



## Small Business Optimism Abounds

by [Steve Brown](#)

About 50Ys ago, a group of female activists created NOW, the National Organization for Women. At the time, some of their concerns were the Equal Employment Opportunity Commission's refusal to outlaw job ads with phrases like "Help Wanted Male" and "Help Wanted Female," or job postings asking for a "well-groomed gal," according to The Associated Press.

Women's rights have clearly come a long, long way in those 50 years, but there's plenty of work to be done - especially for women who are small business owners today.

Consider a recent survey by the American Express OPEN Small Business Monitor that found female small business owners still earn less than their male counterparts.

The survey found that 57% of male small business owners are likely to pay themselves a salary vs. only 43% of women small business owners. What's more, the survey found male small business owners paid themselves \$17,470 more per year than their female counterparts.

Taking a look at salaries overall, the survey finds that small business owners overall that are earning a wage, are paying themselves more - \$76,010 a year. That is an increase of \$2,310 from the prior year or about 3% higher.

As for hiring intentions, the survey found 39% of small business owners said they plan to hire this year, an uptick over the 34% who said they planned to hire the year prior. The biggest problem here though is that small business owners said finding the right job prospects is their #1 challenge to growth (at 19%).

As community bankers know, small business owners are generally an optimistic bunch. Here the survey found that 84% of small business owners identified themselves as being optimists, and of seeing "the glass as half full." But that's not to say owners are without worries. About 53% worry about whether they can save enough for their own retirement.

When it comes to lending opportunities for community banks, the good news is that a majority of small business owners still plan to make capital investments in their business over the next 6 months (51%), but unfortunately that level is down from 56% at the end of last year. Even stranger perhaps, this is despite the fact that 83% of small business owners say they are much more confident than the year before.

Perhaps one driver here is that this group said their "top priority" at 39% was to maintain their current business and revenue sources. Toward that end, 84% said they will place a "heightened focus" on customer care in hopes of differentiating their company from their competitors.

Finally, consider research by the US Chamber of Commerce. It found that over the last 15Ys, women-owned businesses have grown by 1.5x the rate of other small businesses and now account for almost 30% of all new businesses.

Clearly, as we have discussed today, small business owners are optimistic - regardless of whether they are women or men. They are a great customer base for community banks, who support so many of these entrepreneurs, so keep up the fantastic work you do as you seek to expand your business and theirs.

# BANK NEWS

## **Embezzlement**

A study of embezzlement by US employees by Hiscox finds: 17% occurs in financial services (most of any industry) and small businesses with fewer than 150 employees are 10x more likely to be victimized by fraud than those with 250-500 employees.

## **Future Technology**

Bloomberg reports the largest banks are embracing technology as low interest rates, shrinking trading revenue and heavy regulation stress business models. Given the aggressive shift, some now expect 20% of their current workforce will be automated and made redundant in the next 4Ys.

## **Operational Risk**

Bankers wondering what regulators mean when they say they are worried about "operational risk" should note recent speeches and reports from various regulatory agencies indicate it covers: cybersecurity, information security and data protection, controls and oversight of third-party relationships, model risk management, new platforms and technologies, new products and services, and new delivery channels. Be especially prepared here for your next exam, as scrutiny is likely to be higher than normal.

## **CRE Shift**

Emergent Research finds the number of business co-working spaces (where members share common areas) has climbed from about 250 in 2010 to 3,000 as of the end of 2015.

## **Loan Growth**

Barclays research finds US loan growth at banks was about 7.2% in Q2 vs. an average of 5.2% over the past 25Ys. Meanwhile, FDIC research indicates loan balances at FDIC insured institutions were 6.9% higher as of the end of Q1 compared to a year earlier.

## **Productivity Issue**

Research by the Fed finds office workers spend less than 50% of their time on value creating business activities, as younger workers in particular spend more time off-task using social media, surfing the internet, texting and doing other unproductive activities.

## **Hack Attacks**

Alphabet's Google unit has notified customers of about 4,000 state sponsored cyberattacks per month.

## **Cybersecurity Review**

A Bank Director survey of risk practices finds 34% of banks review cybersecurity at every board meeting.

## **Home Ownership**

Harvard University research finds the home ownership rate is at a 48Y low of 63.5%.

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