



Nonemployer Firms Need Funding Too

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Summary: The NY Fed's most recent survey on nonemployer firms shows 43% have unmet funding needs. This could be an opportunity for your institution.

The ability to bounce back or how resilient you may be was researched by leadership development company, BetterUp. It found people who have low resilience are 4x more likely to experience burnout. Raise awareness at your institution and be sure to check in on employees to see if some of yours can be helped.

Banks are quite resilient, particularly so when it comes to small business customers. In this area, we note a report from the NY Fed on nonemployer firms (establishments without employees on payroll).

Nonemployer firms are an important part of the economy, despite only representing 3% of annual receipts of US businesses. The number of these firms has been increasing in recent years and notably they currently represent 81% of all small businesses.

Some takeaways from the [Fed's survey](#) include:

About 72% of nonemployers earn \$100K or less in annual revenue. Lower revenues are common among early-stage potential employers (92%), firms with non-Hispanic black ownership (87%), and women-owned firms (81%), the report found. The primary funding source for 54% of those surveyed is retained business earnings, with 41% citing personal funds and a mere 5% citing external financing.

For some financial institutions, it could be eye-opening to discover how much these businesses are lacking when it comes to funding. For instance, less than half of nonemployers report their funding needs are being met, with 18% reporting a funding shortfall and 43% who may have unmet funding needs. This could be a prime opportunity for you, so be sure to keep asking all small business customers how they are doing and what you can do to help.

At the same time, it is encouraging that 71% of nonemployers say they want to expand their business, according to the Fed report. Yet, demand for financing is relatively weak among nonemployers, despite persistent gaps. Only 26% of nonemployers applied for funding in the prior 12 months, compared with 43% of employer firms, the survey found.

To be sure, nonemployer firms have a number of reasons for not applying for financing, but notably 36% claimed to be debt averse or reported being discouraged from applying.

It's not surprising that some of these businesses have financing trouble, given that a majority of nonemployer firms are either unprofitable or are operating at break even. You might be able to help and capture new customers by having small business seminars as one way to help these customers realize that it doesn't have to be a difficult process.

Still another way is to have regular account reviews with your small business customers, especially those with the highest [customer profitability](#).

If you are looking for more ideas on customer profitability, read our BID on [Customer Retention and Profitability](#).

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