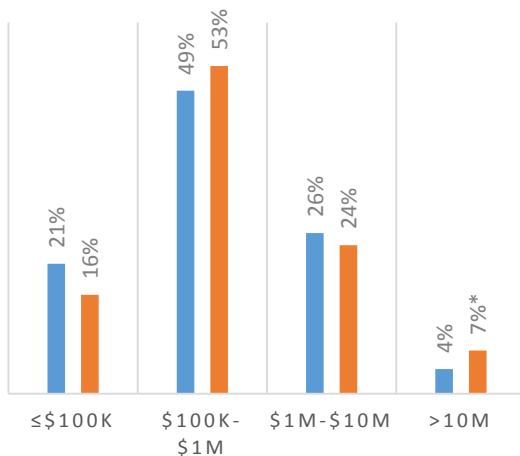
■ Goods, retail, and finance ■ Services, except finance



**53% of employer firms have revenue of \$100K - \$1M**  
**24% of employer firms in Hawaii are growing**

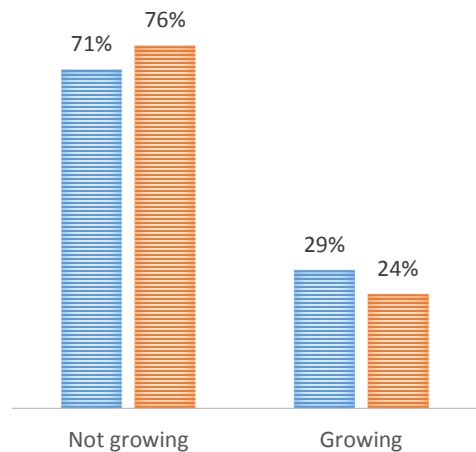
**REVENUE SIZE OF FIRM  
(% OF EMPLOYER FIRMS)**

■ US ■ Hawaii



**GROWTH STAGE OF FIRM<sup>4</sup>**

■ US ■ Hawaii



\* Denotes a significant difference between the value of a particular state and the United States at the ninety-five percent level.

1 SBCS responses throughout the report are weighted using Census data to represent the US small business population of the following dimensions: firm age, size, industry, and geography.

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

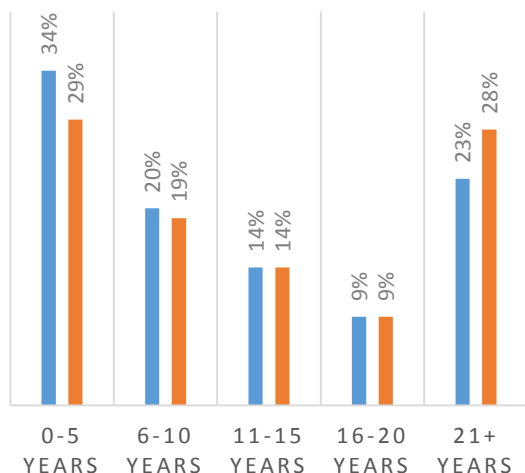
3 Firm industry is classified based on the description of what the business does, as provided by the survey participant.

4 Growing firms are defined as those that increased revenues, increased employees and plan to increase or maintain number of employees.

# HAWAII

## AGE OF FIRM<sup>1,2</sup>

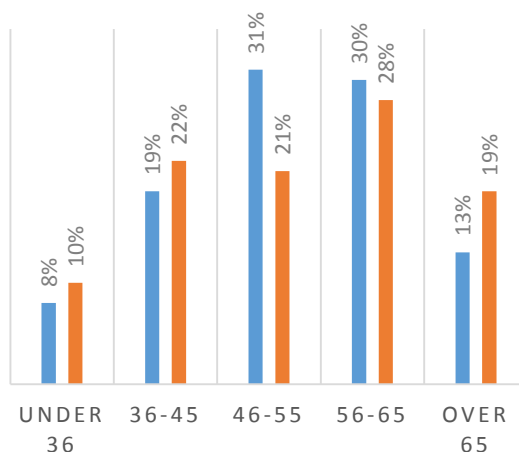
■ US ■ Hawaii



## AGE OF PRIMARY OWNER<sup>2</sup>

(% OF EMPLOYER FIRMS)

■ US ■ Hawaii

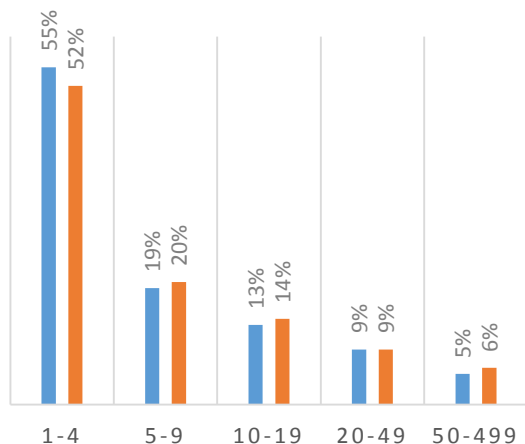


**44% of employer firms use contract workers**  
**67% of employer firms in Hawaii have low credit risk**

## NUMBER OF EMPLOYEES<sup>1,2,3</sup>

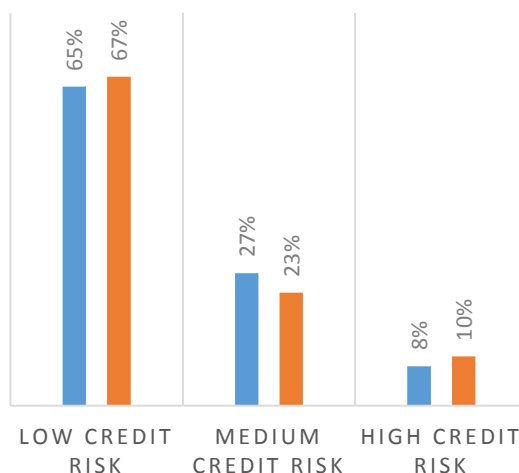
(% OF EMPLOYER FIRMS)

■ US ■ Hawaii



## CREDIT RISK<sup>4</sup>

■ US ■ Hawaii



<sup>1</sup> SBCS responses throughout the report are weighted using Census data to represent the US small business population of the following dimensions: firm age, size, industry, and geography. For details on weighting, see Methodology section.

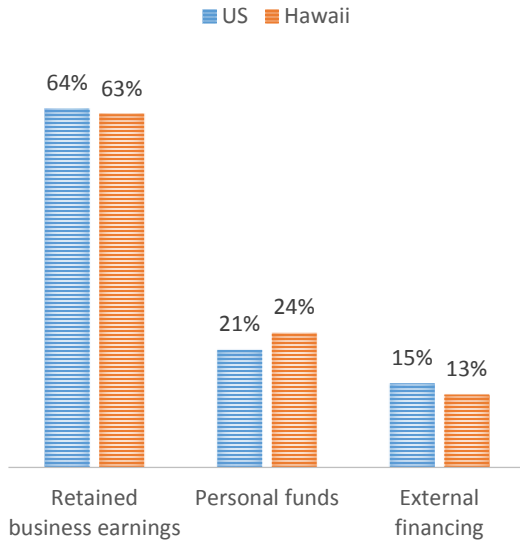
<sup>2</sup> Percentages may not sum to 100 due to rounding.

<sup>3</sup> Employer firms are those that reported having at least one full- or part-time employee. Does not include self-employed or firms where the owner is the only employee.

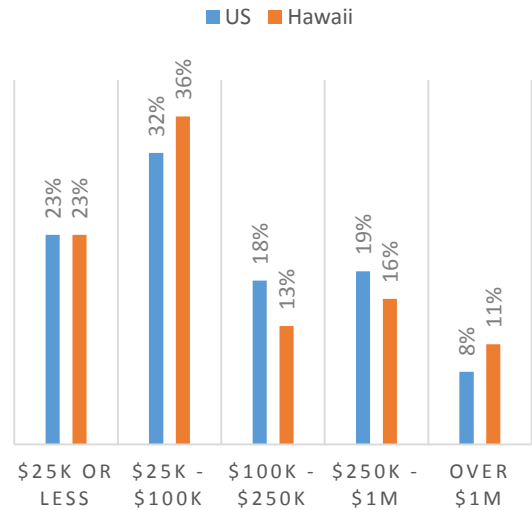
<sup>4</sup> Self-reported business credit score or personal credit score, depending on which is used to obtain financing for their business. If the firm uses both, the highest risk rating is used. 'Low credit risk' is a 80-100 business credit score or 720+ personal credit score. 'Medium credit risk' is a 50-79 business credit score or a 620-719 personal credit score. 'High credit risk' is a 1-49 business credit or a <620 personal credit score.

# HAWAII

## PRIMARY FUNDING SOURCE

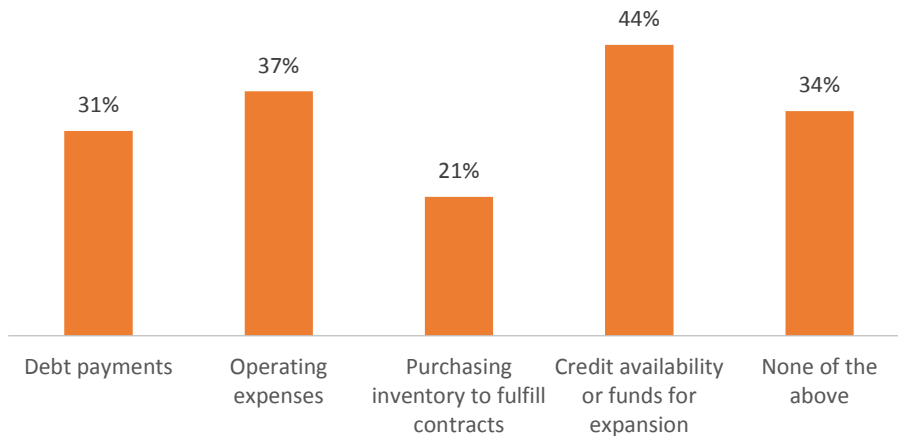


## AMOUNT OF OUTSTANDING DEBT



**13%** of employer firms use external financing  
**73%** of employer firms have outstanding debt

## TYPES<sup>1</sup> OF FINANCIAL CHALLENGES EXPERIENCED IN PRIOR 12 MONTHS<sup>2</sup>

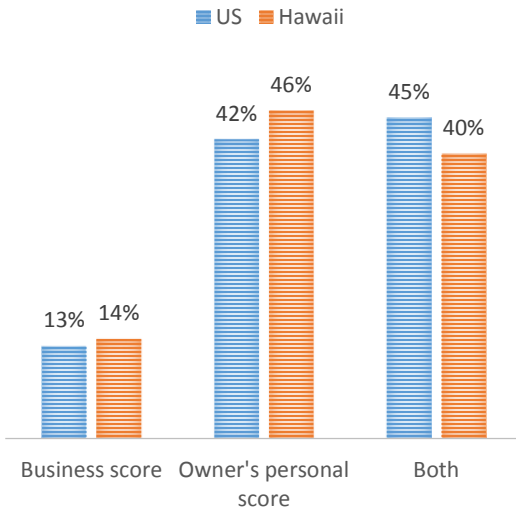


<sup>1</sup> Financial challenges are listed in chart below. Respondents could select multiple options.

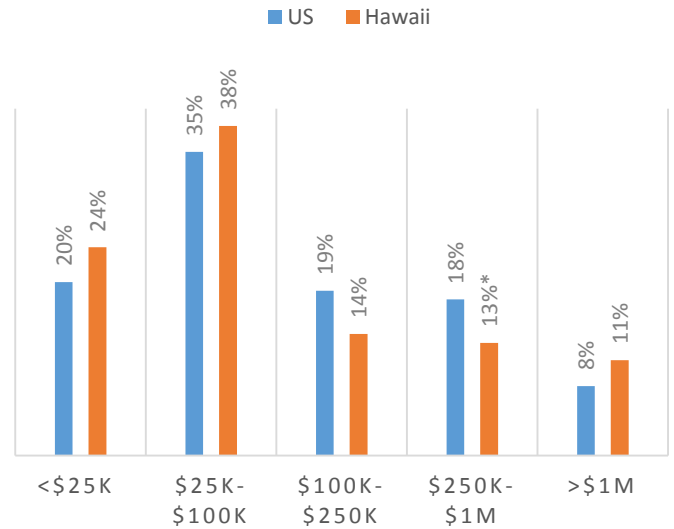
<sup>2</sup> Approximately the second half of 2015 through the second half of 2016.

# HAWAII

## USE OF PERSONAL VERSUS BUSINESS CREDIT SCORE

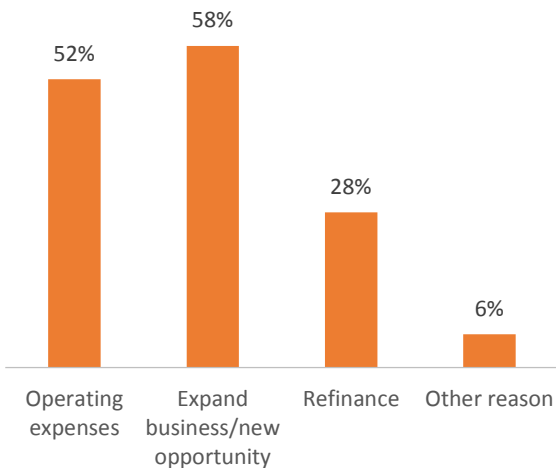


## AMOUNT OF FINANCING SOUGHT<sup>1</sup>

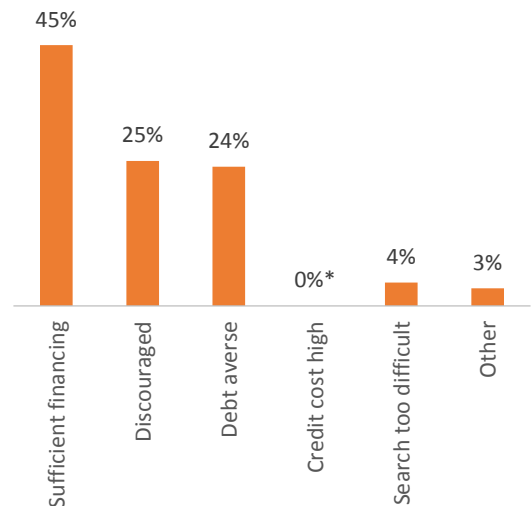


**39% of employer firms applied for financing in prior 12 months**  
**38% of employer firms sought financing of \$25K - \$100K**

## REASONS<sup>2</sup> FOR SEEKING FINANCING



## PRIMARY REASON FOR NOT APPLYING



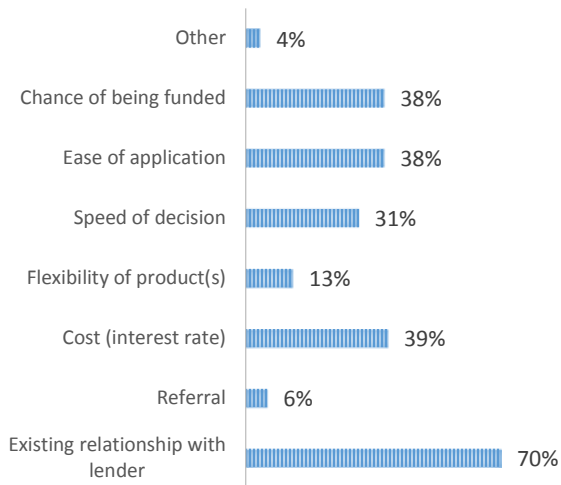
\* Denotes a significant difference between the value of a particular state and the United States at the ninety-five percent level.

1 Percentages may not sum to 100 due to rounding.

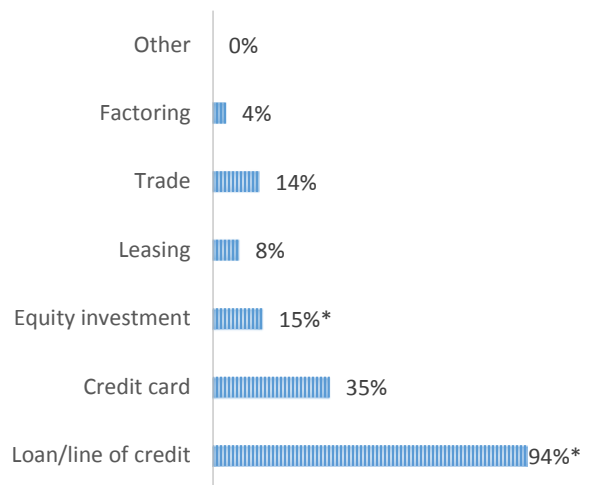
2 Respondents could select multiple options.

# HAWAII

## FACTORS INFLUENCING APPLICATION DECISION<sup>1</sup>

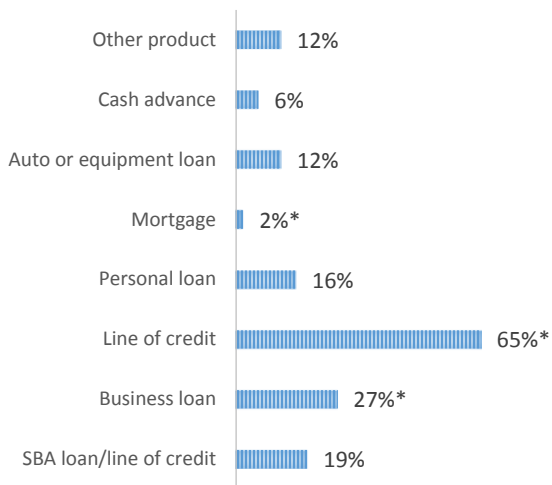


## APPLICATION RATE BY FINANCIAL PRODUCT<sup>1</sup>

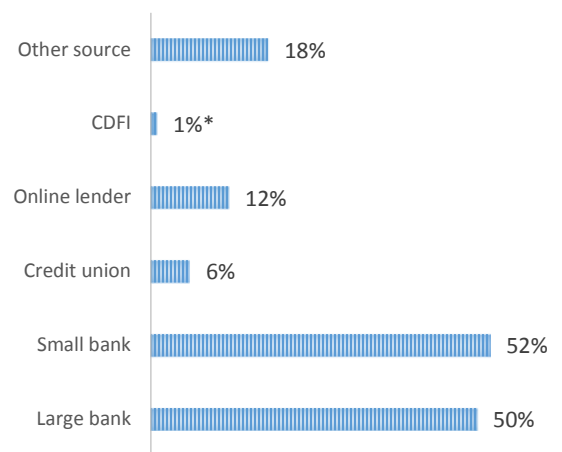


**94% of employer firms applied for a loan/line of credit**  
**12% of employer firms applied for a loan/line of credit by an online lender**

## APPLICATION RATE BY TYPE OF LOAN/LINE OF CREDIT<sup>1</sup>



## APPLICATION RATE BY SOURCE OF LOAN/LINE OF CREDIT<sup>1</sup>



\* Denotes a significant difference between the value of a particular state and the United States at the ninety-five percent level.

<sup>1</sup> Respondents could select multiple options.

# NEVADA: EXECUTIVE SUMMARY

In Nevada, there were 114 respondents for the 2016 Small Business Credit Survey.

## HEALTHY PERFORMANCE AND OPTIMISM ABOUT FUTURE GROWTH; MODEST DEBT EXPECTATION

- Nevada firms had a profitability index of 24 at the end of 2015, which reflects the share of firms reporting profitability minus the share not profitable. Nationally, the profitability index is 27.<sup>1</sup>
- Firms remain optimistic about the prospects of growth in the next year. They expect growing revenues as well as an expanded workforce.
- 61 percent of firms rely on retained business earnings as their primary source of funding. 31 percent rely on personal funds and 8 percent on external financing.
- 64 percent of firms have outstanding debt, less than the national average of 71 percent. Most firms do not expect to increase their debt level in 2017.

## OPERATING EXPENSES AND CREDIT AVAILABILITY REMAIN BIGGEST CHALLENGES

- 48 percent of firms have cited credit availability or funds for expansion as one of the primary financial challenges experienced in the last year.
- 43 percent of firms have also cited operating expenses as a major challenge.

## AMONG FIRMS THAT DID NOT SEEK FINANCING, ROUGHLY HALF REPORTED BEING SUFFICIENTLY FINANCED.

- 45 percent of firms did not apply for financing in the prior 12 months.
- Among firms that did not apply for financing, nearly 51 percent of firms claimed to be sufficiently financed.
- 21 percent of firms of firms did not apply in order to avoid taking on additional debt. 17 percent of firms reported being discouraged, believing they would be turned down.

## A MAJORITY OF FIRMS APPLIED FOR FUNDS TO GROW THEIR BUSINESS

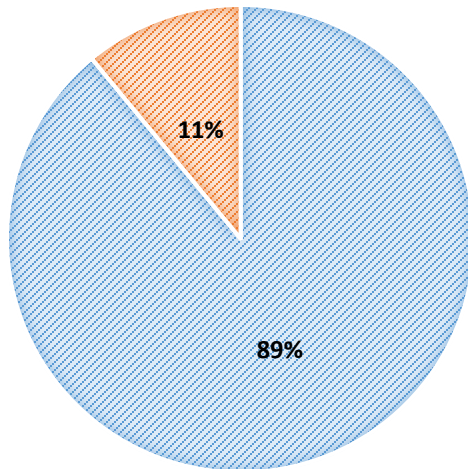
- 55 percent of firms applied for financing in 2016.
- 70 percent of applicants sought funding in order to expand their business or explore new opportunities. This share is greater than that of the national average of 64 percent.
- 43 percent of firms sought funding in order to address operating expenses, roughly on par with the national average.
- Nearly 65 percent of firms sought financing of \$100,000 or less, which was higher than the national rate of 55 percent.
- 85 percent of firms applied for a loan or line of credit, while 32 percent applied for a credit card.

<sup>1</sup> A number of above 0 indicates more respondents selected 'profitable' than 'not profitable'.

# NEVADA

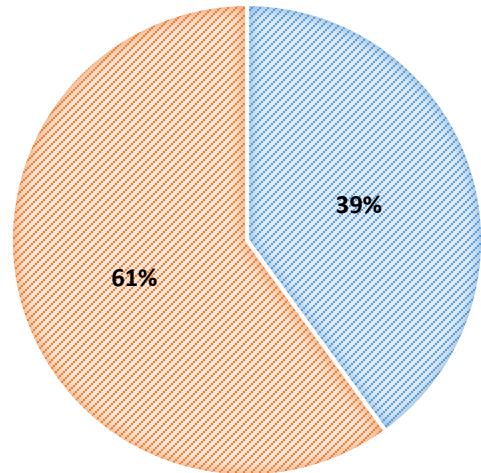
## LOCATION<sup>1,2</sup>

■ Urban ■ Rural



## INDUSTRY<sup>1,3</sup>

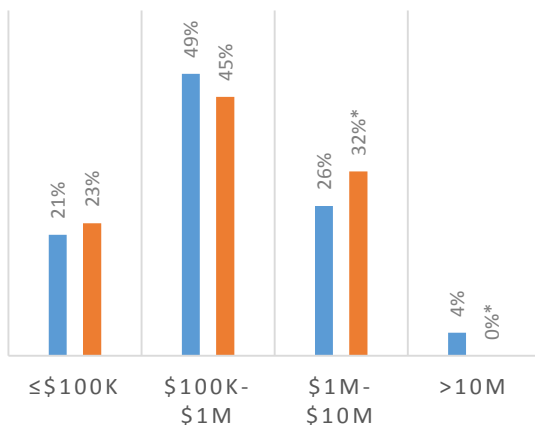
■ Goods, retail, and finance ■ Services, except finance



**45% of employer firms have revenue of \$100K - \$1M**  
**31% of employer firms in Nevada are growing**

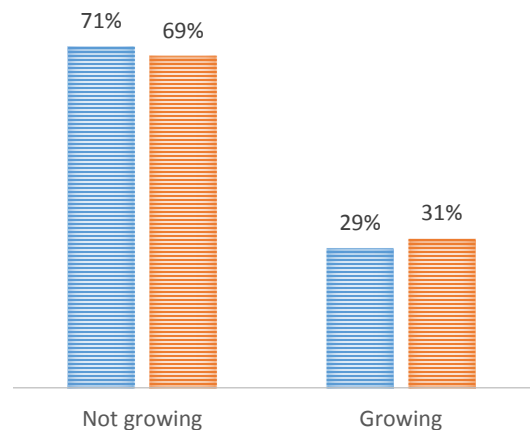
## REVENUE SIZE OF FIRM (% OF EMPLOYER FIRMS)

■ US ■ Nevada



## GROWTH STAGE OF FIRM<sup>4</sup>

■ US ■ Nevada



\* Denotes a significant difference between the value of a particular state and the United States at the ninety-five percent level.

<sup>1</sup> SBCS responses throughout the report are weighted using Census data to represent the US small business population of the following dimensions: firm age, size, industry, and geography.

<sup>2</sup> Urban and rural definitions come from Centers for Medicare & Medicaid Services.

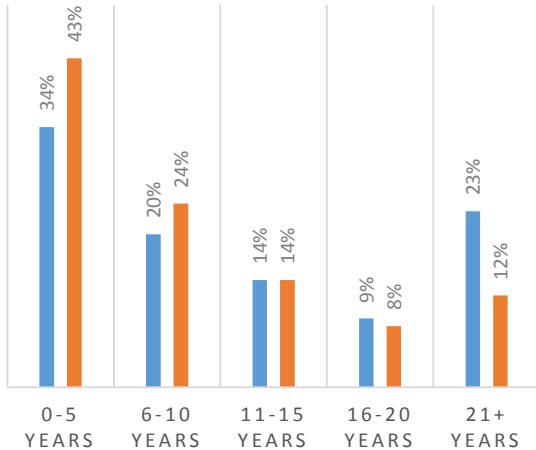
<sup>3</sup> Firm industry is classified based on the description of what the business does, as provided by the survey participant.

<sup>4</sup> Growing firms are defined as those that increased revenues, increased employees and plan to increase or maintain number of employees.

# NEVADA

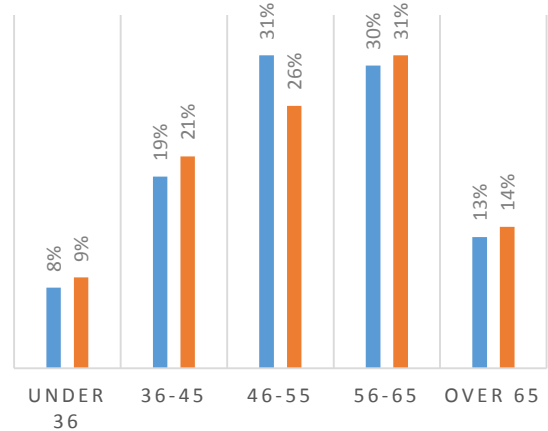
## AGE OF FIRM<sup>1,2</sup>

■ US ■ Nevada



## AGE OF PRIMARY OWNER<sup>2</sup> (% OF EMPLOYER FIRMS)

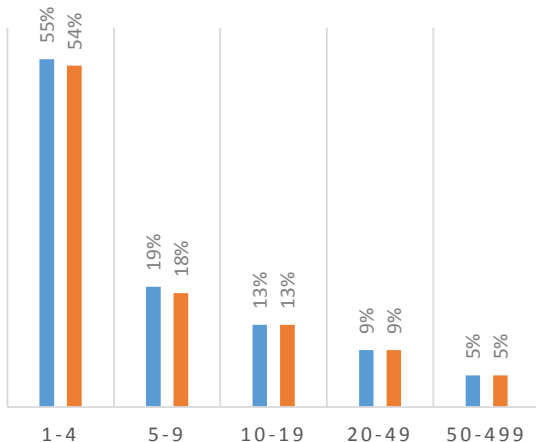
■ US ■ Nevada



**41% of employer firms use contract workers**  
**62% of employer firms in Nevada have low credit risk**

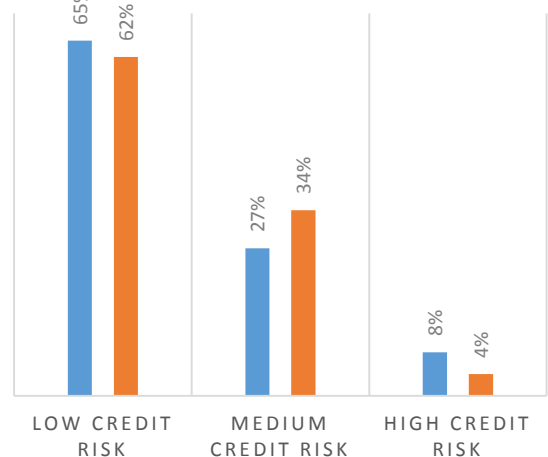
## NUMBER OF EMPLOYEES<sup>1,2,3</sup> (% OF EMPLOYER FIRMS)

■ US ■ Nevada



## CREDIT RISK<sup>4</sup>

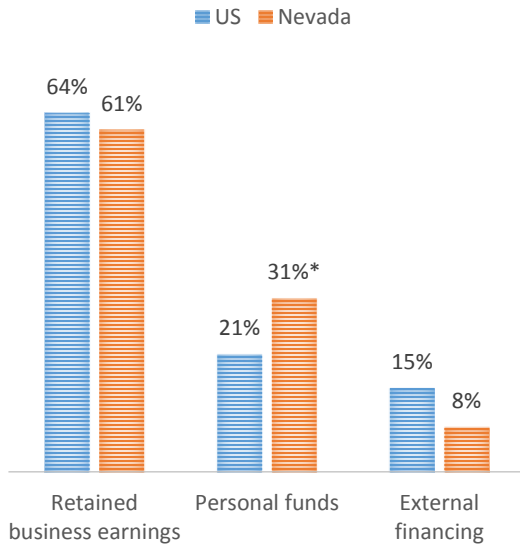
■ US ■ Nevada



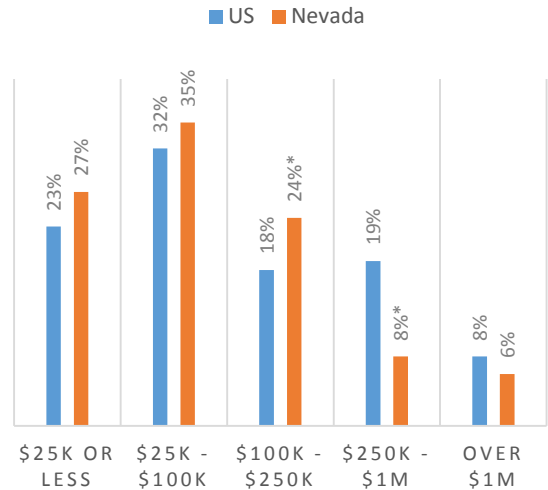
- <sup>1</sup> SBCS responses throughout the report are weighted using Census data to represent the US small business population of the following dimensions: firm age, size, industry, and geography. For details on weighting, see Methodology section.
- <sup>2</sup> Percentages may not sum to 100 due to rounding.
- <sup>3</sup> Employer firms are those that reported having at least one full- or part-time employee. Does not include self-employed or firms where the owner is the only employee.
- <sup>4</sup> 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 highest risk rating is used. 'Low credit risk' is a 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 or a <620 personal credit score.

# NEVADA

## PRIMARY FUNDING SOURCE

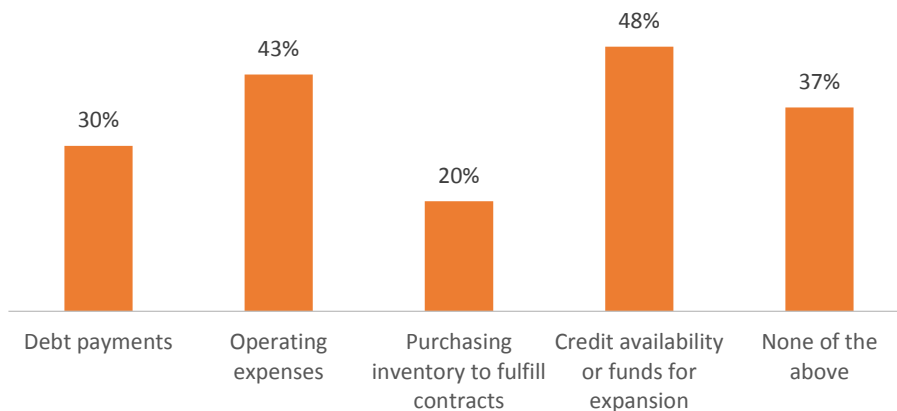


## AMOUNT OF OUTSTANDING DEBT



**8% of employer firms use external financing**  
**64% of employer firms have outstanding debt**

## TYPES<sup>1</sup> OF FINANCIAL CHALLENGES EXPERIENCED IN PRIOR 12 MONTHS<sup>2</sup>



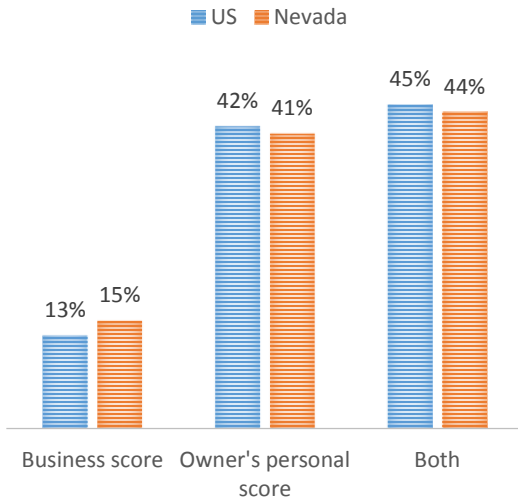
\* Denotes a significant difference between the value of a particular state and the United States at the ninety-five percent level.

<sup>1</sup> Financial challenges are listed in chart below. Respondents could select multiple options.

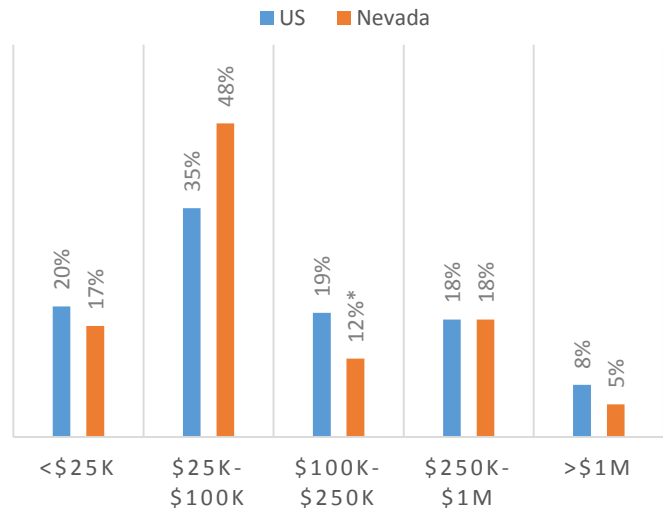
<sup>2</sup> Approximately the second half of 2015 through the second half of 2016.

# NEVADA

## USE OF PERSONAL VERSUS BUSINESS CREDIT SCORE

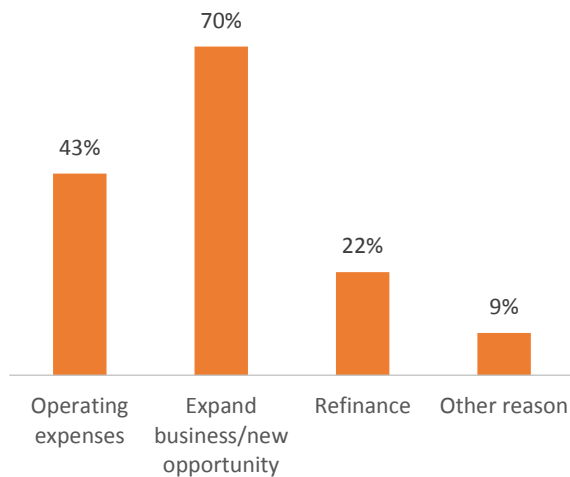


## AMOUNT OF FINANCING SOUGHT<sup>1</sup>

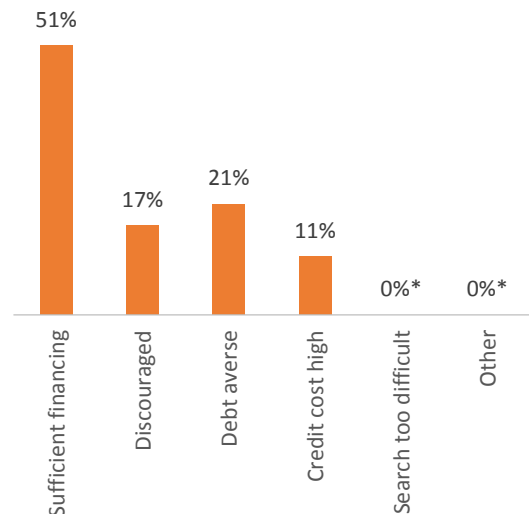


**55% of employer firms applied for financing in prior 12 months**  
**48% of employer firms sought financing of \$25K - \$100K**

## REASONS<sup>2</sup> FOR SEEKING FINANCING



## PRIMARY REASON FOR NOT APPLYING



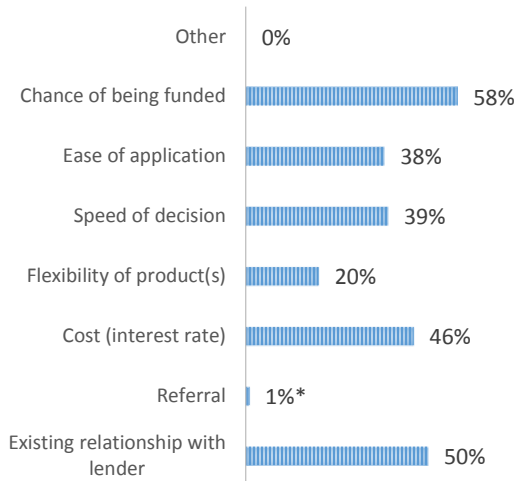
\* Denotes a significant difference between the value of a particular state and the United States at the ninety-five percent level.

<sup>1</sup> Percentages may not sum to 100 due to rounding.

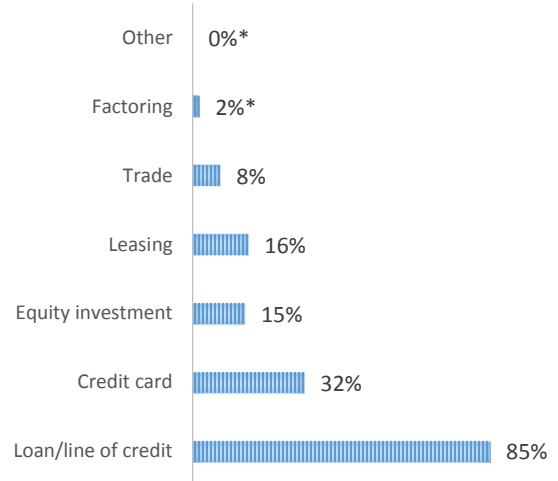
<sup>2</sup> Respondents could select multiple options.

# NEVADA

## FACTORS INFLUENCING APPLICATION DECISION<sup>1</sup>

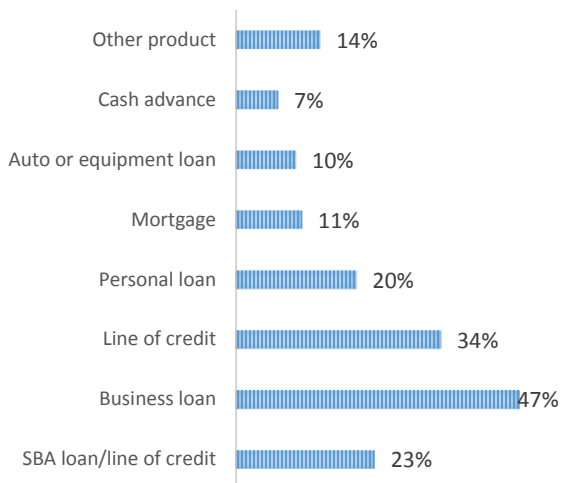


## APPLICATION RATE BY FINANCIAL PRODUCT<sup>1</sup>

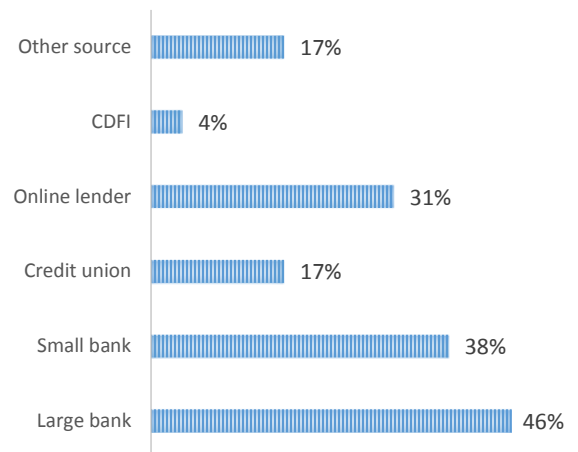


**85% of employer firms applied for a loan/line of credit**  
**31% of employer firms applied for a loan/line of credit by an online lender**

## APPLICATION RATE BY TYPE OF LOAN/LINE OF CREDIT<sup>1</sup>



## APPLICATION RATE BY SOURCE OF LOAN/LINE OF CREDIT<sup>1</sup>



\* Denotes a significant difference between the value of a particular state and the United States at the ninety-five percent level.

<sup>1</sup> Respondents could select multiple options.

# OREGON: EXECUTIVE SUMMARY

In Oregon, there were 128 respondents for the 2016 Small Business Credit Survey.

## HEALTHY PERFORMANCE AND OPTIMISTIC ABOUT FUTURE.

- Oregon firms had a profitability index of 39 at the end of 2015, which reflects the share of firms reporting profitability minus the share not profitable. Nationally, the profitability index is 27.<sup>1</sup>
- Most firms are optimistic that their businesses will continue growing in revenue in the next year.
- Of the 70 percent of firms that have outstanding debt, most firms (59 percent) have debt of \$100,000 or less.
- Most firms do not expect to increase their debt level in the next year.

## MANY FIRMS DID NOT REPORT FACING COMMON FINANCIAL CHALLENGES

- 42 percent of Oregon firms, compared to 39 percent of national firms, reported experiencing none of the most common financial challenges in the prior year.
- Nevertheless, many firms still reported facing some financial challenges. The most common financial challenge is the lack of credit availability or fund for expansion (45 percent of firms).
- 30 percent of firms reported operating expenses, and less than a quarter reported experiencing debt payments as a financial challenge.

## MOST FIRMS THAT DID NOT APPLY REPORTED BEING SUFFICIENTLY FINANCED

- Nearly 53 percent of firms did not apply for financing. 44 percent of these firms reported being sufficiently financed.

- About a quarter of non-applicant firms did not apply for funding because they were debt averse, while 18 percent of firms felt discouraged, believing they would be turned down.

## APPLICANT FIRMS CITED GROWTH AS PRIMARY REASON FOR SEEKING FINANCE

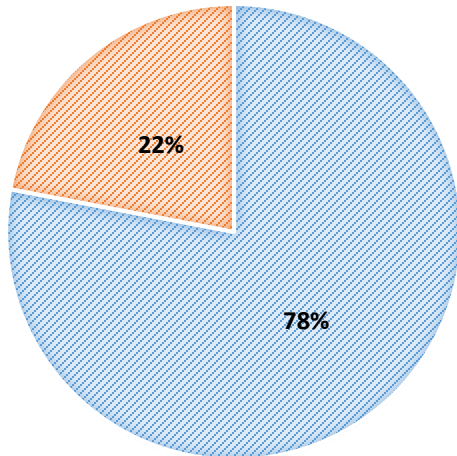
- 66 percent of firms sought financing that amounted to less than \$100,000.
- Of those who sought financing in 2016, 66 percent cited the prospects of expanding their business or exploring new opportunities as a reason to seek financing.
- 41 percent cited the need to address operating expenses, while 30 percent sought financing for refinancing purposes.

<sup>1</sup> A number of above 0 indicates more respondents selected 'profitable' than 'not profitable'.

# OREGON

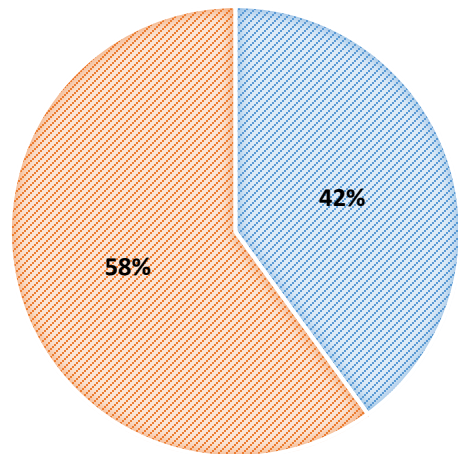
## LOCATION<sup>1,2</sup>

■ Urban ■ Rural



## INDUSTRY<sup>1,3</sup>

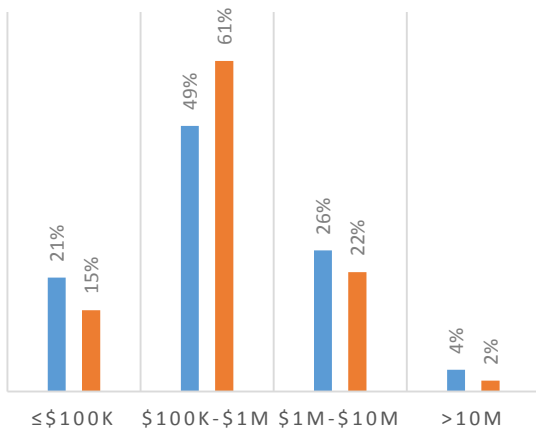
■ Goods, retail, and finance ■ Services, except finance



**61% of employer firms have revenue of \$100K - \$1M**  
**33% of employer firms in Oregon are growing**

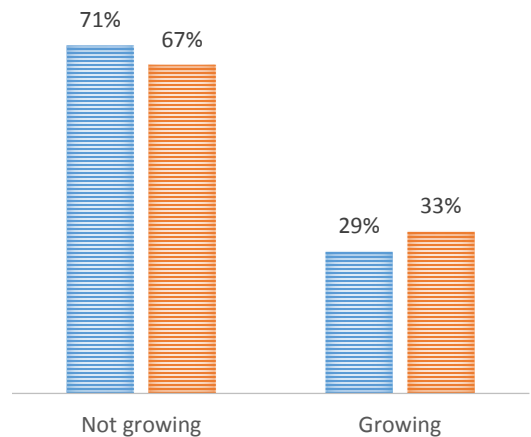
## REVENUE SIZE OF FIRM (% OF EMPLOYER FIRMS)

■ US ■ Oregon



## GROWTH STAGE OF FIRM<sup>4</sup>

■ US ■ Oregon



<sup>1</sup> SBCS responses throughout the report are weighted using Census data to represent the US small business population of the following dimensions: firm age, size, industry, and geography.

<sup>2</sup> Urban and rural definitions come from Centers for Medicare & Medicaid Services.

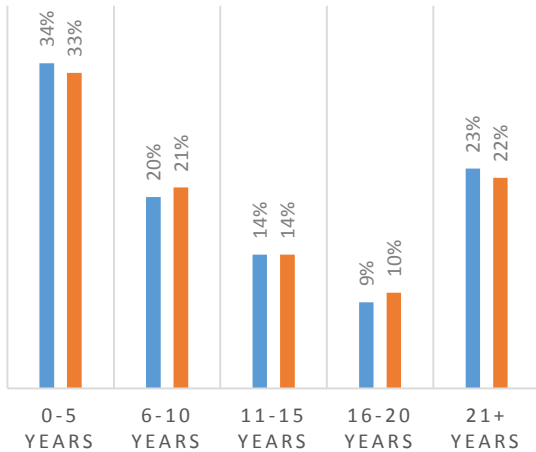
<sup>3</sup> Firm industry is classified based on the description of what the business does, as provided by the survey participant.

<sup>4</sup> Growing firms are defined as those that increased revenues, increased employees and plan to increase or maintain number of employees.

# OREGON

## AGE OF FIRM<sup>1,2</sup>

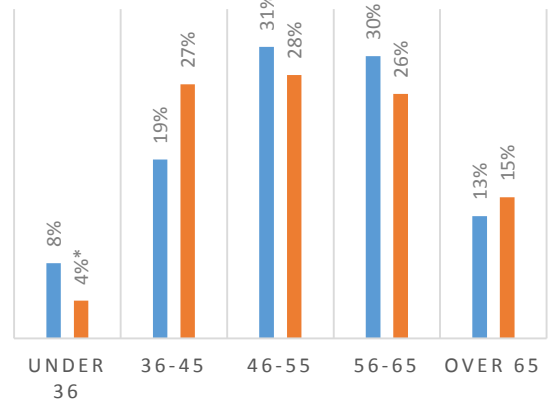
■ US ■ Oregon



## AGE OF PRIMARY OWNER<sup>2</sup>

(% OF EMPLOYER FIRMS)

■ US ■ Oregon

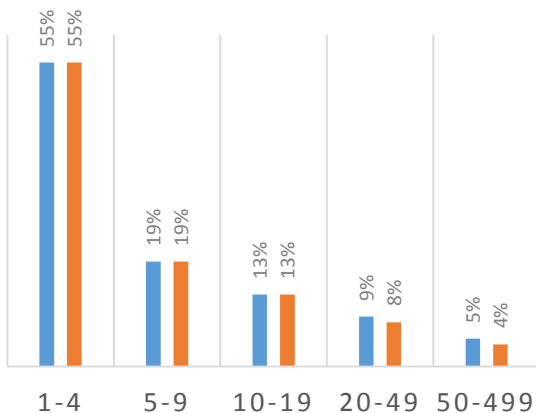


**55% of employer firms use contract workers**  
**64% of employer firms in Oregon have low credit risk**

## NUMBER OF EMPLOYEES<sup>1,2,3</sup>

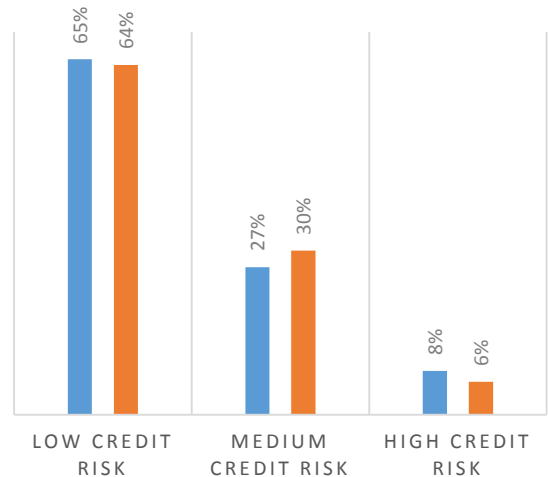
(% OF EMPLOYER FIRMS)

■ US ■ Oregon



## CREDIT RISK<sup>4</sup>

■ US ■ Oregon

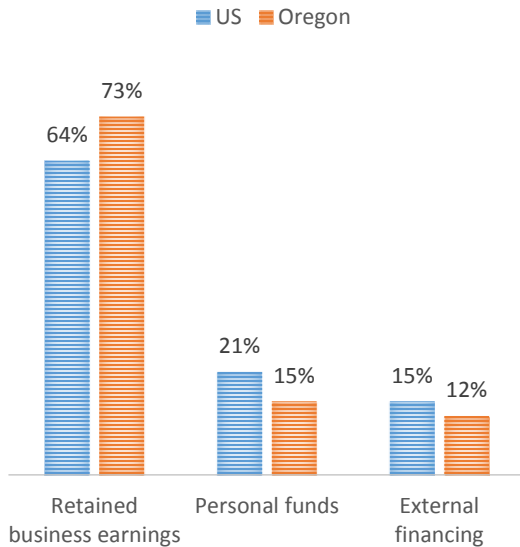


\* Denotes a significant difference between the value of a particular state and the United States at the ninety-five percent level.

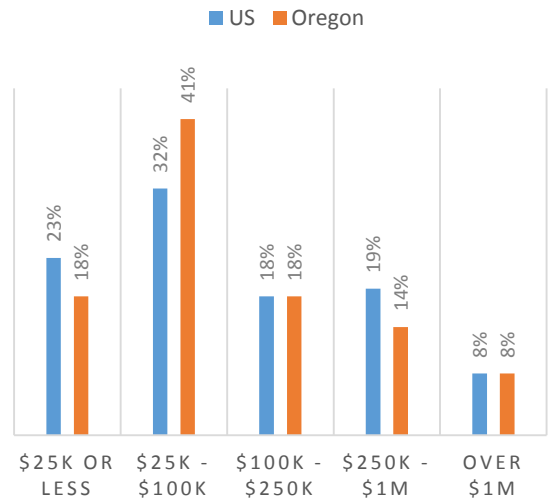
- 1 SBCS responses throughout the report are weighted using Census data to represent the US small business population of the following dimensions: firm age, size, industry, and geography. For details on weighting, see Methodology section.
- 2 Percentages may not sum to 100 due to rounding.
- 3 Employer firms are those that reported having at least one full- or part-time employee. Does not include self-employed or firms where the owner is the only employee.
- 4 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 highest risk rating is used. 'Low credit risk' is a 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 or a <620 personal credit score.

# OREGON

## PRIMARY FUNDING SOURCE

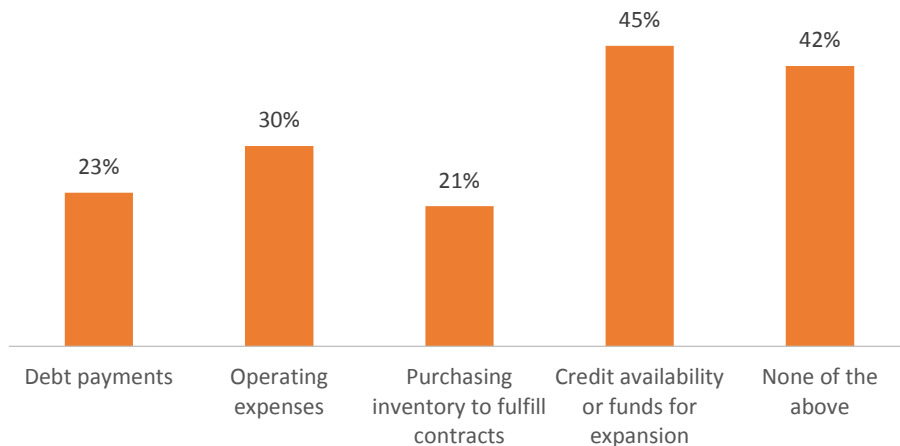


## AMOUNT OF OUTSTANDING DEBT



**12% of employer firms use external financing**  
**70% of employer firms have outstanding debt**

## TYPES<sup>1</sup> OF FINANCIAL CHALLENGES EXPERIENCED IN PRIOR 12 MONTHS<sup>2</sup>

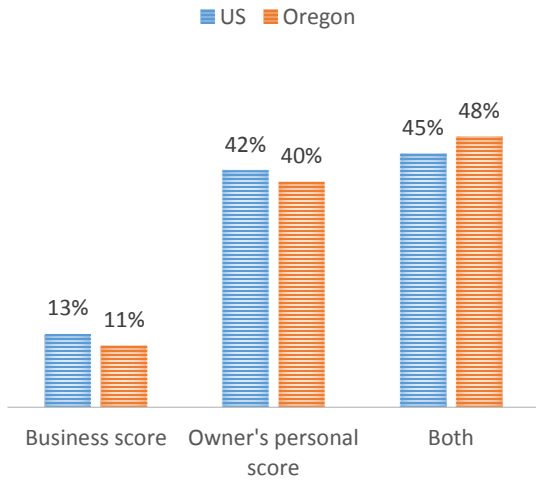


<sup>1</sup> Financial challenges are listed in chart below. Respondents could select multiple options.

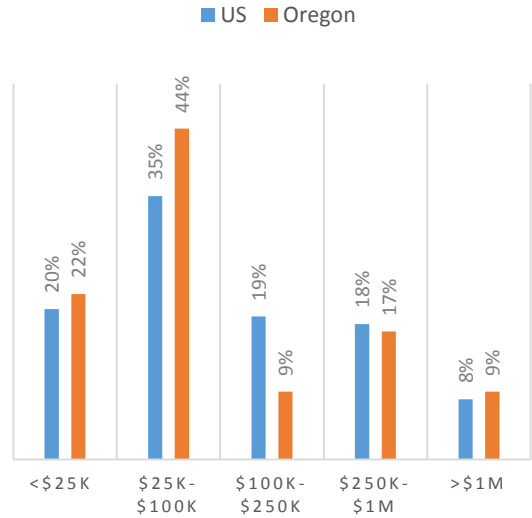
<sup>2</sup> Approximately the second half of 2015 through the second half of 2016.

# OREGON

## USE OF PERSONAL VERSUS BUSINESS CREDIT SCORE

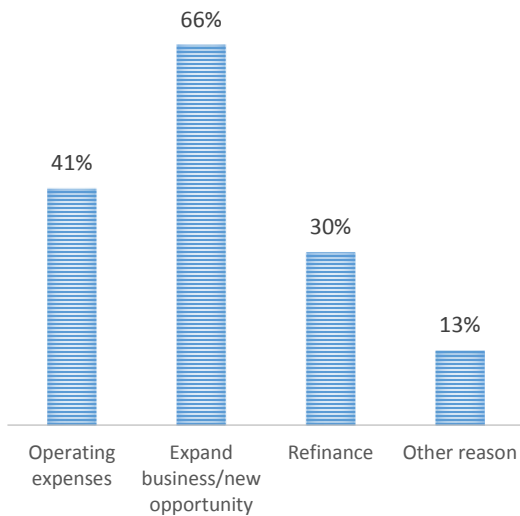


## AMOUNT OF FINANCING SOUGHT<sup>1</sup>

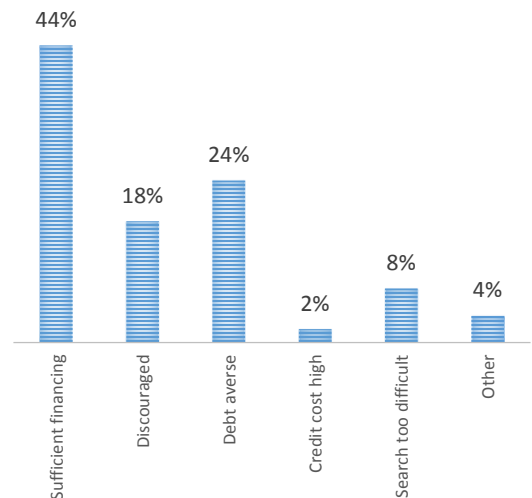


**47%** of employer firms applied for financing in prior 12 months  
**44%** of employer firms sought financing of \$25K - \$100K

## REASONS<sup>2</sup> FOR SEEKING FINANCING



## PRIMARY REASON FOR NOT APPLYING

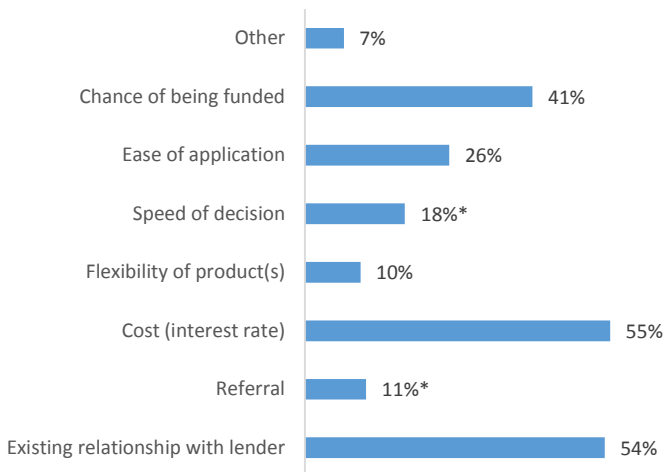


<sup>1</sup> Percentages may not sum to 100 due to rounding.

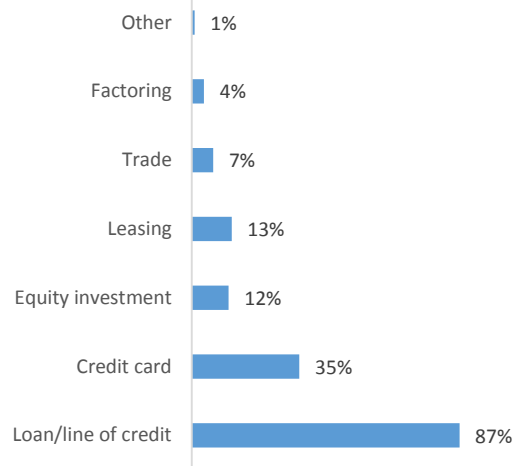
<sup>2</sup> Respondents could select multiple options.

# OREGON

## FACTORS INFLUENCING APPLICATION DECISION <sup>1</sup>

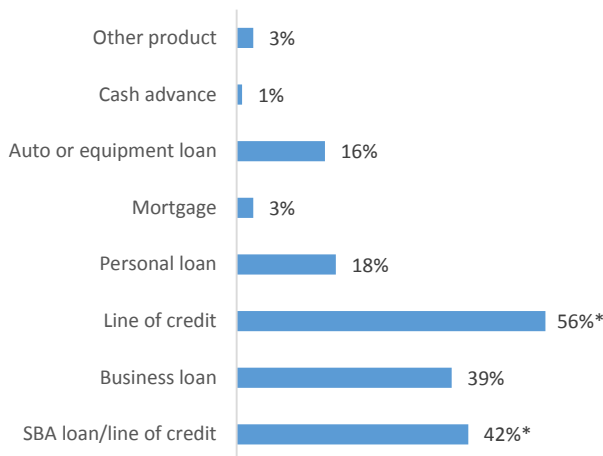


## APPLICATION RATE BY FINANCIAL PRODUCT <sup>1</sup>

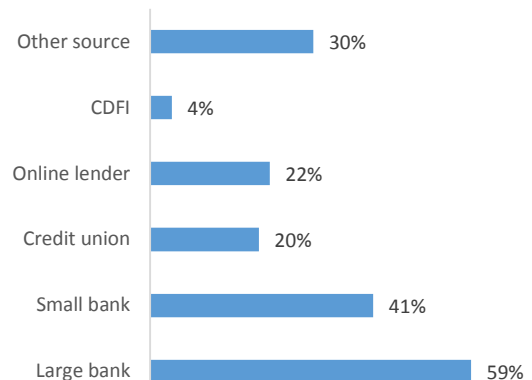


**87% of employer firms applied for a loan/line of credit**  
**22% of employer firms applied for a loan/line of credit by an online lender**

## APPLICATION RATE BY TYPE OF LOAN/LINE OF CREDIT <sup>1</sup>



## APPLICATION RATE BY SOURCE OF LOAN/LINE OF CREDIT <sup>1</sup>



\* Denotes a significant difference between the value of a particular state and the United States at the ninety-five percent level.

<sup>1</sup> Respondents could select multiple options.

# WASHINGTON: EXECUTIVE SUMMARY

In Washington, there were 213 respondents for the 2016 Small Business Credit Survey.

## HEALTHY PERFORMANCE; EXPECTATIONS OF GROWTH AND EXPANSION

- Washington firms had a profitability index of 39 at the end of 2015, which reflects the share of firms reporting profitability minus the share not profitable. Nationally, the profitability index is 27.<sup>1</sup>
- Most firms expect to expand their workforce in 2017.
- 65 percent of firms possessed prior outstanding debt, and 52 percent of those debts amount to less than \$100,000.
- A majority of firms do not expect to increase their debt level in the next year.

## MOST FIRMS CITE CREDIT AVAILABILITY AS MAJOR FINANCIAL CHALLENGE

- 50 percent of firms have cited credit availability as a financial challenge experienced in the past year.

- 36 percent of firms cited operating expenses and 24 percent of firms cited debt payments as other types of financial challenges experienced in the last year.

- Nearly 37 percent of firms reported not experiencing any of the aforementioned challenges in the past 12 months.

## FEWER THAN HALF OF FIRMS DID NOT APPLY FOR FINANCING

- 48 percent of firms did not apply for a loan; among those firms, 58 percent did not apply because they were sufficiently financed.
- The remaining firms that were not sufficiently financed did not apply for funds because they were debt averse (24 percent), or felt discouraged (13 percent).

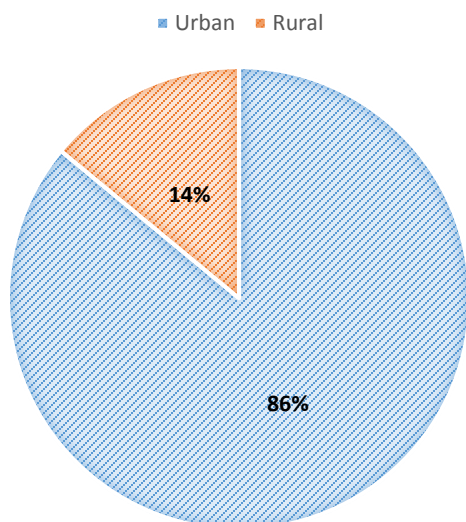
## MOST APPLICANTS ARE SEEKING SMALL LOANS FOR BUSINESS EXPANSION OPPORTUNITIES

- 52 percent of firms in Washington applied for financing. Of those that applied, 64 percent of firms sought financing in order to expand businesses or explore new opportunities.
- 40 percent of applicant firms also sought financing in order to address their operating expenses.
- 57 percent of firms sought financing of \$100,000 or less.
- 57 percent of firms cited their existing relationships with the lender as a major factor influencing their decision to apply, and 54 percent of firms cited their chance of being funded as another factor.

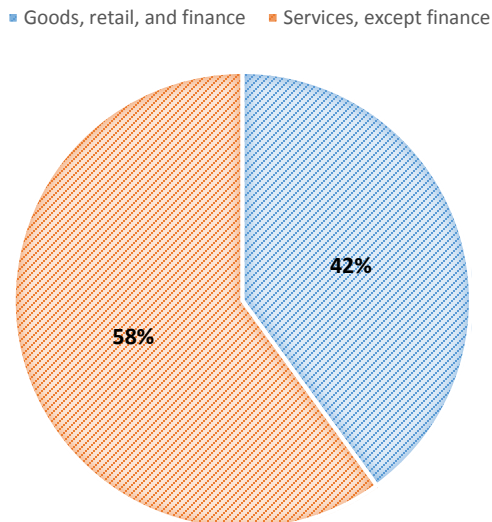
<sup>1</sup> A number of above 0 indicates more respondents selected 'profitable' than 'not profitable'.

# WASHINGTON

LOCATION<sup>1,2</sup>

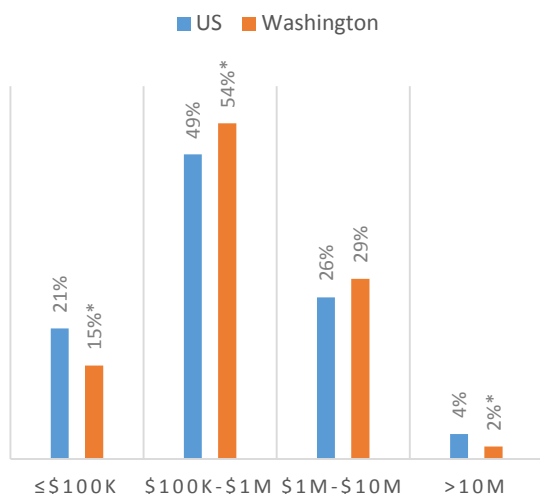


INDUSTRY<sup>1,3</sup>

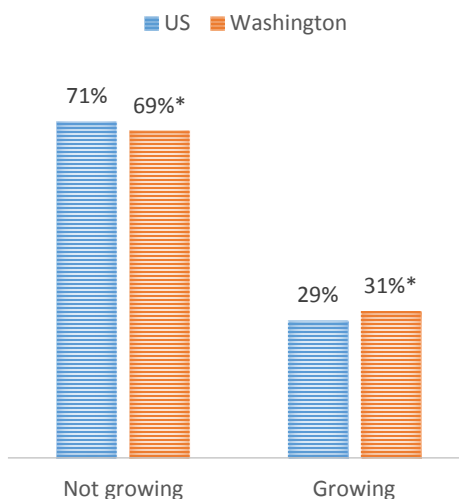


**54% of employer firms have revenue of \$100K - \$1M**  
**31% of employer firms in Washington are growing**

REVENUE SIZE OF FIRM  
(% OF EMPLOYER FIRMS)



GROWTH STAGE OF FIRM<sup>4</sup>



\* Denotes a significant difference between the value of a particular state and the United States at the ninety-five percent level.

1 SBCS responses throughout the report are weighted using Census data to represent the US small business population of the following dimensions: firm age, size, industry, and geography.

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

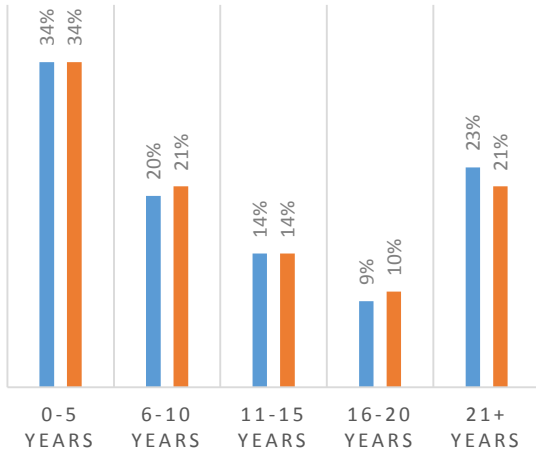
3 Firm industry is classified based on the description of what the business does, as provided by the survey participant.

4 Growing firms are defined as those that increased revenues, increased employees and plan to increase or maintain number of employees.

# WASHINGTON

## AGE OF FIRM<sup>1,2</sup>

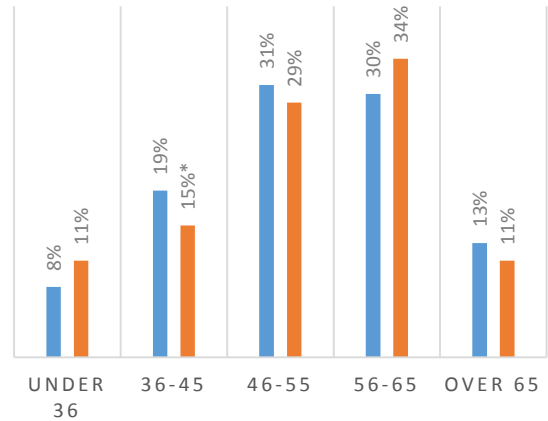
■ US ■ Washington



## AGE OF PRIMARY OWNER<sup>2</sup>

(% OF EMPLOYER FIRMS)

■ US ■ Washington

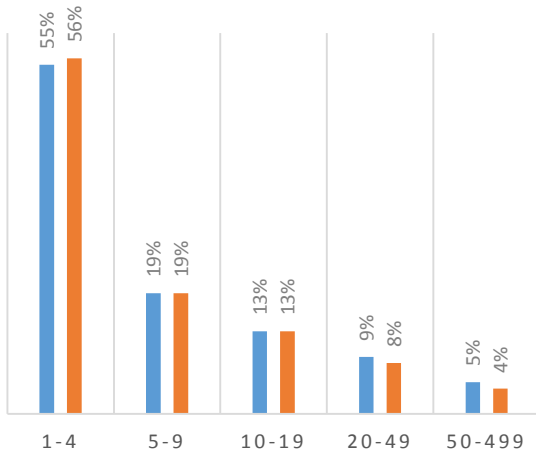


**40% of employer firms use contract workers**  
**69% of employer firms in Washington have low credit risk**

## NUMBER OF EMPLOYEES<sup>1,2,3</sup>

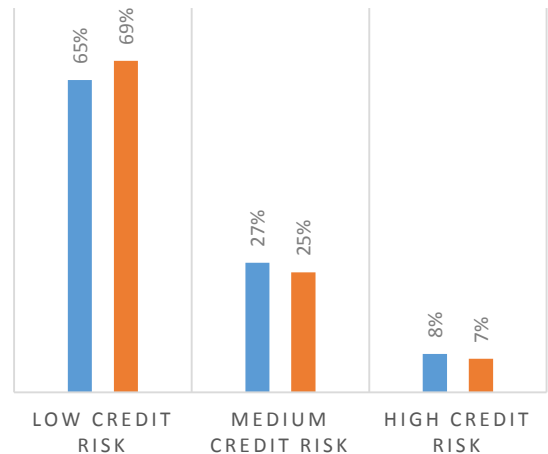
(% OF EMPLOYER FIRMS)

■ US ■ Washington



## CREDIT RISK

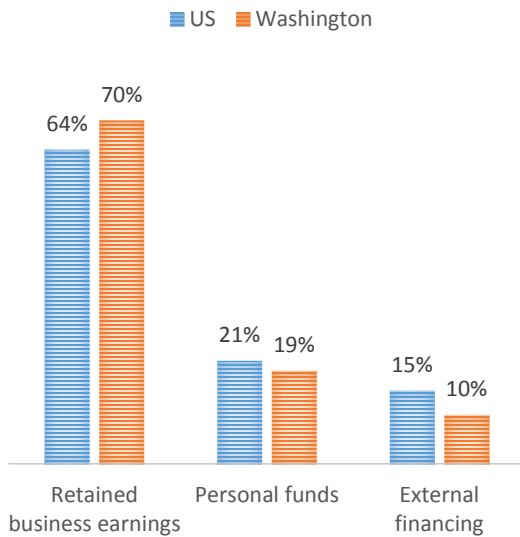
■ US ■ Washington



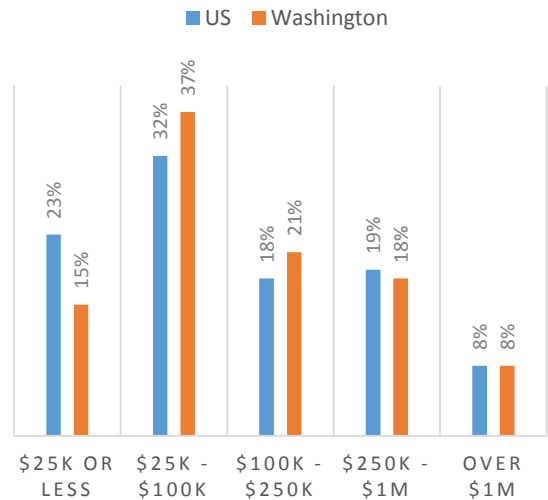
- <sup>1</sup> SBCS responses throughout the report are weighted using Census data to represent the US small business population of the following dimensions: firm age, size, industry, and geography. For details on weighting, see Methodology section.
- <sup>2</sup> Percentages may not sum to 100 due to rounding.
- <sup>3</sup> Employer firms are those that reported having at least one full- or part-time employee. Does not include self-employed or firms where the owner is the only employee.

# WASHINGTON

## PRIMARY FUNDING SOURCE

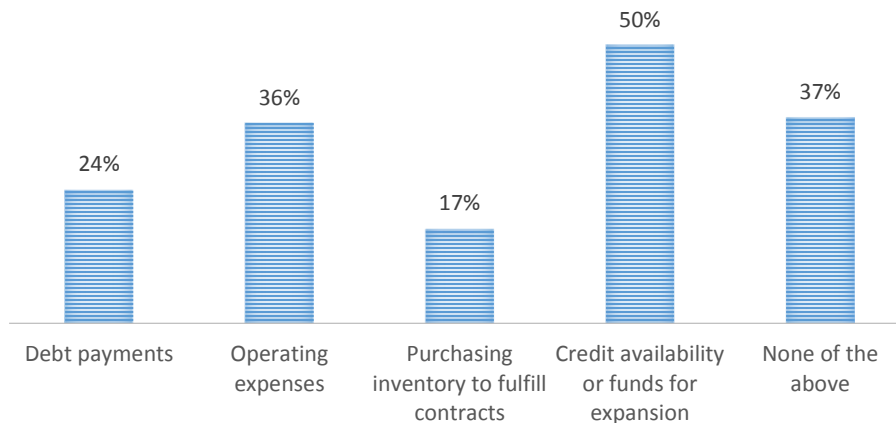


## AMOUNT OF OUTSTANDING DEBT



**10% of employer firms use external financing**  
**65% of employer firms have outstanding debt**

## TYPES<sup>1</sup> OF FINANCIAL CHALLENGES EXPERIENCED IN PRIOR 12 MONTHS<sup>2</sup>

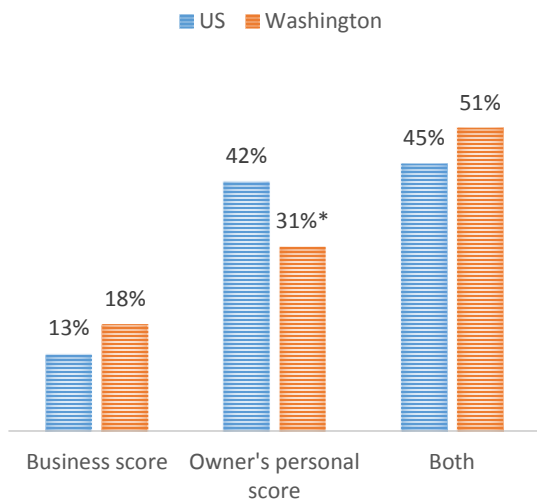


<sup>1</sup> Financial challenges are listed in chart below. Respondents could select multiple options.

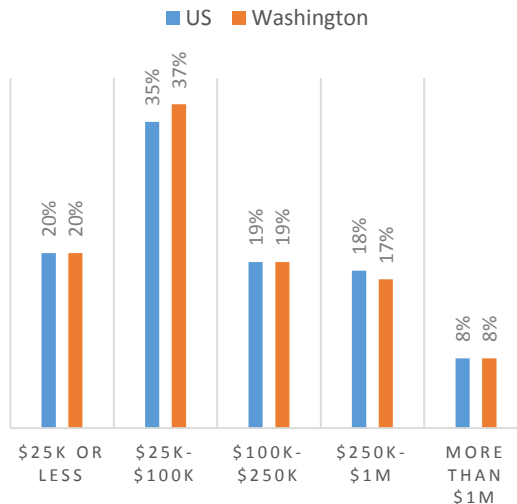
<sup>2</sup> Approximately the second half of 2015 through the second half of 2016.

# WASHINGTON

## USE OF PERSONAL VERSUS BUSINESS CREDIT SCORE

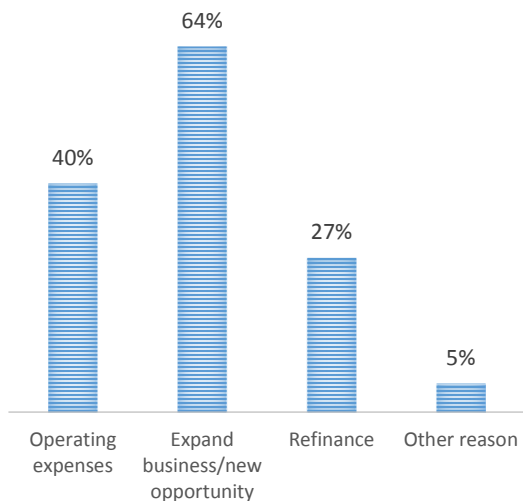


## AMOUNT OF FINANCING SOUGHT<sup>1</sup>

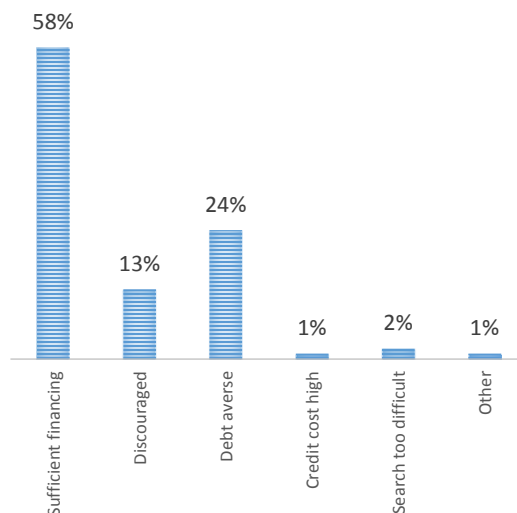


**52%** of employer firms applied for financing in prior 12 months  
**37%** of employer firms sought financing of \$25K - \$100K

## REASONS<sup>2</sup> FOR SEEKING FINANCING



## PRIMARY REASON FOR NOT APPLYING

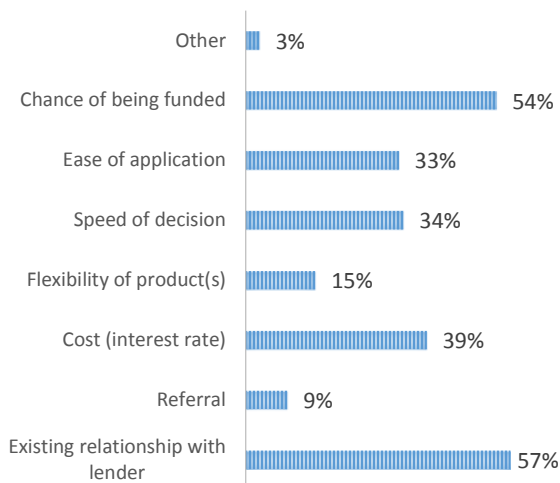


<sup>1</sup> Percentages may not sum to 100 due to rounding.

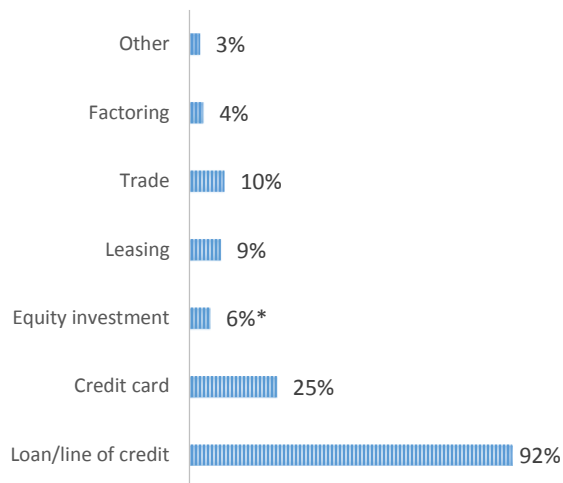
<sup>2</sup> Respondents could select multiple options.

# WASHINGTON

## FACTORS INFLUENCING APPLICATION DECISION<sup>1</sup>

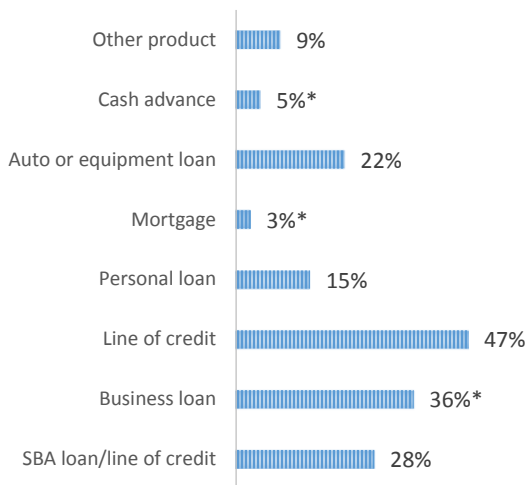


## APPLICATION RATE BY FINANCIAL PRODUCT<sup>1</sup>

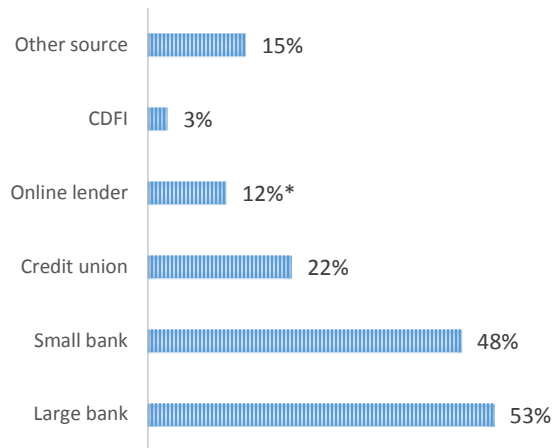


**92% of employer firms applied for a loan/line of credit**  
**12% of employer firms applied for a loan/line of credit by an online lender**

## APPLICATION RATE BY TYPE OF LOAN/LINE OF CREDIT<sup>1</sup>



## APPLICATION RATE BY SOURCE OF LOAN/LINE OF CREDIT<sup>1</sup>



\* Denotes a significant difference between the value of a particular state and the United States at the ninety-five percent level.

<sup>1</sup> Respondents could select multiple options.