



## What Small Businesses Really Want from Their Banks

small business business customers industry update

**Summary:** According to the most recent banking survey from the National Federation of Independent Businesses, small organizations prefer to bank with small and regional banks. They also rank customer service as the most important factor when choosing a bank. We summarize the key findings and explore the opportunities for CFIs.

The first “credit” card was arguably used in 1950, when Frank McNamara, co-founder of the Diners Club Card, [paid for his dinner with a cardboard card](#). In 1958, Bank of America launched the first revolving credit card — the BankAmericard — with American Express also introducing its first charge card that year.

Despite the trend toward digital banking, the credit card continues to be a favorite payment method for many. Indeed, according to a [recent study conducted by the National Federation of Independent Businesses \(NFIB\)](#), credit cards remain the most popular type of financing for 70% of small business owners.

NFIB surveyed a random sample of 669 of its members, all of whom are small business owners, in April 2023 to gain insight into their banking needs, along with their views on the banking sector. We discuss some of the survey’s key findings and how your community financial institution (CFI) might use the noted trends to market to new customers and better meet the needs of current customers.

### Where Small Businesses Do Banking

According to the survey, most small businesses (two-thirds of respondents) choose to use “small and regional” institutions — good news for many CFIs. What’s more, most seem satisfied with their current banking choice: 84% are not planning to change their primary financial institution (FI) in the next three months.

About 97% of those surveyed have separate business and personal accounts, but only 56% use the same FI for these accounts. Meanwhile, 45% use more than one institution for their business banking requirements. These results suggest that an opportunity exists for CFIs to entice existing business customers to transfer their other accounts to them. This can mean easier and faster transfers between accounts for businesses, their partners, and their employees.

You can also offer customers incentives for increasing their business with you. You might consider giving them benefits for consolidating their loans with your institution. For transferring deposits, you could reward customers with account bonuses, lower fees, or other promotions for increasing their deposit amounts for a certain number of months.

### Fewer Businesses Borrowing

When it comes to small business loans, the trends are on the milder side. Just over half of the respondents (52%) have a current business loan — either a term loan or line of credit. However, 74% have not borrowed money in the last three months.

Of those that have borrowed recently, most did so through a bank or credit union. Only a small percentage (6%) borrowed from a finance company, online lender, or different type of lender. Their reasons for borrowing recently include to help meet operating expenses (37%), to expand their business (21%), and to replace capital assets or make repairs (24%). These specific needs can help you pinpoint the businesses in your portfolio to see who may be in the market for financing.

In this tight lending marketplace, CFIs need to remain vigilant and work hard to maintain their competitiveness. As part of these efforts, they may want to expand the range of financing solutions available to businesses. According to the survey, small businesses used a variety of tools to support their business' financial needs over the past 12 months, ranked as follows:

- credit cards (70%)
- line of credit (33%)
- personal savings (32%)
- business loan (26%)
- loan from friends or family (4%)
- home equity (4%)

Of course, there are other ways that institutions can attract and retain small business customers aside from increasing their range of financing solutions — as discussed in this [BID article](#).

## **Customer Service Key to Winning New Business**

While many factors contribute to a successful small business banking relationship, the NFIB's survey highlighted the importance of customer service, a hallmark of CFIs' dedication to maintaining personal connections with their markets.

In fact, 87% of respondents said that customer service was the most critical factor when choosing a bank for business purposes. Convenient location (66%), low banking fees (62%), and online banking capabilities (60%) are the next three most important factors for small businesses.

Given how crucial customer service is to these customers, it was somewhat surprising to see that only 41% talk regularly to someone at their bank about their business's finances. Meanwhile, 78% reported that their bank had not reached out to them following the collapse of certain banks earlier this year and the subsequent banking crisis. This could be an opportunity for you to reach out to businesses in your community who aren't customers of yours and show them the value of a closer connection with their CFI.

CFIs would do well to consider how to engage and communicate with their small business customers more regarding their business finances and business financial health. We provide some top tips for improving small business customer relationships in this [BID article](#).

The results of this survey demonstrate how important it is for CFIs to continue to focus on providing small business customers with excellent customer service, innovative financing solutions to meet their banking needs, and increased support during tough times.

## **TWO APPROACHES TO STRESS TEST YOUR LOANS**

Now more than ever, it is important to stress test loans of all types from multiple perspectives. Choose your approach and get expert help, as needed. Learn more about [credit stress testing](#) today.

# ECONOMY & RATES

Rates As Of: 07/18/2023 05:48AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.49	0.06	1.07
6M	5.52	0.05	0.76
1Y	5.29	-0.11	0.58
2Y	4.71	-0.19	0.28
5Y	3.98	-0.18	-0.03
10Y	3.77	-0.06	-0.10
30Y	3.90	0.04	-0.07
FF Market	FF Disc	IORR	
5.08	5.25	5.15	
SOFR	Prime	OBFR	
5.06	8.25	5.07	

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