

## Access to Funding Up but Demand is Down for the Small Business Sector

### Looking Ahead, Businesses Report Feeling Optimistic about their Business Success in 2016

LOS ANGELES, Dec. 17, 2015 /PRNewswire/ -- The small business sector is ending the year on a strong note with access to capital at its highest level since 2012, according to the latest results from Dun & Bradstreet and Pepperdine University's Private Capital Access quarterly report. However, the report also shows the demand for funding by the small business sector is down. The findings illustrate the hopeful attitudes but guarded practices at work in the small business economy.

The study segmented results for those businesses with less than \$5 million in revenue (small) and those with \$5-100 million (mid-sized). It found mid-sized businesses have also seen a downward trend in demand for capital for 2015.

Both small and mid-sized business owners are optimistic about their own business' health and growth for the next year. More than three quarters (80%) of small and mid-sized businesses expect 2016 to be better than the previous year, with 87% of businesses confident that their enterprise will grow in 2016. Nearly three quarters (72%) of small and mid-sized businesses expect to increase revenue in 2016 by an average of 10%.

"Across the entire year of 2015, we've seen significant economic progress for small businesses. Access to capital has increased, hiring is up and confidence is high," said Jeff Stibel, Vice Chairman of Dun & Bradstreet. "The momentum coming from small businesses will create stability in our overall economy and will continue to help reduce unemployment throughout 2016."

Although the small business sector is optimistic about their own success, small businesses continue to have lingering concerns about the state of the overall economy. More than half (56%) of small businesses believe the current economic environment is restricting their businesses' growth opportunities compared to just a quarter (25%) of mid-sized businesses. Forty-nine percent (49%) of small businesses indicated the current business financial environment is also restricting their ability to hire, compared to 22% of mid-sized businesses.

The small businesses in the survey have maintained an upward trend in accessing capital over the year, with a 5% increase in successful bank loan financing (35% financing success rate for Q4), in addition to an increase in access from alternative business financing options including: business credit cards (60% success rate), merchant cash advance (31% success rate), and business online marketplace lenders (26% success rate).

Mid-sized businesses, however, are seeing decreases in both demand for capital (-3.8% change since Q3) and bank loan access (73% success rate, a 17% decrease since Q3).

"Mid-sized businesses struggled with demand more than their small counterparts for the first time in quite a while, which is concerning," said Dr. Craig R. Everett, Director of the Pepperdine Private Capital Markets Project. "Since a growing small business quickly becomes a medium-sized business, I consider medium-sized businesses the true bellwether of growth in our economy. With demand for capital taking a hit for these mid-sized businesses, the overall business growth outlook seems very soft. These businesses are saying that they are optimistic about growth, but they do not appear to be making actual plans to grow. We will watch this carefully in early 2016."

### Hiring Challenges

Domestic economic uncertainty is a key reason that small (20%) and mid-sized (28%) businesses attribute for their inability to hire. Hiring is likely to increase, however, as 57% of all small businesses and 56% of mid-sized businesses said they plan to add between 1-10 employees in the next six months. Forty percent (40%) of mid-sized businesses believe that hiring qualified employees in 2016 will be the most significant challenge for their business in the upcoming year.

Dun & Bradstreet and Pepperdine University's Private Capital Access (PCA) report also examined the regional breakdown of small and mid-sized business hiring. Among businesses in larger U.S. states, several indicated plans to hire in the upcoming year above the national average of 62%:

- | Florida (69%)
- | Georgia (68%)

- | Illinois (68%)
- | Massachusetts (67%)
- | New York (67%)
- | California (65%)
- | Texas (64%)
- | Pennsylvania (63%)

The Q4 2015 Index report was derived from 2,773 completed responses collected from November 2<sup>nd</sup> - November 20<sup>th</sup>, 2015.

Download the latest index data at <http://bschool.pepperdine.edu/accesscapital> and follow us on Twitter at [@GraziadioSchool](https://twitter.com/GraziadioSchool) and [@DnBUS](https://twitter.com/DnBUS).

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A leader in cultivating entrepreneurship and digital innovation, the Graziadio School of Business and Management of Pepperdine University focuses on the real-world application of MBA-level business concepts. The Graziadio School provides student-focused, globally oriented education through part-time, full-time, and executive MBA programs at our eight campuses, as well as through online and hybrid formats. In addition, the Graziadio School offers a variety of Master of Science programs, a Bachelor of Science in Management degree completion programs, the Presidents and Key Executives MBA, and executive education certificate programs. Follow the Graziadio School on [Facebook](https://www.facebook.com/GraziadioSchool), Twitter at [@GraziadioSchool](https://twitter.com/GraziadioSchool) and [LinkedIn](https://www.linkedin.com/company/pepperdine-university).

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