

## Credit Card Financing and Small Businesses

### What types of capital are used by small businesses?

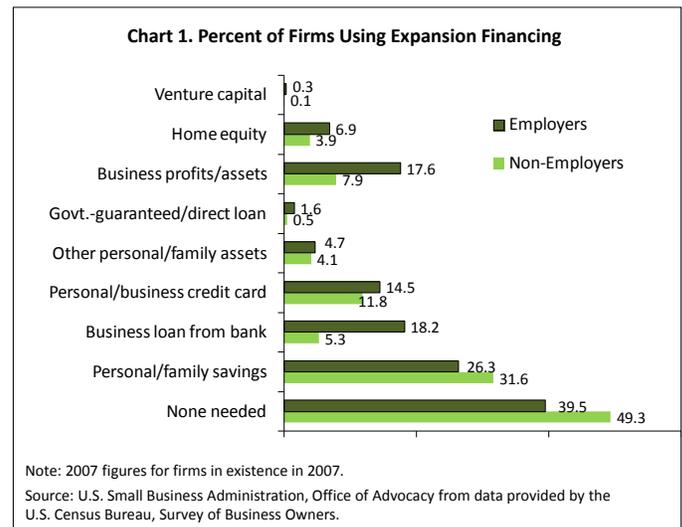
Small businesses use an array of financing options to fund their business ventures. Debt instruments include loans, trade credit, leases, lines of credit, credit cards, and bonds. Equity includes savings, shares, grants, founder's capital, and promissory notes. (Source: U.S. Small Business Administration, Office of Advocacy, Frequently Asked Questions about Small Business Finance.)

### How much startup capital is obtained from credit cards?

A small percentage of entrepreneurs use credit cards to finance their businesses. About 10 percent of financing dollars come from personal and business credit cards. When credit conditions are tight, small firms are more likely to use credit card financing. (Source: U.S. Census Bureau, 2007 Survey of Business Owners.)

### Who uses credit card financing, new or existing businesses?

Business owners in all business stages—those starting businesses and those seeking financing to grow their firms—turn to credit cards for their financing needs. Employers and nonemployers use credit cards for expansion purposes at similar rates, 14.5 percent and 11.8 percent, respectively. (Source: U.S. Census Bureau, 2007 Survey of Business Owners.) The construction industry most commonly uses credit cards, while businesses less than four years old are least likely to use them. (Source: National Federation of Independent Business Research Foundation, *Small Business, Credit Access, and the Lingering Recession*.)



### Who supplies credit card financing to small firms?

Most credit card financing is from depository lending institutions with \$50 billion or more in assets. These lenders hold 67.6 percent of the value of the commercial and industrial micro loan market (loans under \$100,000, which are primarily credit cards). (Source: Call Reports, June 2012.)

### What is the current state of the credit card market?

In the second quarter of 2012, demand for credit cards spiked upward after remaining relatively flat, while the terms and conditions for credit cards remained unchanged (Senior Loan Officer Survey). Small business owners were more successful in obtaining credit cards compared with other types of institutional credit. About three-fifths of small business owners obtained credit cards with satisfactory terms while 15 percent were displeased with the terms and conditions they received. (Source: NFIB Research Foundation.)

