



March 31, 2016

Small Businesses Report Increased Access to Capital, Greater Demand for Financing, and Optimism for Future Growth

Dun & Bradstreet and Pepperdine Graziadio School Private Capital Access Index Q1 Report Also Reveals a Growing Number of Small Businesses are Cautious About Near-term Economic Conditions

LOS ANGELES, March 31, 2016 /PRNewswire/ -- Small businesses are starting the year on an optimistic note, with business' confidence about future growth at a five-year high, according to recent results from Dun & Bradstreet and Pepperdine University Graziadio School of Business and Management Private Capital Access Index (PCA). The PCA shows 86 percent of small business owners reported feeling "more optimistic" or "somewhat more optimistic" about their own future business growth prospects.



In addition, 62 percent of owners of small businesses (with revenues under \$5 million) are planning raises for employees in the next 12 months, and 80 percent of mid-sized businesses (with revenues between \$5-100 million) expect to increase their employees' pay - a three-year percentage high for both business segments. Conducted between February 2 and February 19 of this year, the PCA report is derived from 2,469 completed responses from small and mid-sized businesses across the U.S.

The Private Capital Demand Index increased 7.4 percent, and the Private Capital Access Index increased 2.5 percent since last quarter's results. The increases were more marked for small businesses than mid-sized businesses (+2.6 percent vs. +2.3 percent change in access, +7.8 percent vs. -2.4 percent change in demand).

Businesses Remain Positive About Their Own Future

Thirty-seven percent of business owners reported plans to seek financing in the next six months, compared to 30 percent in Q1 2015, representing a year-over-year increase of 23.3 percent.

Among respondents who anticipate a demand for financing, 65 percent cite planned growth or expansion as their reason, while 60 percent cited growth due to expected increased demand. Both percentages were at the highest rates in the past four years.

"Increased access to capital and positive projections about revenue growth are key indicators that the business environment will remain stable for much of 2016," said Jeff Stibel, Vice Chairman of Dun & Bradstreet. "The newest findings suggest that business owners are increasingly optimistic, paralleling positive growth trends in wages, manufacturing, housing construction, and consumer spending. The favorable outlook may be attributed to other positive factors as well, such as lower unemployment and decreased gasoline costs, leaving consumers with more discretionary income."

Businesses that were successful in raising capital primarily relied on friends and family (71 percent), personal credit cards (68 percent), and trade credit (56 percent). Success rates through crowdfunding dropped from 26 percent in Q1 2015 to 16 percent in Q1 2016, a dramatic 38 percent year-over-year decrease. As with previous years, mid-sized business fared better than their small business counterparts with bank loan success; 90.2 percent of mid-sized companies successfully attained bank financing in Q1 2016 compared to 29.8 percent of small businesses. Across both sectors, success rates with bank loans decreased -6.8 percent year over year, with the greatest decline in small businesses success (-15.3 percent).

A Growing Number of Small Businesses Are Cautious About Future Business Environment

Despite being generally positive about their own operations and future growth prospects, the PCA report suggests some businesses find the current economic environment restricting.

Among reasons for seeking finance in the next 6 months, 32 percent of respondents said it was because they "expect worsening economic conditions" compared to 24 percent during the same time last year (a 33 percent increase). In addition, when directly asked "is the current business financing environment restricting growth opportunities," 58 percent said yes, up from 53 percent the same time last year (a 9.4 percent increase).

Half of all businesses (50 percent) surveyed also reported their ability to hire new employees was restricted, a four percent increase from the same time a year ago. The study also shows an increased percentage of business owners who transferred personal assets to their businesses in the last three months, a slow increase that began in 2014.

"Business owners may be responding to the uncertainty in a presidential election year, or may be concerned about the slowdown in the Chinese economy, the devaluation of the Japanese yen and the impact of international fiscal policies on the American economy," said Dr. Craig R. Everett, Director of the Pepperdine Private Capital Markets Project. "Regardless of the reason, their cautious approach to financing business operations may reflect a hopeful, but at the same time, wary view of the 2016 business environment."

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

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About the Pepperdine University Graziadio School for Business and Management

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