

## **Despite Improved Access to Capital, Small Businesses Still Heavily Dependent on Personal Resources, According to Private Capital Access Study**

LOS ANGELES, June 20, 2016 /PRNewswire/ -- The ability of small businesses to access needed capital has steadily risen in the past four years, according to the second quarter results from the Private Capital Access (PCA) Index by Dun & Bradstreet and Pepperdine University Graziadio School of Business and Management. Despite this, the survey found that small businesses' access to traditional bank loans, while increasing, still lags behind that of middle market companies, forcing small businesses to rely on personal assets and personal credit.

The study showed a 13 percent increase in access to capital for small businesses (revenues less than \$5M) since Q2 2012. The quarterly study also showed that in Q2 2016, personal funding sources appeared to be firmly entrenched as mainstream options for small businesses who accessed capital within the last three months. Thirty-four percent of small business owners transferred personal assets to their business over the last three months, compared to just 13 percent of owners of mid-sized businesses (revenues between \$5 million - \$100 million). The leading types of personal assets small businesses relied on for capital in Q2 were personal savings (72%), personal credit cards (45%), and cash from sale of personal assets (19%).

Seventy-seven percent of the small business respondents qualified for personal credit cards for financing in the last three months, 70 percent qualified for business credit cards, and 68 percent relied on friends and family. By comparison, only 38 percent of small business respondents qualified for a bank loan within the last three months, compared to 70 percent of mid-sized businesses.

Crowdfunding, a process of raising funds from many people across an online platform, is emerging as a major alternative source for small businesses seeking capital. Nineteen percent of small businesses that sought financing in the past three months utilized crowdfunding as a funding source, compared to seven percent of mid-sized businesses.

"When we began the study four years ago, small businesses were reeling from the effects of the Great Recession," said Jeff Stibel, vice chairman of Dun & Bradstreet. "Since then, we have seen steady progress for small businesses being able to acquire the capital they need, although the financing is still predominantly not coming through traditional lenders. It will be interesting to see how the new option of crowdfunding will affect small businesses, as our study has shown more eagerness to use that option as compared to their mid-sized counterparts."

While the study shows access to capital has increased for small and mid-sized businesses over the past four years, overall demand for capital is down. Among small businesses, demand dropped sharply between Q1 2016 and Q2 2016 (38% versus 32%), while for mid-sized businesses, demand decreased from 23 percent in Q1 to 21 percent in Q2. Since Q2 2012, the demand index among small businesses has dropped 19 percent (39 points versus 32 points) and 37 percent among mid-sized businesses (32 points versus 21 points).

Researchers observed that despite an increase in operational stability, the economic climate remains uncertain for small businesses. Fifty-two percent of small business respondents indicated that the current business financing environment is hindering their businesses' growth opportunities, compared to 33 percent of mid-sized businesses in Q2 2016. However, 56 percent of small business respondents in Q2 2016 indicated a desire for financing in the next six months for planned growth or expansion, compared to 41 percent of mid-sized businesses.

"Business borrowing habits suggest owners may not see a need for an immediate infusion of capital," said Dr. Craig R. Everett, assistant professor of finance and director of the Pepperdine Private Capital Markets Project. "However, these findings suggest business owners are still feeling the lasting impact of the recent recession and remain skittish about the future, as reflected in an abundance of caution when it comes to the economic environment."

The PCA Index is a quarterly indicator produced by the Graziadio School of Business and Management at Pepperdine University with the support of Dun & Bradstreet. The Q2 2016 survey is based on 1,097 completed responses collected in April 2016.

Download the latest index data [here](#) and follow us on Twitter at [@GraziadioSchool](#), [@DnBb2b](#), and [@AccesstoCapital](#).

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