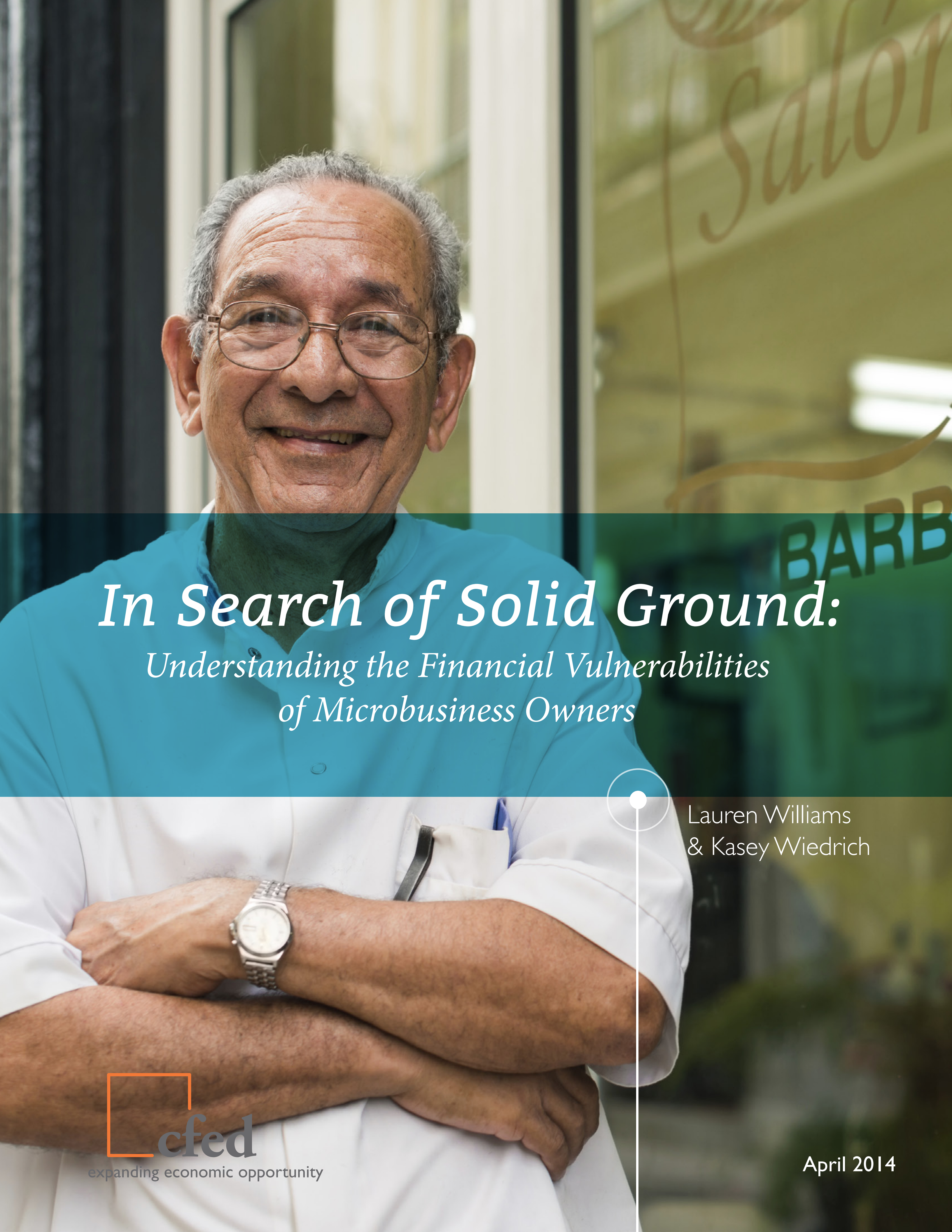

In Search of Solid Ground:

Understanding the Financial Vulnerabilities of Microbusiness Owners

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expanding economic opportunity

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Contents


PLAYERS
GET IT
TWICE A DAY

Introduction

Microbusinesses[1] contribute significantly to both nationwide economic activity and their owners' household balance sheets. They represent the overwhelming majority of businesses, large and small, in the United States: microbusinesses account for approximately 92% of all businesses and 26 million jobs.[2] Though small business ownership is the second greatest source of household wealth after home equity,[3] many microbusiness owners still remain financially vulnerable, struggling to make ends meet along the way or to build wealth over time. In fact, at least half of all microbusiness owners have household incomes below the national median of $50,000.[4] In spite of the central role these businesses play in the American economy, little is known about how the typical microbusiness manages its finances, the major financial challenges they face or which components of financial capability lead them to business success. This combination of knowledge, behaviors, access, and use of safe, appropriate financial products and services is undeniably central to building financial security for both microbusinesses and their owners' households.

To shed light on the many factors that contribute to or detract from microbusiness owners' financial capability, CFED launched a study in 2013 that gathered insights from business owners themselves, identifying their greatest challenges and initiating a conversation about the suite of solutions that might address them. This study was designed to respond to the following questions:

- What types of financial products and services are low- and moderate-income (LMI) microbusiness owners currently using?
- What financial challenges do microbusiness owners face?
- How influential are these challenges in constraining asset building and growth?

We directly engaged microbusiness owners (through online and phone surveys) and some of the practitioners involved in serving them (through phone interviews) to better understand their financial lives and what guides their behavior. Our findings reveal that microbusiness owners' business and personal finances are often inextricably tied, and that they are dealing with significant financial vulnerabilities that reach far beyond access to credit.[5] Cash flow problems—lacking sufficient liquidity to cover business expenses at the

[1] The data in this sentence refer to microbusinesses as those with five or fewer employees including the owner. The findings presented throughout this report refer to microbusinesses as those with up to ten employees; the definition was expanded to cast a wide net and ensure that we could capture a large enough sample.

[2] Author's calculations from U.S. Census Bureau Statistics about Business Size (includes non-employer firms). See *Statistics about Business Size (including Small Business)* (Washington, DC: U.S. Census Bureau, 2008), http://www.census.gov/econ/smallbus.html.

[3] According to the Federal Reserve Board's Survey of Consumer Finances for 2010, after primary residences, which make up 47% of the value of nonfinancial assets of all families, business equity accounts for 28% of nonfinancial assets. See Jesse Bricker, Arthur B. Kennickell, Kevin B. Moore and John Sabelhaus. *Changes in U.S. Family Finances from 2007 to 2010: Evidence from the Survey of Consumer Finances* (Washington, DC: Board of Governors of the Federal Reserve System, 2012), http://www.federalreserve.gov/pubs/bulletin/2012/pdf/scf12.pdf.

[4] Author's calculations using data (13 million self-employed filers with AGIs below $50,000) from the IRS Sources of Income statistical tables on individual income tax returns from tax year 2011. See *Individual Income Tax Returns, Tax Year 2011 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income* (Washington, DC: Internal Revenue Service, 2013), http://www.irs.gov/file_source/pub/irs-soi/11in01pl.xls.

[5] Though credit access stands out as a significant challenge facing some microbusiness owners, we chose to focus our analysis largely on other components of financial capability given the amount of attention already dedicated to that issue in the mainstream micro- and small-business research, practice and policy fields.

time they arise—are key drivers of financial insecurity for both microbusiness owners and their households. Remarkably low short- and long-term savings levels compound these challenges even further, preventing microbusiness owners from mitigating income-expense mismatches, weathering emergencies or meeting long-term goals that contribute to greater financial stability. Difficulty accessing appropriate financial products and services, especially credit, also compounds microbusiness owners' financial security: those that are vulnerable for other reasons—young startups, less formal businesses, those generating lower household incomes for their owners, those with fewer employees and minority-owned businesses—are more likely to experience difficulty accessing financial products that suit their needs.

The study's findings confirm some preexisting assumptions about the components of microbusiness owners' financial capability, help tell a more nuanced story about what constitutes financial capability and offer new insights into the types of solutions that might resolve microbusiness owners' greatest financial challenges.

Background

Microbusiness ownership makes up the overwhelming majority of small business ownership nationally, but the challenges facing those businesses and vulnerabilities they and their owners exhibit have been intensified by a depressed national economy in recent years.

More vulnerable people are starting businesses. High levels of unemployment during the recession led many of the unemployed to turn to business creation, suggesting that many younger businesses were created out of necessity rather than by choice or in response to a perceived opportunity. In 2011, high school dropouts had the highest rates of business creation and immigrants were twice as likely to start a business as those born in the US. Additionally, self-employment among those over 65 increased 24% over 2005-2011.[6] These data illuminate the underlying sources of vulnerability (limited employment options, immigration status, limited English proficiency, lack of education) exhibited by many business owners who may be starting a business out of necessity.

Many businesses are staying very small. Another key trend is that small businesses are more likely to be self-employed individuals with no employees than they were before the Great Recession. Business growth rates have dropped, and the smallest firms have become more vulnerable. The number of small businesses that are not employers has increased sharply in recent years, while employer firms have been relatively flat.[7] New businesses have been starting up with fewer workers than historic norms and are also adding fewer workers as they grow (Reedy and Litan 2011).

In the wake of the Great Recession, many business owners are left more vulnerable by poor economic conditions, uncertainty and credit constraints. Poor economic conditions in recent years have impacted the market for the goods and services sold by small businesses. At the onset of the recession, about 9% of firms

[6] *Small Business, Credit Access and a Lingering Recession* (Nashville, TN: National Federation of Independent Business, 2012), http://www.nfib.com/Portals/0/PDF/AllUsers/research/studies/small-business-credit-study-nfib-2012.pdf.
[7] Ibid.

said that poor sales were their most serious problem, but by 2009 and 2010, the share citing poor sales rose to 34%.[8] At the same time, supply-side credit constraints have tightened since the financial crisis: lenders became extremely risk averse, reducing their own loan exposures and tightening credit requirements to exclude all but the most stable and promising businesses. The businesses that were more likely to get credit in 2011 were property owners, had more employees and were not located in "struggling states."[9] Inner-city small businesses also appear to be particularly credit constrained. A report by the Initiative for a Competitive Inner City (ICIC) found that while capital flow to inner city firms is much smaller than to non-inner city firms, demand is actually the same.[10] Such limitations may also be partial drivers of business owners' heavy reliance on credit cards, which are easier to obtain than credit lines and business loans.[11] This economic environment creates another series of challenges for business owners who are already more susceptible to shocks for other reasons, either due to the owners' characteristics or the size of their businesses.

At the same time, business owners, like many households, are exhibiting less demand for credit. The deleveraging of households was a key result of the financial crisis, with households reducing mortgage, vehicle and consumer debt in particular. Small businesses have also been deleveraging since the financial crisis: the number with a business loan fell from 44% to 29% and the number with a credit line dropped 10 percentage points.[12] Small business loans have also declined as a share of all loans made by depository lenders.[13] Declining consumer confidence and demand likely stunted business growth projections, reducing the risk and reward assessment for new investments.

Credit access is not the only financial challenge, and often not the most important one, facing business owners. Other studies identify credit access as a substantial challenge to many small businesses, but not the greatest one. A recent report found that 40% of small businesses do not want or need financing.[14] The same study also found that only 4% of small business owners identified financing as a major problem; the most commonly cited problems were poor sales, taxes, government regulation, competition from larger businesses and the cost of insurance. Similar challenges were identified by Wells Fargo (2013)[15] and NFIB (2012).[16]

The literature presents a foundation of knowledge about small businesses from which we began to shape our understanding of microbusiness owners' financial product and service use and overall financial capability needs. Few other studies have gone beyond credit (especially with respect to microbusinesses) to understand

[8] Eric Hoyt. *Poor Sales, Not High Wages, Worry Small Businesses* (Washington, DC: Center for Economic and Policy Research, 2012), http://www.cepr.net/index.php/blogs/cepr-blog/poor-sales-not-high-wages-worry-small-businesses.

[9] *Small Business, Credit Access and a Lingering Recession* (Nashville, TN: National Federation of Independent Business, 2012), http://www.nfib.com/Portals/0/PDF/AllUsers/research/studies/small-business-credit-study-nfib-2012.pdf.

[10] Teresa Lynch and Lois Rho. *Capital Availability in Inner Cities: What Role for Federal Policy?* (Roxbury, MA: Initiative for a Competitive Inner City, 2011), http://www.icic.org/ee_uploads/publications/Capital_Policy_Paper_November_2011.pdf.

[11] NFIB, *Small Business*, 2012.

[12] Ibid.

[13] Williams, Victoria. *Small Business Lending in the United States 2010-2011* (Washington, DC: Small Business Administration Office of Advocacy, 2012), http://www.sba.gov/sites/default/files/sbl_11study%20FINAL.pdf.

[14] *Data on Small Business Lending and Entrepreneurship* (Washington, DC: CDFI Fund, 2013), http://www.cdfifund.gov/docs/CBI/2013/Small%20Business%20Lending%20Deck_02212013.pdf.

[15] Top responses to "most important challenge you face as a small business owner" included attracting customers/targeting business opportunities/finding work/new business (21%), government regulation (10%), the economy (9%), taxes (9%), healthcare/ObamaCare (8%), costs/fees of running the business/having enough money for capital investment (8%), financial stability/cash flow (7%), credit availability (4%) and others.

[16] One-third of small business owners mentioned uncertainty as the most pressing financial issue they faced, followed by poor sales. See NFIB, *Small Business*, 2012.

other components of financial product and service use, financial management knowledge or barriers to product and service access that we explore in this study.

Methodology

Our analysis relies on two main sources of data: online survey responses from a national sample of 716 microbusiness owners and phone survey responses from a sample of 214 microbusiness owners in two metropolitan markets, Miami and Minneapolis. These data were supplemented by qualitative interviews with 14 microbusiness owners and seven microbusiness-serving organizations, primarily in the two metropolitan markets where phone interviews were conducted.

The online questionnaire was distributed between July and August 2013 to collect preliminary insights from microbusiness owners on a national scale. This online survey posed ten questions to respondents about financial, managerial and external economic pressures they face, their strategies for coping with emergencies, financial product use and growth expectations. It also collected some basic demographic information (see Appendix 2 for the survey). While the survey was open to any small business owner in the United States, respondents were screened to ensure that they had fewer than 10 employees and less than $2 million in annual revenues.[17] It was distributed primarily through social media and email lists of community-based organizations working with microbusinesses, and referrals from these community-based organizations were by far the most effective outreach strategy. The final sample consisted of 716 business owners from 43 states.

Following the online survey, a set of 15-minute phone surveys were conducted from September to November 2013 in the Miami and Minneapolis metropolitan areas. The phone surveys were designed to probe specific issues which were identified in the online survey. We focused on the issues of cash flow, savings, and uses and perceptions of credit as these were mentioned as important constraints (see Appendix 4 for the survey). Businesses were randomly selected from publicly available records and contacted by telephone at their place of business. They were given the opportunity to answer the approximately 15-minute survey immediately, or to schedule it for a more convenient time.

A total of 214 businesses owners responded to the phone survey: 105 business owners from Miami and 109 from Minneapolis.[18] These two cities were chosen for the survey because of CFED's relationships with local practitioners in each market and because the cities represent different entrepreneurial environments and demographic contexts. Miami is perceived to have an environment that is particularly conducive to the creation and success of small businesses. Florida ranked fifth in the Kauffman Foundation's New Economy

[17]As noted previously, the survey cast a wider net than the standard microbusiness definition (five or fewer employees including the owner) to ensure a large enough sample. Online survey respondents were not asked how many employees they had (but the screen limited responses to those with 10 or fewer employees), but phone survey respondents had 2.3 employees on average. Survey respondents had the option to fill out demographic information, but it was not required.

[18] Thirty-three percent were self-employed and only 8% had between 7-10 employees.

A total of 4,671 phone calls were made, 1,775 of which were answered. The response rate of those who answered the phone was 16.5%. Some responses were dropped due to incompleteness, not fitting the definition of small business defined for the survey, and so on.

Index for economic dynamism and fourth in entrepreneurial activity, whereas Minnesota ranked 26th and 42nd, respectively.[19] Miami-Dade County has the second-highest level of income inequality in the US.[20] While income inequality is relatively low in Minneapolis, the city is characterized by sharp differences in poverty and unemployment between its very large white majority and the small minority populations.[21] Firm ownership in Miami is also much more highly concentrated in minority populations: in 2011, 60.5% of firms had Hispanic owners and 11.4% had African-American owners (compared to 1.3% and 5.2%, respectively, in Minneapolis). Miami also has a much higher rate of immigrant entrepreneurial activity; over 20% of all business owners in Florida are foreign-born.[22]

After completing the phone surveys, five complementary qualitative interviews were conducted with community-based organizations, primarily in Miami and Minneapolis. These discussions helped offer important context to our findings. Another small set of interviews with microbusiness owners in Miami, Minneapolis and New York City rounded out the qualitative analysis. These interviews provided detailed context regarding business owners' perspectives on the challenges they face and their use of and barriers to financial products and services.

[19] Robert D. Atkinson and Scott Andes. *The 2010 State New Economy Index: Benchmarking Economic Transformation in the States* (Washington, DC: Information Technology and Innovation Foundation & Ewing Marion Kauffman Foundation, 2010), http://www.itif.org/files/2010-state-new-economy-index.pdf.
[20] Daniel H. Weinberg. *U.S. Neighborhood Income Inequality in the 2005–2009 Period* (Washington, DC: U.S. Census Bureau, 2011), http://www.census.gov/prod/2011pubs/acs-16.pdf.
[21] *State and County QuickFacts* (Washington, DC: U.S. Census Bureau, 2012), http://quickfacts.census.gov/qfd/index.html.
[22] Robert W. Fairlie, *Estimating the Contribution of Immigrant Business Owners to the U.S. Economy* (Washington, DC: Small Business Administration, Office of Advocacy, 2008), http://people.ucsc.edu/~rfairlie/papers/published/sba%20final%20report%20immigrant%20business.pdf.

Sample Characteristics

Business Owner Characteristics

Respondents to both the online and phone surveys were predominately in low- or middle-income households and the majority had two or more years of college. We found a slight oversampling of ethnic minorities overall compared to national statistics on business owners, particularly for African-Americans and Hispanics. Eleven percent of phone survey respondents and 24% of online survey respondents were African-American, compared to 7.1% of small business owners nationwide. Similarly, 23% and 16% of the phone and online respondents were Hispanic compared to 8.3% nationally. While not intentional, this oversampling allowed us to better understand some specific constraints affecting these populations.

While there were strong similarities between respondents to our phone and online surveys, online survey respondents tended to be slightly younger, with lower incomes, and more likely to be female or African American than phone survey respondents. These differences are likely the result of the different outreach strategies employed for the two surveys: practitioner outreach versus randomly selected businesses from public records. In addition, respondents to the phone survey in Miami were more likely to be foreign-born than their counterparts in Minneapolis (58% compared to 5%, respectively), which is consistent with the large number of Hispanic-owned businesses in Miami. See Table 1 for more detail on the demographic breakdown of the samples.

Table 1: Business Owner Characteristics

	Online Survey	Phone Survey*
Race/Ethnicity		
White	55%	60%
Black/African American	24%	11%
Hispanic	16%	23%
Asian/Pacific Islander	2%	3%
Other	10%	6%
Age		
Average age	48	52
Sex		
Male	40%	65%
Female	60%	35%
Education		
Some college or less	30%	37%
2 year college or more	70%	63%
Household Income		
< $29K	32%	14%
$30-$60K	27%	28%
$60-$80K	12%	n/a
$60-$100K Phone Only	n/a	33%
>$80K	29%	n/a
> 100K Phone Only	n/a	25%
Marital Status		
Married	n/a	61%
Other marital status	n/a	39%

*Income categories differ between the online and phone surveys because they were revised based on online survey results before conducting the phone survey.

Business Characteristics

Differences between the online and phone survey respondents' businesses were more substantial. Phone survey respondents' businesses were an average of 17.5 years old, while 51% of online survey businesses were under four years old. While both surveys reached business owners for whom the business was the primary job (82% of phone and 63% of online respondents), online respondents were more likely to be supplementing household income with their business rather than it being the household's main source of income. Online respondents also showed lower sales, reflecting in part the secondary role many of these businesses play in generating household income. Both groups, however, have relatively low sales overall: 84% of online respondents and 59% of phone respondents had gross revenues under $200,000 per year. As noted previously, differences in the outreach strategies used for these two groups may account for many of the differences in their characteristics.

Table 2: Business Characteristics

	Online Survey	Phone Survey
Business Age		
Less than 1 year	20%	0%
1 to 3 years	31%	8%
4 to 6 years	17%	13%
7 to 10 years	9%	18%
Over 10 years	23%	62%
Business is main source of household income?		
Main income source	33%	70%
Business is owner's primary job?		
Primary job	63%	82%
Annual Sales		
< $49K	61%	24%
$50 to $199K	24%	35%
$200K to $1M	13%	28%
> $1M	3%	13%
Sector		
Services	51%	47%
Retail	21%	16%
Construction	3%	10%
Food	n/a	6%
Technology	n/a	3%
Other	25%	13%
Employees		
Average # employees	n/a	2.3
% with no employees	n/a	35%
Formality		
Formally incorporated	n/a	73%

Business owners who exclusively use business banking products are also more likely to use a much broader, more sophisticated suite of financial products and services. Respondents who use a business checking account are just as likely to also use an accountant as they are a business credit card.

Findings & Analysis

One objective of this study was to better understand the range of financial products and services being used by microbusinesses for transactions, saving, borrowing, payroll practices, recordkeeping, insurance, tax preparation and business advice. Our survey results—detailed in this section—begin to sketch out the landscape of most commonly used financial products as groundwork for more in-depth analysis. In the following sections, we explore the connections between the use of certain products and services; the coincidence of financial challenges; the underlying causes, nature of and strategies for dealing with common challenges; and the extent to which certain financial vulnerabilities or behaviors might exacerbate challenges identified by respondents. The findings presented in this section begin to illuminate weak points in microbusiness owners' financial well-being and shape our conjectures about their overall financial capability.

Product and Service Use Overview

Banking products—in particular business checking accounts—are the most commonly used financial products among online survey respondents. Half (51%) of respondents use business checking accounts, and 23% use business savings accounts. Business credit cards are the second most commonly used products, used by 25% of all respondents (see Table 1A in Appendix 1 for more detail). The use of personal products for business purposes was relatively low: 19% of respondents used personal checking accounts, 14% used personal savings accounts and 17% used personal credit cards.

Business banking products are most commonly used, and borrowing overall is low.

Table 3: Product "Clusters"

Simple personal product cluster	Sophisticated business product & service cluster
Personal checking Personal savings Personal credit card	Business savings Business checking Business credit card Financial management software Accountant Payroll Merchant services Tax preparation Bookkeeper Insurance broker Legal services

In fact, business owners tend to split into two discrete segments according to product and service use: those using personal products (personal bank accounts and credit cards) and those using a full suite of business products and financial services. There is little overlap between online survey respondents who use personal products and those who use business products: once a business transitions to any business product, its likelihood of simultaneously using a personal product is very low (see Table 3 for product groupings and Table 1B in Appendix 1 for more detail on product use by age, business revenue and household income). However, it appears that business owners who exclusively use business banking products are also more likely to use a much broader, more sophisticated suite of financial products and services. For instance, respondents who use a business checking account are just as likely to also use an accountant as they are a business credit card.

Use of and demand for future loans was low among survey respondents. Only 14% of online survey respondents borrow regularly or seasonally as part of normal operations, while 8% keep a credit line open that is used occasionally for business needs or operations, and 5% assume business loans every few years.[23] Only 34% of phone survey respondents currently use any type of credit (including informal loans from family or friends) for their business, with an average outstanding balance of $28,468. Among phone survey respondents who do currently borrow, credit cards and credit lines are, by far, the most common types of products used: 54% and 58% of borrowers have used credit cards or credit lines in the past three years, respectively. Additionally, 43% of those businesses that use credit only use credit cards for transactional purposes, not to carry debt. This breakdown underscores the rarity of longer-term loans from banks.[24] Finally, most phone survey respondents (72%) have the same or less debt than they did in 2007 (or when they started the business, if later). Use of credit products tends to be even lower for smaller and otherwise more vulnerable businesses, which may indicate issues preventing access (we explore access and related challenges more in the next section).

Phone survey respondents were asked if they planned to apply for a loan in the future, and 71% said no. The majority (74%) of those business owners who do not plan to apply for a loan say they choose not to because they have sufficient resources to operate or they do not want to take on the additional risk of a new loan, not because of fears that they may not qualify for financing. Only 11% of those who do not plan to apply for new loans report that it is because of high interest rates or fear that they would not be approved. Overall, only 12% of phone survey respondents plan to borrow in the future;[25] most (61%) plan to use those loans for business expansion. Another 30% plan to use loans for cash flow management, which is consistent with the prevalence of credit lines over business loans and the use of credit cards predominantly for transactional purposes in our sample. Such uses can have great value in smoothing cash flows for some small business owners.

Savings is remarkably low across all microbusiness owners: over half (55%) of online respondents could cover *only one month or less* of business expenses with their current savings. This includes 30% of respondents who reported having no business savings at all. Only 17% reported having three months of savings and only 9% had enough savings to cover six months of business needs. Businesses with no savings tend to be younger, have lower revenues and have lower household incomes. Likewise, the likelihood of having six months or more of savings increases slightly as business age or as business revenue and household income increase. We found similar, though less severe, low levels of savings

55%

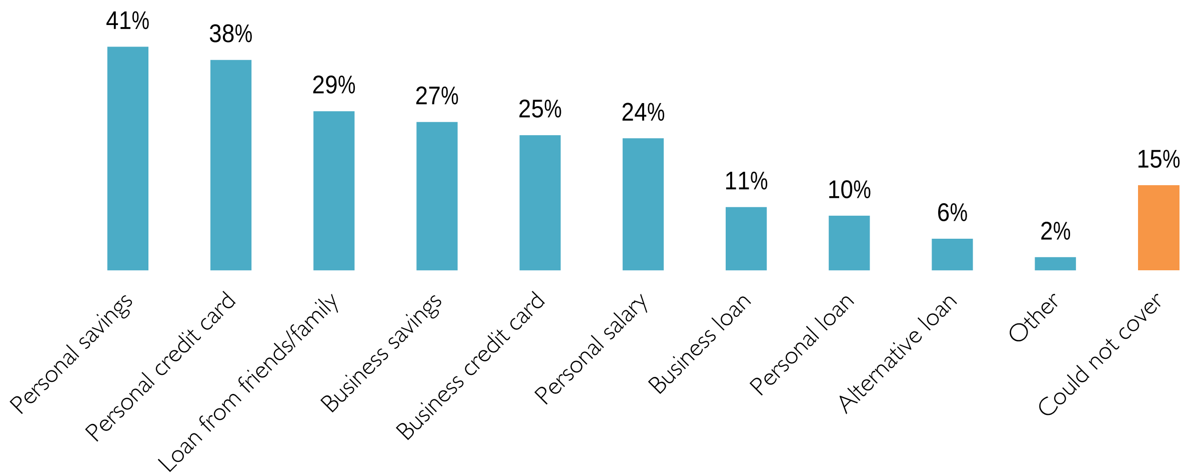
of all online survey respondents could cover ***only one month or less*** of business expenses with their current savings.

[23] This borrowing activity does not include business owners who use credit cards for transactional purposes (and paid off in full each month).
[24] Credit product use in our sample was similar to, though in some cases lower than, the National Small Business Association's (NSBA) 2009 Small Business Credit Card Survey, which notes that types of financing small businesses have used within the past 12 months included credit cards (59%), bank loans (45%), vendor credit (30%), private loans (from friends and family) (19%), no financing (19%), leasing (7%), SBA loan (5%), and others. Thirty-four percent reported that 25% or more of their overall debt/financing was comprised of credit card debt. Forty percent of respondents pay off their credit card bill every month, 23% carry a balance of less than $10,000, 21% carry a balance of $10,000-25,000 and 16% carry a balance of more than $25,000.
[25] In addition, 17% of respondents do not know whether they will apply for a loan in the future.

among phone survey respondents: half of them (49%) have two months or less of business savings. Compared to online survey respondents, phone survey respondents were older and operated larger, more established businesses on average. This demographic variance may account for their relatively higher levels of business savings on average.

Online survey respondents were also asked to identify which strategies would be available to them to cover an unexpected $1,000 business-related emergency (regardless of what they think they would actually do in such a situation). Respondents identified on average 2.1 different strategies that they thought would be available to them (see Figure 1 for more detail on other resources). Personal savings was the most commonly reported available resource to cover such an emergency (reported by 41% of respondents); this was followed by personal credit cards, loans from friends or family, business savings, business credit cards and their personal salary. The fact that 15% of these business owners could not cover even this relatively small unexpected expense using resources available to them underscores the vulnerability of this group.

Figure 1: What resources could you rely on to cover a $1,000 business emergency?
Online Survey



Digging Deeper: Financial Product and Service Challenges Disproportionately Affect the Most Vulnerable

With a basic understanding of the financial product and service use habits of microbusiness owners, we sought to understand how product or service use and financial challenges might differ across businesses with varying characteristics, such as age, revenues, owners' incomes and other socioeconomic groupings.[26] We found that microbusinesses that are more likely to be vulnerable in other ways—young startups, less formal businesses, those generating lower household incomes for their owners, those with fewer employees and minority owners—may tend to use less sophisticated products in general or be more likely to experience difficulty accessing financial products and services that suit their needs.

[26] For more detail on other challenges by business age, business revenues and household income, see Table 1C in Appendix 1

In general, younger businesses tend to use fewer and less sophisticated financial products and services for business purposes than older businesses (see Table 1C in Appendix 1). Also, although only 15% of all online survey respondents indicated trouble accessing desired financial products as a challenge, younger businesses are twice as likely to have experienced that challenge.[27] Businesses under one year old used 3.9 different types of financial products or services on average, compared to 6.6 for those over 10 years old. Older businesses in our sample tended to use business products more heavily and to rely less on personal products than their younger counterparts. Use of more sophisticated services (including bookkeepers, accountants, tax preparers, insurance brokers and legal services) was also much more prevalent among older businesses. Older and higher-revenue businesses were more likely to use all types of credit, and were less likely to mention it as a challenge: businesses with revenues above $50,000 were more than twice as likely to use any type of credit. Caution should be taken, however, in interpreting these differences as showing a change that businesses make as they age and grow; businesses of different ages in our sample may also be different in some other ways. The differences in product usage, for example, may be due in part to differences in the profile of businesses established after the financial crisis and more mature businesses established under a more stable economic environment. The older businesses we spoke with may also be in some ways the "success stories," or businesses that have been able to survive while the businesses of their less successful peers have failed over the years.

Even though current use of and demand for future borrowing was relatively low overall, our findings do illustrate that there is some unmet demand for loans as 15% of phone survey respondents have been denied a bank loan in the past. These loans were rejected for a wide variety of reasons, including insufficient credit history (28%), low credit score (14%), lack of collateral (14%) and weak sales (10%).[28] These findings indicate that the supply-side barriers to credit access continue to be challenging, especially for some of the most disadvantaged businesses. Compared to microbusinesses that currently use credit, those not using credit were less likely to have employees (37% vs. 23% have no employees) or to be formally incorporated (85% vs. 66% are formally incorporated).[29] Business owners not using credit were also more likely to be African-American, Hispanic or immigrant than their credit-using counterparts. Of African-American and Hispanic business owners, 32% and 22%, respectively, had applied for and been denied a loan in the past, compared to only 9% of White business owners. In our sample, there was no significant association between loan denial and education, gender, or immigration status. While these differences can be interpreted as showing some difference in access to credit, they may also reflect differences in the rate at which different groups apply for loans.[30]

Findings also revealed that young businesses, lower-revenue businesses and those with lower-income owners are far more likely to report no or bad credit as a barrier to their ability to borrow than their older, larger and higher-income counterparts. Thirty-six percent of online survey respondents reported the inability to borrow as a challenge, the majority (27% of all respondents) of which indicated that this barrier exists explicitly because of bad or nonexistent credit history. However, having an insufficient or damaged credit history affects 47% of businesses between one and three years old, compared to 19% of those over ten years

[27] Twenty-nine percent of businesses between one and three years old reported difficulty accessing appropriate financial products and services.
[28] Twenty-one percent of respondents whose loans were denied did not know the reason for the denial.
[29] Businesses not using credit have an average of two employees, while businesses using some form of credit have an average of 2.8 employees.
[30] For example, it may be possible that African-Americans and Hispanics in our sample applied for loans more often than White and Asian respondents, not just that they were denied more often.

old; 45% of those with less than $50,000 in annual revenues, compared to 8% of those with annual revenues between $500,000 and $1 million; and 61% of those with annual household incomes less than $19,000, compared to 16% of those with annual household incomes above $150,000. Lower-income business owners are also more likely to face high interest rates when they are able to borrow: 37% of those with incomes below $19,000 reported high interest rates as a challenge, compared to 17% of those with incomes above $150,000. As with product usage, these differences should be interpreted with caution. They may reflect a progression in which businesses overcome credit challenges over time as they age and grow, but may also reflect differences that made businesses with greater credit access more likely to survive and grow (while less successful businesses closed). While they were less likely to face credit challenges, older and larger businesses and those with higher-income owners were more likely to report competition from other businesses as a challenge.

Digging Deeper: Cash Flow Difficulties

Our analysis also explored the underlying causes, nature of and strategies for dealing with the cash flow difficulties that were identified as microbusiness owners' most common and most consistently significant challenge overall. What we found reaffirms a widely accepted understanding that managing gaps in timing between income and expenses is one of business owners' most significant and persistent challenges. At the same time, our findings also illuminate some of the driving forces behind that challenge and highlight the uniquely precarious position of microbusiness owners' household financial management vis-à-vis the health of their business balance sheets.

Difficulty managing cash flow was the challenge most frequently reported by microbusinesses of every age and size (see Figure 1A in Appendix 1 for other commonly reported challenges). Thirty-seven percent and 40% of phone and online survey respondents, respectively, sometimes do not have enough cash on hand to meet their business expenses. Cash flow problems can stem from multiple underlying causes: for instance, payment and receipt mismatches could be the result of seasonality, irregularity of sales and expenses, or unpredictability. Many phone survey respondents, however, identified cash flow difficulties as issues of low sales or profitability: 35% of respondents with cash flow difficulties mentioned only low sales as the main source of this problem. On the other hand, 42% percent of those with cash flow problems indicated that they result only from a mismatch between the timing of payments—for supplies, salaries, rent and other operating expenses—and receipts for goods and services sold. The distinction between the forces driving cash flow difficulties is critical because it reflects very different potential solutions. Analysis comparing the product use of respondents experiencing cash flow difficulties revealed some interesting insights about the underlying problems, such as mismatches between payments and receipts and recordkeeping habits.

The time it takes for different payment mechanisms to withdraw from or deposit money in a microbusiness owners' account can play a significant role in either causing or resolving cash flow problems. Business owners without cash flow problems were more likely to use these timing overlaps to their advantage. Balancing different mechanisms for giving payment for supplies or wages or receiving payment for goods or services sold can offer greater flexibility or "wiggle room" to microbusiness owners trying to minimize gaps

[31] An additional 23% of respondents mentioned both revenue and mismatch issues as the source of cash flow difficulties.

in cash flow. For this analysis we grouped payment mechanisms into three categories, each based on the time that the mechanism could take before affecting the business owners' pocket, cash register or bank account (see Table 4). For example, we consider cash an immediate mechanism, both for making and receiving payments. When a customer pays cash, this cash becomes immediately available for use. Similarly, when cash is used to pay for supplies, it is immediately unavailable for other uses. Each of the four common mechanisms used by respondents (cash, checks, debit and credit cards) had slightly different characteristics. When used to pay for supplies, debit cards were often proxies for cash, resulting in an immediate draw from the business owner's account. However, when a business accepts debit cards for payment, these take on the same characteristics as credit cards, leading to a 1-3 day lag before the business sees a credit in its account. Using checks to pay for supplies or wages offers businesses more flexibility, since they can either post-date the check or ask the recipient not to cash it immediately. Even when this request is not explicitly made, the check may not be cashed right away. Paying for supplies with credit cards offers even greater flexibility, since they can be paid off in 30-day cycles. Seventy-one percent of phone survey respondents who pay for supplies with a credit card pay their balance in full each month, suggesting that these are used most frequently as convenient and flexible payment tools rather than long-term loans.

Table 4: Payment Mechanisms

	Pay for Supplies	Accept Payments from Customers
Immediate	Cash Debit Card	Cash
1-3 Days		Credit Card Debit Card
4-30 Days	Check Credit Card	Check

The Operating Cycle

The timing of payments and receipts discussed here is typically referred to as a business's *operating cycle* or *cash conversion cycle*—the average period of time required for a business to pay for supplies, salaries and other expenses required to produce their good or service, sell them, and then receive payment from customers in exchange for their good or service. A business with payment mismatches, as described in this study, would have a positive operating cycle. A business with a short or negative operating cycle, on the other hand, collects payment for their goods or services more quickly than they need to pay their suppliers. Understanding the length of one's operating cycle is helpful for estimating the amounts and types of capital a business needs in order to sustain or grow.

Phone survey respondents who experienced cash flow problems were more likely to make payments for supplies with more immediate mechanisms and receive payments with more delayed mechanisms. In other words, those who struggled with gaps in income and expenses were more likely to have to make payments more quickly than income made its way into their accounts. Eighty-nine percent of respondents without cash flow problems pay for supplies with 4-30 day mechanisms (credit cards and checks) compared to 75% of those with cash flow problems. Similarly, only 23% of those without cash flow problems paid for supplies with "immediate" mechanisms such as cash or debit cards compared to 47% of those with cash flow problems. Those with cash flow problems have less wiggle room, based on how they pay for supplies alone. This lack of flexibility is exacerbated by the fact that more respondents with cash flow problems accept checks, credit and debit cards (slower mechanisms) than those without cash flow problems.

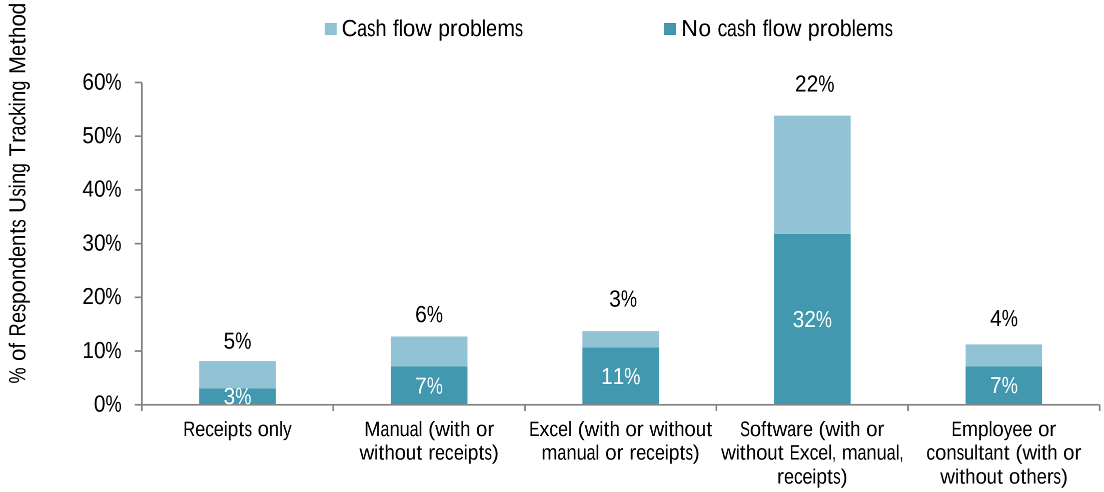
[32] We found that 81% of respondents pay employees by check.

General cash flow difficulties can also be linked to inadequate tracking of income and expenses, which leaves business owners in the dark about the actual financial condition of their business. Nearly all (92%) phone survey respondents track income and expenses in some way: 83% of those who track said they do so regularly and 17% do so "from time to time." There is wide variety in the methods used to track, and these differences appear to have implications for the occurrence of cash flow difficulties (see Figure 2). Only 8% of business owners who track income and expenses use only the least sophisticated method, keeping receipts. Of those, almost two-thirds experience cash flow difficulties. As business owners progress to more sophisticated forms of tracking, they seem less likely to experience cash flow problems (though not all differences are statistically significant). Of those who track with software (the most commonly used method), manually, or have an employee or a consultant to manage the books, the likelihood of experiencing cash flow problems is approximately the same (around 40% for each group). Those who track expenses with Excel, but do not have an automated software program or a dedicated employee or consultant, seem more able to avoid cash flow difficulties than their counterparts using software packages (only 22% experience cash flow problems). This may relate to the more dynamic nature of tracking through Excel, which allows greater flexibility and requires the owner to be more actively engaged. This tool lends itself more readily to use for planning and projections, rather than merely recording transactions. It may also reflect the relatively high level of sophistication needed to keep records with a spreadsheet rather than through a more passive software program.

Tracking income and expenses accurately is critical because it equips business owners with the information required to make realistic projections about their future earnings and costs, and to forecast important events in their business's operating cycle. The discrepancy between business owners' growth expectations and their actual past growth, however, may be interpreted as another indication that business owners may be unable to make realistic projections. Seventy-three percent of phone survey respondents, for instance, expected their sales to grow by more than 10% in the next year, although only 30% of them had experienced such high growth in the past three years.

Figure 2: Prevalence of Cash Flow Problems by Tracking Method

Phone Survey

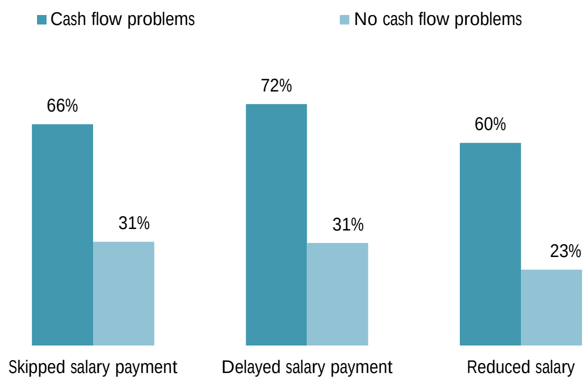


In the online survey, respondents were also asked whether they experienced cash flow problems as a result of tax obligations: 23% identified cash flow pressure at tax time as a challenge. One potential explanation for having a mismatch in cash flow at tax time is that few microbusiness owners (34% of the phone survey respondents) reported using the quarterly tax filing schedule. Most microbusiness owners pay federal income and payroll taxes on form Schedule C, which requires business owners to estimate their quarterly revenues and expenses and pay taxes in advance. However, nearly half of online survey respondents (44%) report paying taxes only once per year. Paying taxes annually rather than quarterly forces business owners to come up with one large lump sum and puts them at risk of owing penalties for filing late.

Microbusiness owners' cash flow problems can also drive financial vulnerability at the household level by affecting their owners' income. Microbusiness owners with cash flow problems were more likely to have manipulated their own salaries as a discretionary cash flow tool by delaying, reducing or skipping a paycheck. Of phone survey respondents who took a regular salary, 66% of those with cash flow problems skipped at least one of their own paycheck in the last year, 72% delayed paying their own salary in the last year to make business payments and 60% reduced their own salary in the last year (see Figure 3).

We also see a statistically significant difference in the frequency with which business owners pay their own wages and whether or not they have cash flow problems: more stable businesses are more likely to pay themselves with greater frequency (often weekly) or regularity.[33] Using salary as a discretionary cash flow tool is convenient in the short-term: it can be decided upon at the last minute and does not impact relationships with employees or customers. It does, however, have important implications for the income volatility and overall financial vulnerability of microbusiness owners and their families, especially if used repeatedly.[34]

Figure 3: Use of Owner Salary to Cover Business Expenses, by Cash Flow Problems
Phone Survey



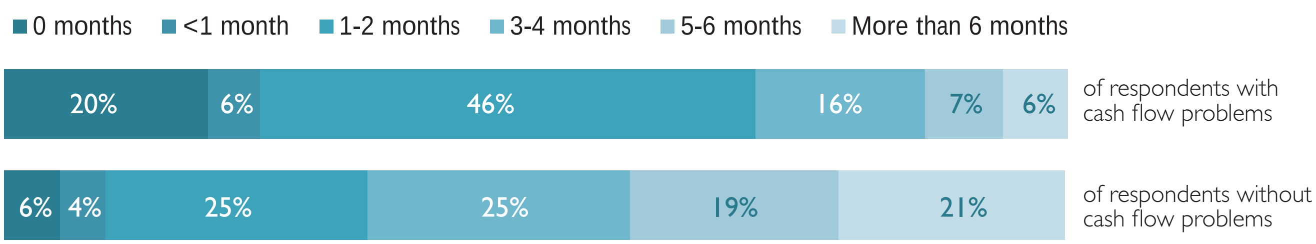
Digging Deeper: Low Savings and Vulnerability

Our online survey revealed a surprising level of vulnerability with respect to respondents' lack of financial reserves: 30% of respondents reported having no business savings at all, while an additional 38% could cover two months of expenses or less. Only 9% reported having six or more months of savings. We found similar, though less severe, low savings in phone survey respondents: 50% have two months of expenses or less of business savings. In this section, we further explore the role of savings in both short- and long-term financial stability, respondents' savings habits and their attitudes about savings.

[33] Sixteen percent of phone survey respondents who take a regular salary and experience cash flow problems pay themselves weekly, versus 31% of those without flow problems.
[34] Again, it would be necessary to conduct deeper financial analyses of these businesses to diagnose if their cash flow challenges arise largely from operating losses and overall profitability versus their operating cycle.

Low savings can exacerbate financial vulnerability created by cash flow problems. Businesses with cash flow problems tended to have lower savings than those without: 71% of phone survey respondents with cash flow problems had two months or less of business savings, compared to only 35% without cash flow problems (see Figure 4). This underscores the connection between these two sources of vulnerability. Low profits were most commonly cited as the barrier to saving more, and qualitative interviews also pointed to struggles to save because of low sales. Clients themselves recognize this vulnerability: 71% believe that their savings are insufficient. These interviews also pointed to the importance of discipline as the key for those who do save, even in the face of low sales and other challenges. The phone survey findings also emphasize the close connection between business outcomes and household savings: 51% of those whose businesses experience cash flow problems have no household savings (compared to only 17% of those without cash flow problems).

Figure 4: How many months of business savings do you have?
Phone Survey



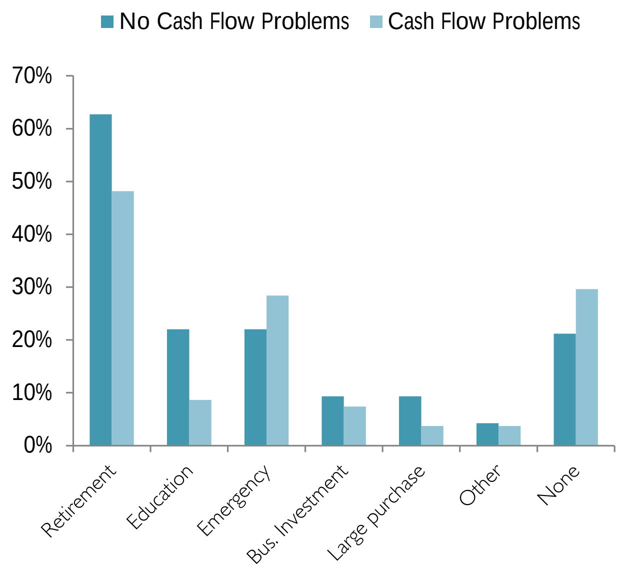
While our surveys cannot explain whether low savings are the cause of cash flow difficulties, the result of those difficulties or the result of some other characteristic shared by these businesses, the correlation between the two challenges is telling. Insights from our qualitative interviews suggest a mutually reinforcing relationship. Low savings levels limit a small business' ability to weather irregular cash flows, and cash flow difficulties can in turn limit the business' ability to contribute to business and household savings.

For some, business and household savings are interchangeable, but other respondents view and use them differently. The amount of savings families have is a function of both the resources at their disposal and their behavior, which is shaped in part by their attitudes toward savings. Thirty-four percent of phone survey respondents think it is more important to have savings for their businesses than it is to save for their households. Of these, 35% say they need business savings to manage cash flow, 29% say they need it to make large business investments and 25% say they need it for emergencies. Thirty-six percent of phone survey respondents think business and household savings are equally important.

Of the 30% of respondents who say having separate business savings is less important than having household savings, many (40%) say that this is because their household savings needs are more important than business needs. Twenty-seven percent say that they would rather reinvest revenues from the business in the business than save them, and 23% say that having separate business savings is less important because they can draw from household savings for business needs if necessary. Microbusinesses may not set aside cash because they consider buying inventory as a form of savings, or see the opportunity cost of keeping their money tied up in savings as too high. However, the figures pointing to the vulnerability of business cash flow and the household finances of business owners suggest that there might be value in higher rates of cash savings among these businesses.

In addition to limiting a household or business's ability to weather irregular cash flows, low savings also impacts a households' potential for longer-term economic stability. In general, higher savings levels promote greater upward mobility of individuals within their own lifetimes and for future generations.[35] Although household savings rates among phone survey respondents are higher than business savings rates, 32% still report that their household is not saving. Of the 68% who do save at the household level, 88% say their business has contributed to building household savings. When asked what their household savings goals were, retirement was by far the most common response among business owners who are saving (cited by 57%). This perhaps reflects the fact that many phone survey respondents are approaching retirement, with an average age of 52. Respondents with no business cash flow problems were more likely to have set savings goals for retirement and education than those who face cash flow problems (see Figure 5). Respondents who face cash flow problems, by contrast, were more likely to be saving for an emergency (family or business) or to have no particular savings goals at all.

Figure 5: Household Saving Goals
Phone Survey



[35] Among adults who were in the bottom income quartile from 1984-1989, 34% left the bottom by 2003-2005 if their initial savings were low, compared with 55% who left the bottom if their initial savings were high. Seventy-one percent of children born to high-saving, low-income parents move up from the bottom income quartile over a generation, compared to only 50% of children of low-saving, low-income parents. See Reid Cramer, Rourke O'Brien, Daniel Cooper and Maria Luengo-Prado. *A Penny Saved is Mobility Earned: Advancing Economic Mobility through Savings* (Washington, DC: The Pew Charitable Trusts, 2009), http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Economic_Mobility/EMP_Savings_Report.pdf

"We offer tracking tools to the self-employed people we work with, but they're not used extensively. These people are often overwhelmed by in-depth tools; the key is to find something they won't be intimidated by."

Tom Larson, AccountAbility Minnesota

Implications

This study confirms many preexisting assumptions about business practices while also revealing new insights regarding the financial product, service and capability characteristics of microbusiness owners. Further, it raises important questions about the types of financial product or service innovations that might help overcome the challenges facing microbusinesses, the ways nonprofit training and technical assistance providers can enhance their support of microbusinesses, the role public policy might play in scaling up solutions and removing barriers to financial capability, and the opportunity for future research to illuminate even deeper understandings of the components of and barriers to microbusiness owners' financial capability. The following section presents our understanding of the problems investigated in this study and begins to set the stage for conversations about how to design solutions with these insights in mind.

Business Balance Sheets are Household Balance Sheets

One overarching theme that arises throughout our findings is that microbusiness owners' household and business finances are often so closely tied that weaknesses on either front can contribute to financial challenges across the board. For about one-third of online survey respondents, their business income is their family's main source of income; for another third, it is the owners' main income but not the only source of income for the household. Among phone survey respondents, 70% say their business is the household's main source of income.

So, for most respondents, their business income contributes a vital part of their household's earnings *and* savings. However, our findings also revealed that business owners' income can be the first to suffer when cash flow shortfalls occur. Many respondents manipulate their own salaries as a discretionary cash flow management tool, which mitigates the frequency and consistency of their household income. Naturally, since savings outcomes are directly affected by income, we also found that business owners' ability to build savings at the household level is heavily affected by their business earnings: of the 68% of phone survey respondents who do save at the household level, 88% say their business has contributed to building household savings. Further, the clustering observed around online survey respondents' financial product use reveals that one group of respondents tends to use personal financial products—namely checking, savings or credit cards—for business purposes. For those business owners, their business and personal accounts and, as a result, credit histories may likely be commingled to the point that they are indistinguishable. Commingling of personal and business financial records further complicates the tax filing process for microbusiness owners, who must be able to identify and validate expenses claimed for business purposes.

The danger of commingling lies largely in the messiness of overlapping financial records: mixing business and personal accounts makes it difficult for business owners to monitor their performance, to see where improvements can be made and to file taxes. Segregating business and personal finances is a step that may be impeded by a number of behavioral barriers. For instance, the fact that some self-employed microbusiness owners may not, in fact, identify as business owners means they may see no distinction between their business and personal financial lives. Or, the notably busy, complicated and risky nature of business ownership may simply drain mental resources to the point that it prevents owners from making the jump to segregate their finances. These behavioral barriers may be compounded by the fact that the most vulnerable business owners often struggle to access the types of financial products they need to run their businesses in the first place. Without access to the right tools, business owners may be left with no option but to use personal products and services.

Because the delicately intertwined nature of many microbusiness owners' personal and professional financial lives defines their financial well-being, it must equally shape the approaches we take to designing products and services that address any type of challenge they face, to market those products and services to the appropriate identity, and to design policies that affect them as both individuals and business owners.

Vulnerability Begets Vulnerability

Microbusinesses experiencing vulnerability for other reasons—young startups, less formal businesses, those generating lower household incomes for their owners, those with fewer employees and minority owners—are more likely to experience difficulty accessing financial products and services that suit their needs. Our findings also reaffirmed the fact that cash flow management is a significant challenge for many microbusiness owners and revealed that the ways in which they deal with cash flow problems are often a reflection of deeper financial vulnerability. This vulnerability is often exacerbated by a lack of options to bridge the gaps between income and expenses that may occur seasonally or repeatedly throughout the year.

The findings also highlight the importance of the distinction between cash flow difficulties caused by low sales or profitability issues and those caused by mismatches in timing of payments and receipts. Payment and receipt mismatches, for instance, may often be addressed by improved planning and forecasting that enables the business owner to avoid gaps in timing. What we learned about recordkeeping and cash flow outcomes adds another layer of understanding: our findings suggest that the most transformative part of keeping good records is the ability to plan for the future that comes with sound information and a thorough understanding and knowledge of financial forecasting. Payment and receipt mismatches may also be resolved using financial products like savings or credit that help smooth over mismatches when they do occur. Making sure the appropriate types and amounts of financial products are accessible to microbusiness owners is an issue that can be addressed by financial institutions, product innovators and policymakers. The fact that the majority of microbusiness owners for whom credit access was an issue cited low or nonexistent credit history as a barrier suggests that alternative underwriting practices and credit scoring or reporting methods could be leveraged to expand access to those who are currently boxed out of traditional credit markets.

Low sales or profitability, on the other hand, often reflects deeper underlying troubles that may require larger, more strategic changes to the business itself. In those situations, products like credit may only exacerbate the business' financial vulnerability. In either case, sound, affordable business advice could help microbusiness owners carefully discern the underlying causes driving their cash flow difficulties. Solutions to cash flow mismatches, then, must take into account the barriers—behavioral, skill-related and so on—that may stand in the way of good recordkeeping and, perhaps more importantly, forecasting. Stakeholders must also consider the features of and access to financial product and service solutions that bridge the gaps in payment and receipt cycles experienced by so many microbusiness owners.

Twenty-three percent of online survey respondents reported cash flow pressure at tax time as a challenge. This challenge may be further compounded by the fact that 44% of phone survey respondents reported paying their taxes in one lump sum at the end of the annual filing period rather than using the mandated quarterly tax filing schedule for small businesses or paying monthly. This massive once-a-year payment—especially if unexpected—can certainly damage a microbusiness' balance sheet and may even earn them hefty fines for late payment. Tax filing is both a logistical and financial burden for which many new entrepreneurs are often unprepared, but at the same time, it presents an opportunity to craft solutions that could contribute to microbusiness owners' financial capability. The mandated filing moment(s) and the broader tax system are large-scale tools that can be leveraged to reach millions of microbusinesses at once: opportunities exist for everyone from financial service providers and nonprofit practitioners seeking to minimize the mental burden of filing to federal or state governments seeking to encourage compliance or encourage business success by minimizing the financial encumbrance of business owners' tax liability. The fact that so many business owners pay their taxes annually rather than quarterly also leads us to consider what behavioral barriers might prevent them from filing on time, such as the cognitive burden of tax filing or the avoidance of filing for fear of an adverse outcome.

Overall, the mutually reinforcing nature of financial and other vulnerabilities suggest that product innovators, service providers and policymakers designing solutions should carefully parse out the root problems driving issues like cash flow difficulties, and consider the financial context in which owners make financial decisions.

Savings is Necessary, but Notably Absent

In some cases, savings can be a safer, more cost-effective tool for managing early-stage and short-term business needs than debt, especially when it provides the resources to build equity that strengthens the overall financial condition of the enterprise by absorbing startup losses. Microbusinesses launched by low-income entrepreneurs often lack these resources and therefore face much greater financial risks at the outset. We know that savings is already the most common source of startup capital for most business owners; roughly two-thirds of new startups relied on personal or family savings at launch. Throughout the life of a business, savings might also be a better tool than debt for financing activities that may not have an immediate or high return, such as: replacing or repairing critical equipment, covering big expenses like tax payments or buying seasonal inventory. However, findings from our study indicate that microbusiness owners are overwhelmingly ill-prepared to weather financial setbacks given their systemic lack of savings, and that savings at both the household and business levels are inextricably tied to business cash flow.

Building short-term savings may be influenced by many factors, from behavioral barriers to public policy to the suitability of savings products currently available to microbusiness consumers. Consider, for instance, that some business owners might prioritize saving for their household over saving for their business. Given the close ties between many microbusinesses and their owners' household finances, building savings might come down to a difficult decision between two very closely related and highly vulnerable balance sheets. For others, the fact that having less cash on hand at the end of the year results in a lower tax bill may be a disincentive to save in business-specific accounts. The motivation to avoid a higher tax liability might encourage some businesses to delay year-end billings or accelerate payments for large purchases at the end of the year, which could deplete any savings that might have been accumulated over the year. To overcome some of these barriers to saving, public systems like the tax code could be leveraged to encourage microbusiness owners' household and business savings rather than serving as a disincentive; and financial institutions and nonprofit practitioners could leverage what we know about the underlying behavioral motivations driving the savings decisions of microbusiness owners to design new tools, products and services.

[36] Robert W. Fairlie. *Immigrant Entrepreneurs and Small Business Owners, and their Access to Financial Capital* (Washington, DC: Small Business Administration, Office of Advocacy, 2012), http://www.sba.gov/sites/default/files/rs396tot.pdf.


1.60 LB
1.40

Conclusion

This study offers new evidence and reaffirms previously assumed understandings about the financial capability characteristics and needs of microbusiness owners. Our findings show that microbusiness owners' business and personal finances are closely intertwined, and that they are dealing with significant financial vulnerabilities that reach far beyond access to credit. This study reveals a number of other ways in which microbusiness owners might be susceptible to financial shocks or ill-equipped to make calculated decisions about growth, many of which must be resolved before even considering taking on debt in a way that positions them for success rather than greater vulnerability. We are reminded that cash flow problems are key drivers of financial insecurity for both microbusiness owners and their households, and low short- and long-term savings levels compound these challenges even further, preventing microbusiness owners from smoothing over cash flow inconsistencies, weathering emergencies or meeting long-term goals that contribute to greater financial stability. Microbusinesses that are vulnerable for other reasons are even more likely to experience financial challenges and to experience difficulty accessing the types of products and services that might alleviate them.

This expanded view of the financial lives of microbusiness owners suggests that addressing their financial capability needs could measurably improve the economic outlook for both the business and the owners' household. Business ownership is a risky endeavor for *any* entrepreneur: their business' profitability is impacted by external circumstances like consumers' needs and preferences, competition from other businesses, changes in government policy, supply and production uncertainties, and any number of unexpected emergencies. These risks are further amplified when they coincide with an unstable financial footing, making every financial decision even more significant.

With this study and our developing microbusiness portfolio, CFED aims to equip practitioners, intermediaries, policymakers and other stakeholders with access to consumer insights so they are better prepared to enhance microbusiness owners' financial capability in ways that lead to business success and long-term financial security. We will leverage these findings to generate discussion among stakeholders—financial product and service providers, technical assistance and training practitioners, policymakers and researchers—that leads us closer to a set of solutions that deliver the knowledge, tools and access required for microbusiness owners to achieve financial security in a scalable way.

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Appendix 1: Tables & Figures

Table 1A: Use of Financial Products & Services

% Online Respondents

Banking Products	
Personal savings	14%
Business savings	23%
Personal checking	19%
Business checking	51%
Prepaid card	4%
None	4%
Loan Products	
Business line of credit	11%
Business credit card	25%
Personal home equity line of credit	4%
Personal credit card	17%
Other personal loan	6%
Other business loan	10%
Merchant cash	2%
None	21%
Other Services	
Payroll services	11%
Financial or accounting software	25%
Payment or merchant services	17%
Record keeper/Bookkeeper	14%
Accountant	24%
Tax preparer	29%
Insurance broker	19%
Business advisor/consultant	9%
Legal services	15%
Retirement services	3%
None	13%

Figure 1A: Challenges Identified by Online Phone Survey Respondents

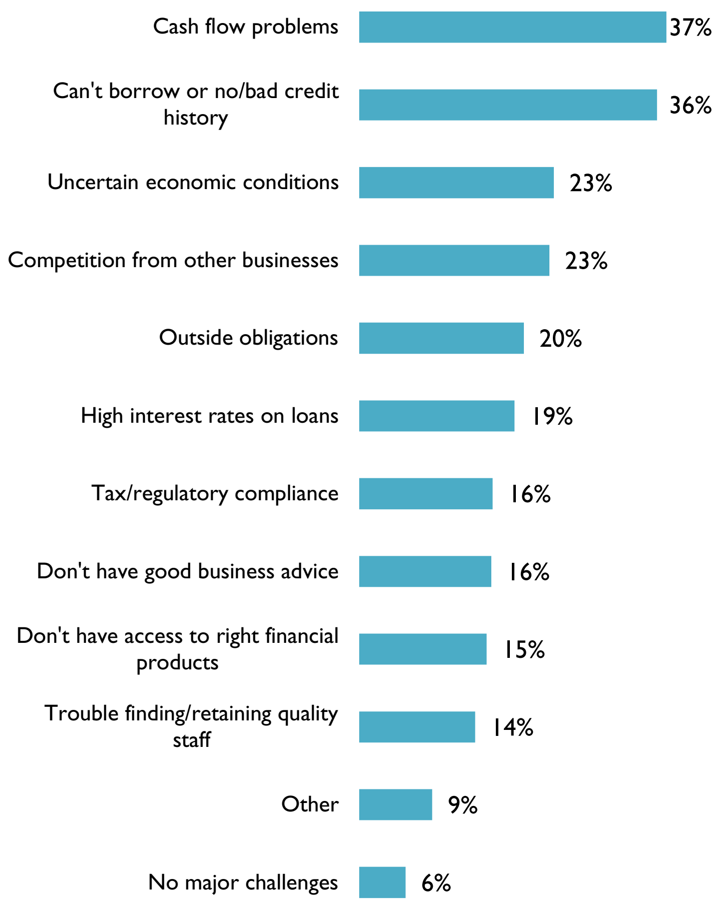

Table 1B: Use of Select Products & Services by Business Age[37] (Online Survey)

	<1 year	1-3 years	4-6 years	7-10 years	>10 years
Personal products (use declines with business age)					
Personal checking	33%	34%	29%	10%	21%
Prepaid card	6%	10%	5%	0%	2%
Personal credit card	25%	18%	36%	33%	22%
Business products and services (use increases with business age)					
Business checking	55%	73%	86%	85%	81%
Business line of credit	8%	9%	8%	15%	30%
Business credit card	18%	31%	37%	49%	60%
Payroll	10%	7%	13%	31%	22%
Financial management software	27%	30%	43%	41%	46%
Bookkeeper	6%	15%	22%	23%	34%
Accountant	26%	24%	29%	44%	56%
Tax preparer	28%	39%	37%	62%	59%
Insurance broker	15%	18%	25%	33%	50%
Legal services	14%	18%	17%	26%	37%

[37] Table 1B includes products whose usage had a statistically significant relationship with age at the 10% level or below. The relationship between business age and usage was *not* statistically significant for the following products: personal savings, business savings, personal line of credit, "other" business or personal loan, payment or merchant services, retirement advisor, and business advisor or consultant.

Table 1C: Select challenges by business age, business revenues and household income[38] (online survey)

Challenges vs. Business Age										
	<1 year	1-3 years	4-6 years	7-10 years	>10 years	p				
No/bad credit	53%	47%	30%	28%	19%	0.000				
Competition from other businesses	20%	28%	32%	43%	42%	0.007				
Cash flow (tax time)	22%	28%	29%	31%	46%	0.004				
Cash flow (other)	28%	39%	33%	49%	49%	0.024				
Outside obligations	23%	31%	30%	44%	21%	0.055				
Don't have access to right financial products	24%	28%	12%	21%	18%	0.060				
Challenges vs. Business Revenues										
	$0-49K	$50-99K	$100-199K	$200-499K	$500-999K	$1M-2M	p			
No/bad credit	45%	31%	28%	30%	8%	8%	0.000			
Competition from other businesses	26%	37%	23%	42%	63%	75%	0.000			
Cash flow (tax time)	23%	46%	40%	58%	33%	33%	0.000			
Trouble finding/ retaining quality staff	12%	20%	30%	27%	25%	33%	0.006			
Challenges vs. Household Income										
	$0-19K	$20-29K	$30-39K	$40-49K	$50-59K	$60-69K	$70-79K	$80-149K		p
No/bad credit	61%	53%	41%	40%	33%	19%	48%	19%	15%	0.000
Can't borrow	32%	27%	15%	31%	17%	23%	0%	19%	7%	0.001
High interest	37%	30%	20%	31%	28%	23%	35%	9%	17%	0.021
Competition from other businesses	22%	25%	22%	29%	42%	35%	35%	42%	40%	0.079

[38] Table 1C includes challenges for which the differences by business age, business revenue and household income were statistically significant at the 10% level or below.

Appendix 2: Tables & Figures

Introduction

Take this 5 minute quiz to learn more about your business's financial strengths and vulnerabilities!

If you complete the quiz, you'll be entered into a drawing to win a prize of $100 as a gift certificate.

Your answers will also contribute to a study by the Corporation for Enterprise Development (CFED) of small business owners in the United States.

Please take the quiz only once, and, only if all of the following apply to you and your business:

- You are the owner of the business (greater than 50% interest).
- The business has annual revenues under $2 million.
- The business employs fewer than 10 people.
- You live in the United States.

Liquidity

1. If my business revenues fell, I could cover business expenses for ____ month(s) with savings that I have on hand.*

(Please select one)

❑ I don't have any savings
❑ Less than 1 month
❑ 1 month
❑ 2 months
❑ 3 months
❑ 4 months
❑ 5 months
❑ 6 months
❑ More than 6 months

Business Challenges

2.a. Here are some challenges that small business owners may face. Which of these do you face as a small business owner?*

(Select all that apply)

❑ A) I have no credit history or a low credit score, so I can't borrow enough to meet my needs.
❑ B) I'm unable to borrow (or to borrow enough) for some other reason.
❑ C) When I borrow money, I am faced with high interest rates.
❑ D) I face high competition from other businesses.
❑ E) I can't plan for the future due to uncertain economic conditions or other external factors beyond my control.

❑ F) I'm under cash flow pressure when taxes have to be paid.
❑ G) I often struggle to maintain consistent cash flow at other times.
❑ H) Tax and regulatory compliance is too complicated.
❑ I) I don't have access to quality business advice.
❑ J) Other obligations (such as obligations at home) interfere with my work for the business.
❑ K) I don't have access to the right financial products for my business (loans, savings, payment systems, etc.)
❑ L) I have trouble finding and retaining high quality employees.
❑ M) My business doesn't face any major challenges.
❑ N) Other

2.b. Which of these are most important?
(Please note the three challenges that are most important to you, in order of importance)

Coping with Emergencies

3. If your business needed $1,000 for an emergency, which of the following are you sure you <u>could</u> use to cover it (regardless of what you would actually do)?*
(Select all that apply)
❑ Business savings
❑ Personal savings
❑ My personal salary (from the business or otherwise)
❑ My business's credit line or a business loan
❑ A business credit card
❑ A personal credit card
❑ A loan or gift from family or friends
❑ A bank loan
❑ An alternative loan, like a title loan or merchant cash advice.
❑ I would not be able to cover this expense
❑ Other

Financial Products

4.a. Which of the following *<u>banking and savings products</u>* do you use *<u>for your business?</u>**
(Select all that apply)
❑ Personal savings account
❑ Business savings account
❑ Personal checking account and/or debit card
❑ Business checking account and/or debit card
❑ I don't use any of these

4.b. Which of the following *<u>credit and loan products</u>* do you use *<u>for your business?</u>**
(Select all that apply)
❑ Business line of credit
❑ Personal credit card for my business

❑ Personal home equity line of credit
❑ Business credit card
❑ Other personal loans
❑ Other business loans
❑ Prepaid card
❑ I don't use any of these

4.c. Which of the following *other financial products and services* do you use *for your business?**
(Select all that apply)
❑ Payroll services
❑ Financial management or accounting software
❑ Payment or merchant services
❑ Record keeper/bookkeeper
❑ Accountant
❑ Tax preparer
❑ Insurance broker(s)
❑ Business advisor or consultant
❑ Legal services
❑ Retirement advisor
❑ I don't use any of these

Use of Credit

5. How do you use credit for your business?*
(Select all that apply)
❑ I don't use credit at all.
❑ I use a business credit card primarily for transactional purposes, but I typically pay off the full balance each month.
❑ I borrow regularly or seasonally (using a credit card, bank loan, or some other source) as part of my normal operations.
❑ I keep a credit line just in case a business opportunity or need arises, but I only use it occasionally.
❑ I take out business loans once every few years to expand my business.

Business Growth

6.a. How much do you expect your business to grow in the coming year?*
(Please select one)
❑ I expect that my revenues will decrease from last year.
❑ I expect that my revenues will stay about the same as last year.
❑ I expect my revenues to grow by up to 10% from last year.
❑ I expect my revenues to grow by more than 10% over last year's.

6.b. Do you expect to expand your staff in the coming year?*
(Please select one)
❑ I expect to reduce my staff in the next year.
❑ I expect to keep the same staffing level in the next year.

❑ I expect to hire one to two new employees in the next year.
❑ I expect to hire more than two new employees in the next year

Optional: General Information

7.a. Age:*

7.b. Gender:*
❑ Male
❑ Female

7.c. What is your ethnicity?*
(Select all that apply)
❑ Caucasian
❑ African American
❑ Native American/Native Alaskan
❑ Asian/Pacific Islander
❑ Hispanic
❑ Other

7.d. What is the highest level of education you have completed?*
❑ Less than high school
❑ High school/GED
❑ Some college
❑ Two-year college degree
❑ Four-year college degree
❑ Masters or professional degree

7.e. Which of the following categories best describes your <u>business revenues</u> last year?*
❑ Less than $49,000
❑ $50,000 to $99,000
❑ $100,000 to $199,000
❑ $200,000 to $499,000
❑ $500,000 to $999,000
❑ $1,000,000 to $2,000,000

7.f. What was your <u>household income</u> last year?*
❑ Less than $19,999
❑ $20,000 to $29,999
❑ $30,000 to $39,999
❑ $40,000 to $49,999
❑ $50,000 to $59,999
❑ $60,000 to $69,999
❑ $70,000 to $79,999
❑ $80,000 to $99,999
❑ $100,000 to $149,000

❑ $150,000 or more

7.g. How long has your business been operating?*
❑ Less than a year
❑ 1 to 3 years
❑ 4 to 6 years
❑ 7 to 10 years
❑ Over 10 years

7.h. What sector does your business operate in?*
❑ Trade or Retail
❑ Services
❑ Manufacturing
❑ Construction
❑ Agriculture
❑ Other: ________________

7.i. Is this business your main source of income?*
❑ No, I earn more money from some other activity
❑ Yes, but it's not the main source of income for my household.
❑ Yes, and it is the main source of income for my household

7.j. Who referred you to this survey?

Appendix 3: Phone Survey Questions

Introduction

Script: *Hello, is this ____________?*

I'm calling on behalf of the Corporation for Enterprise Development, a nonprofit dedicated to promoting opportunities for small businesses. Today, we're conducting a short survey on the needs of small business owners in (Minneapolis/Miami). If you complete the survey, you'll be entered for a chance to win ____. The survey will take around 15 minutes. Your responses will be completely confidential. Are you interested in participating?

Part I: Business Profile

Script: *Thank you so much for participating, I'm going to start by asking a few basic questions about your business.*

Validation: Before we start, I just want to confirm that you are the owner of a small business in (Miami/Minneapolis). *(If no, please stop the interview.)*

1. What type of business do you have?
2. How many years have you owned the business?
3. How many employees do you have?
4. Do you operate out of a physical shop or from home/online?
   [Store, Home/Online, Other (Specify)]
5. Is your business formally incorporated? [Yes, No]
6. Which of the following best describes your sales last year?
   [Less than $49,000
   $50,000 to $199,000
   $200,000 to $1,000,000
   Greater than $1,000,000]
7. Is the business the main source of income for your household? [Yes, No]
8. For you personally, is the business your primary job? Or do you have another job that brings in more income?
   [Yes, business is my primary job, No - I earn more money from another job.]
9. How is your business doing right now?
   (Surveyor should enter notes based on response, then choose Well or Not well.)
   [Well, Not well, Don't know]
10. Over the past 3 years *(less if it's a newer business)*, have your sales…
   [Grown at more than 10% per year, grown at less than 10% per year, remained stable at the same rate from year to year, decreased from year to year, don't know]?

11. Next year, do you expect your sales to…

    [Grow more than 10%, grow less than 10% per year, remain the same as this year, decrease from this year, don't know]?

Part II: Cash Flow

Script: *Now, I'd like to ask you about how you manage cash flow for your business.*

12. Many small business owners have trouble managing their cash flow – in other words, they sometimes don't have enough cash on hand to meet their business expenses. Is this ever a problem for you? [Yes, No]

    IF NO (to Q12, "cash flow problems"):

    12.a What do you think are the reasons you can always cover expenses on time?

    Allow respondent to answer freely and select the response that most closely corresponds.

    [My **sales** are high enough that I can always keep up with my expenses.
    I have enough **business savings** to cover major expenses and manage dips in revenue.
    I have enough **household savings** or **other household income** to cover major expenses and manage dips in revenue.
    I can use **loans or credit cards** to cover major expenses/manage dips.
    I **track** my cash flow carefully and **plan** my purchases accordingly.
    I am able to **spread out my expenses** so I don't need to pay large amounts all at once.
    I am relentless about making sure my **customers pay on time**.
    I **do not accept credit cards**, which guarantees that my customers will pay me in cash.
    I **accept credit cards**, so it's more likely that customers will be able to pay me on time.
    Other]

    IF YES (to Q12, "cash flow problems"):

    12.b What are the main reasons you face cash flow difficulties?

    Allow respondent to answer freely and select the response that most closely corresponds.

    [My **sales are sometimes too low** to cover expenses/Business is slow.
    My business is **seasonal**, so my sales dip periodically.
    I have to pay **large bills at certain times of the month or year**/I don't spread out my expenses.
    My business **expenses are unpredictable**.
    I never have enough cash at **tax time**.
    My **customers often don't pay me on time**.
    I **don't have business savings**.
    Other]

IF YES (to Q12, "cash flow problems"):
12.c In the last year, how many times did you struggle to pay for business expenses because you did not have the cash on hand?
[Just once or twice, at least four months out of the year, every month]
IF YES (to Q12, "cash flow problems"):
12.d The last time you had a cash flow issue, what did you do?
Allow respondent to answer freely and select the response that most closely corresponds.
[Used **other household income**
Used **household savings**
Used a **credit card**
Borrowed from **friends or family**
Borrowed from a **bank or credit union**
Borrowed from a **credit line**
Delayed paying for what I needed until revenues came in
Skipped/delayed paying my **own salary**
Demanded **direct payment** from customers
Demanded payment **advances** from customers
Other]
IF YES (to Q12, "cash flow problems"):
12.e Have you ever used any of the following to help with cash flow issues?
(List each strategy and ask yes or no)
[Used **other household income**
Used **household savings**
Used a **credit card**
Borrowed from **friends or family**
Borrowed from a **bank or credit union**
Borrowed from a **credit line**
Delayed payment until revenues came in
Skipped/delayed paying my **own salary**
Demanded **direct payment**
Demanded payment **advances**
Used **merchant services**
Used **electronic invoicing**
Other]

13. Do you track your income and expenses? [Yes, No]
IF YES to Q13 ("Do you track?")

13.a Do you do this on a regular basis or just from time to time?
[Regularly, From time to time]
IF YES to Q13 ("Do you track?")
13.b How do you track income and expenses?
[keep paper receipts, manual (pen and paper), Excel spreadsheet, online software), software on my hard drive), employee or outside consultant, other (specify)]

14. Which of the following methods of payment do you accept from your customers?
[Cash, Credit/Debit Card, Checks, Paypal, EFTs, IOUs, Other]
15. When you charge/bill/invoice a customer, how long does it typically take before you receive the money?
[They pay in advance.
Immediately or under 2 days
Within a week
Within a month
Over a month]
16. Has a customer ever not paid you the total of what they owed you?
[Yes: frequently, Yes: infrequently, No]

Script: *Now, I'd like to ask you about your major business expenses, including supplies and inventory, rent, taxes and salaries.*

17. What would you say is your largest business expense: supplies and inventory, rent, taxes, salaries or something else?
[Supplies and inventory, Rent, Taxes, Salaries, Other (specify)]

Supplies/Inventory

18. How often do you pay for supplies or inventory?
[More than once a month, Monthly, Quarterly, Annually, Other (specify)]
19. How do you usually pay for supplies or inventory?
[Cash, Check, Debit card, Credit card, Store card, Pre-paid card, Merchant cash advance, Pay-Pal, EFT, Other (specify)]
If they selected "credit card" in Q19:
19.a Is this a business credit card or a personal credit card?
[Business, Personal]
If they selected "credit card" in Q19:
19.b Do you use this same card for any personal expenses? [Yes, No]

If they selected "credit card" in Q19:

19.c Do you keep a balance on your credit card, or do you pay the full balance at the end of each month?

[Almost always keep a balance, Sometimes keep a balance, Always pay in full]

20. Do you pay for supplies and inventory immediately or in installments?
    [Immediately, installments, other]
21. If you had the option, would you prefer to pay your suppliers with any of the following other methods?
    [Cash, Check, Debit card, Credit card, Store card, Pre-paid card, Merchant cash advance, PayPal, EFT, Other (specify)]

Rent

22. Do you pay rent on your place of business? [Yes, No]

If Yes to Q22, "Pay rent?"

22.a How do you pay your rent?

[Cash, Check, Debit card, Credit card, PayPal, EFT, other (specify)]

If Yes to Q22, "Pay rent?"

22.b If you had the option, would you prefer to pay your rent with any of the following?

[Cash, Check, Debit card, Credit card, PayPal, EFT, other (specify)]

Tax

23. When you pay income tax on your business (not sales tax), do you pay monthly, quarterly, or annually?
    [Monthly, Quarterly, Annually, Don't know, Don't pay taxes on business]
24. Do you pay your business income tax by mail or online?
    [Mail, Online, Other (specify)]
25. What method do you use?
    [Check, Debit card, Credit card, EFT, Other (specify)]
26. If you had the option, would you prefer to pay your business income taxes with any of the following other methods?
    [Check, Debit card, Credit card, EFT, Other (specify)]
27. Do you struggle with cash flow around tax time? [Yes, No]

Payroll

If they have at least one employee:

28. What method do you use to pay your employees?
    [Cash, Check, Direct Deposit, Paypal, EFT, Other (specify)]

If they have at least one employee:

29. Would you prefer to pay your employees with any of the following?
    [Cash, Check, Direct Deposit, Paypal, EFT, Other (specify)]

If they have at least one employee:

30. How often do you pay your employees? [Monthly, Biweekly, Weekly]

Owner's Salary

Do you pay yourself a regular salary or transfer a regular amount of your business revenues to your household? [Yes, No]

If Yes to Q31 "Regular salary/transfer?"

31.a How often do you pay yourself or make this transfer? [Monthly, Biweekly, Weekly, Other (specify)]

If Yes to Q31 "Regular salary/transfer?"

31.b In the last year, have you ever **skipped** paying your own salary/making this transfer in order to cover business expenses? [Yes, No]

31.b.1 If Yes, how many times?

If Yes to Q31 "Regular salary/transfer?"

31.c In the past year, have you ever **delayed** paying your own salary/making this transfer in order to cover business expenses? [Yes, No]

31.c.1 If Yes, how many times?

If Yes to Q31 "Regular salary/transfer?"

31.d In the last year, have you ever **reduced** the amount of your own salary/transfer in order to cover business expenses? [Yes, No]

31.d.1 If Yes, how many times?

Part III: Savings

Script: *Now, I'd like to ask you about saving.*

31. Is your household saving right now? [Yes, No]

32.a *If Yes to Q32 "saving?"*

What type of accounts does your household use to save?

[Personal savings, business savings, IRA, 401K other investment vehicle, no account]

32.b *If Yes to Q32 "saving?"*

Do you think that your business has helped contribute to building these household savings? [Yes, No, Don't know]

32. Does your household have any particular savings goals?

[Education, a large purchase like a home or vehicle, retirement, business investment, emergency fund or cushion, no savings goals, other (specify)]

33. What is your opinion of having separate savings for your business? Is it more important, equally important or less important than saving for your household?

[More, Equal, Less]

If "less important" to Q34 "separate business savings important?"

34.a Why is it less important?

Allow respondent to answer freely and select the choice(s) that correspond.

[It's more important for me to **reinvest my revenues** back into my business than to save them.

My **household saving needs are more important** than my business needs.

My **business can borrow** for investment or emergencies – it doesn't need to rely on savings.

I can use household savings for my business needs if I have to.

Other]

If "more important" to Q34 "separate business savings important?"

34.b Why is it more important?

Allow respondent to answer freely and select the choice(s) that correspond.

[I need to have savings on hand to **manage cash flow**.

I need to save if I want to make **large business investments**.

I need to save for **business emergencies**.

I **don't have the option to borrow** – I must rely on savings.

Other]

34. If your business revenues fell suddenly, how many months worth of business expenses would you be able to cover with the business savings you have on hand?

[0, Less than 1 month, 1-2 months, 3-4 months, 5-6 months, More than 6 months]

35. Do you feel that this amount of savings is sufficient for your business?

[Yes, No, Don't know]

IF NO to Q36 "Sufficient savings?"

36.a What prevents you from saving more?

[Business **revenues are low**/My profits are not high enough to sae.

I need to use business revenues to **re-invest** in the business.

I need to use business revenues to pay **business expenses**.
I need to use business revenues to cover **loan/interest payments**.
I need to use business revenues to cover **home/family expenses**.
I had to cover a **business-related emergency**, which depleted my savings.
Other]

36. Does your business have more or fewer savings today than in 2007 or since you started the business? [More, fewer, same, don't know]

Part IV: Credit

Script: *I'd like to ask you about your experience with using credit for your small business. This includes credit cards, bank loans, credit lines, supplier credit, and any other type of borrowing you may use.*

37. Do you use any type of credit or loans for your business? [Yes, No]

IF YES to Q38 "Any credit/loans?"

38.a Which of the following types of credit have you used for your business in the past 3 years?

[Home equity loan
Credit card debt
Credit line
Bank or credit union term loan
Microlender or nonprofit lender
Merchant cash advance
Payday loan/title loan/pawn shop
Informal loans from friends or family or other people you know
Mortgage on land or property for business
Other (specify)]

IF YES to Q38 "Any credit/loans?"

38.b Approximately how much business-related debt do you hold right now?

38. Have you ever applied for a business loan and been denied? [Yes, No]

IF YES *to Q39 "Denied loan"*

39.a What size loan were you looking for?

39.b What was the reason you were denied?

[I had a **low credit score**
I did not have sufficient **credit history**
I had insufficient **collateral**.
I had **weak sales** at the time.

The lender required too much **paperwork**.
The lender only lends in larger **amounts**.
The lender doesn't lend to **businesses like mine**.
I did not have **documents to work legally** in the country.
I **don't know** why I was denied.
Other (specify)]

39. Are you planning to apply for a new loan in the future? [Yes, No, Don't know]

If Yes to Q40 "Planning new loan?"

40.a Why? *(select all that apply)*

[To manage my cash flow
To expand my business
To start a new business
Other]

If No to Q40 "Planning new loan?"

40.b Why not? *(select all that apply)*

Allow respondent to answer freely, and select the choice(s) that correspond.

[I don't think I'll be **approved**.
Interest rates are too high.
I don't need a loan because my **revenues are sufficient.**
I **don't intend to expand** my business beyond its current size.
I have **enough savings** that borrowing isn't necessary
I don't need a new loan because my **current loans are sufficient.**
I am worried that it will be **too risky**.
Other (Specify)]

40. Does your business have more or less debt today than in 2007 (or when you started the business, if later)? [More, less, same, don't know]
41. Do you think your credit score is very good, somewhat good, somewhat poor or very poor? [Very Good, Somewhat Good, Somewhat Poor, Very Poor, Don't know my credit score]
42. When was the last time you checked your credit score?

[Within the last 3 months
Within the last year
Within the last 2 years
Within the last 3-5 years
More than 5 years
Have never checked
Don't remember]

Part V: Demographics

Script: *Thanks so much for your help, before we end, I would appreciate if you could answer a few questions about yourself.*

43. Gender [Male, Female]
44. Age
45. Marital status

    [Single, Married, Divorced, Widowed, Civil union or domestic partnership, Other unmarried union]
46. Ethnicity *(select multiple, if applicable)*

    [While, Black/African American, Hispanic, Asian/Pacific Islander, Native American/Native Alaskan]
47. Born in the US? [Yes, No]
48. Zip Code
49. Highest level of education

    [Less than high school, High school/GED, Some college, Two-year college degree, Four-year college degree, Masters or professional degree]
50. Number of children under 18 in the household
51. Household income

    [Less than 29,999
    30,000 to 59,999
    60,000 to 99,999
    100,000 or more]

About CFED

CFED empowers low- and moderate-income households to build and preserve assets by advancing policies and programs that help them achieve the American Dream, including buying a home, pursuing higher education, starting a business and saving for the future. As a leading source for data about household financial security and policy solutions, CFED understands what families need to succeed. We promote programs on the ground and invest in social enterprises that create pathways to financial security and opportunity for millions of people.

Established in 1979 as the Corporation for Enterprise Development, CFED works nationally and internationally through its offices in Washington, DC; Durham, North Carolina; and San Francisco, California.

In Search of Solid Ground:

Understanding the Financial Vulnerabilities of Microbusiness Owners

cfed

expanding economic opportunity