

SMALL BUSINESS CUSTOMERS

by [Steve Brown](#)

This morning we found out from the National Federation of Independent Businesses (NFIB) that small businesses still feel pessimistic about the economic outlook. Despite higher stockpiles of cash and better quarterly earning results from larger companies, the Small Business Optimism Index fell to 89.0 last month from 93.0. Small business owners remain worried about weaker sales over the next 6 months and ongoing political uncertainty. In addition, the survey found only about 10% of small businesses planned to hire in the next 6 months.

As for further stimulus from the FRB, that seems like it is not in the offing right now. With short term interest rates at zero that isn't surprising, perhaps, but as concerns persist about economic recovery, patience will be needed. As late as yesterday in speeches, two Fed officials, in fact, reiterated that the Fed has no plans to add further stimulus and that the economic recovery remains intact. When asked what the Fed's plans were to further boost economic recovery, Governor Duke said monetary policy was "in the right place" and the Fed had no plans to ease further "at this point." Meanwhile, Richmond Fed President Lacker said "consideration of additional easing steps is very far away."

Given we will not likely see further stimulus from the Fed and the fact that small businesses account for about 64% of all net new jobs, expectations are running high that the unemployment rate will continue to be sticky for some time to come. That is important, since surveys of wealthy people find from 70% to as high as 78% of this group say job growth is the single most important indicator that the economy is improving. The "magic" number they are looking for to indicate economic strength is an unemployment rate of 7% or lower. That could be some time off, so community bankers will have to remain patient as steps are taken to cut costs and boost productivity.

That does not mean, however, that all is dire in the world of small businesses either, so hope springs eternal. A recent survey by Digital Insight at the end of last year finds 61% of small business owners feel their financial prospects will improve in 2010. In addition, a full 70% of those surveyed also felt their bank was stable and safe. Those are both positive, but where is the opportunity for community bankers you might be wondering.

Well, if that same survey is correct, one path to increased customer acquisition and business opportunity for community bankers will come in the form of enhancing online capabilities. Consider that 88% of small business owners now transfer funds and pay bills online. Additionally, 80% said their bank was the most trusted online destination to manage their finances. Next, some 62% are seeking a single place to manage their entire financial situation, regardless of the information source. Finally, about 17% of small business owners struggling to make ends meet have increased their use of online financial management tools in the past 12 months.

Spending money right now is difficult, so spending money wisely is critical. Boosting online capabilities may be one way to improve customer service, capture more customers and enhance productivity within the bank. Things don't have to be overdone here either. In fact, the top things small business owners want to see online is a way to process credit card and ACH payments, handle invoicing, make remote deposits, handle taxes and learn about new products or services. These

things can all be done relatively easily by community banks, so consider making it a summer project and get started planning now.

BANK NEWS

Stronger MOU

The FDIC announced that it will assert its power to gather greater information and conduct special examinations of banks that it doesn't directly regulate. The "Wamu Stick" arose after the regulator had trouble with directly assessing the risk during the Washington Mutual failure and will now allow the agency greater transparency and control into OCC and OTS institutions.

Credit Insight

Similar to its Senior Loan Officer survey, the Fed will release its first edition of its Senior Credit Officer Opinion Survey on Dealer Financing Terms (SCOOS) which will track credit underwriting for securities financing and over-the counter (OTC) derivatives markets. The survey will be released at 2 p.m. ET today.

State tax collections

Last Q1 was the first increase since Q3 of 2008 that US states increased tax revenue. Although 33 states showed a decline, on a weighted basis, revenue was up 2.5% from 4Q thanks to CA and NY.

Brainstorming Help

The White House put out a request for bank CEOs and other corporate executives to submit ideas about changing the US tax code, reducing the deficit and expanding trade. We will be sending in some ideas.

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