

SMALL BUSINESS FACTS

WHAT IS THE STATUS OF BANK CREDIT TO SMALL BUSINESSES?

February 2019, Victoria Williams, Research Economist

Growth in business lending remains uneven.

Total business loans grew at an annual rate of 4.7 percent from 2016 to 2017. Large business loans grew by 5.7 percent, while small business loans grew by less than one percent due to a drag in commercial real estate loans (Figure 1)

(Note that small business loans are defined as commercial and industrial loans plus commercial real estate loans of \$1 million or less. Large business loans are those greater than \$1 million.)

Source: Federal Deposit Insurance Corporation.

The share of small business lending declines.

The share of small business loans by large lenders has been relatively stable for at least five years, hovering around 39 percent, but has been downward for lenders with \$1 billion or less in assets, going from 31 percent to 25 percent between June 2012 and June 2017.

Source: Federal Deposit Insurance Corporation.

Small business lending differs by bank size.

A huge portion (over 80 percent) of the banking industry's assets is held by large lenders compared with eight percent held by small lenders. Large lenders dominate the share of small business loans at 53.2 percent, while small lenders hold a quarter of these loans (Figure 2). The smallest lenders have larger shares of small business loans relative to assets and total business loans; at four times more than the largest lenders with \$50 billion or more in assets.

Source: Federal Deposit Insurance Corporation.

Small business lending appears stable though lending terms are tightening.

Even though interest rates on new small commercial and industrial loans are on the rise, loan demand, application approval rates, and credit quality were steady from the fourth quarter of 2017 to the first quarter of 2018. The lowest rates on variable loans and the highest rates on fixed-rate loans were at large banks.

Source: Small Business Lending Survey, Federal Reserve Bank of Kansas City.

Figure 1. Total Growth in Business Loans Remains Uneven

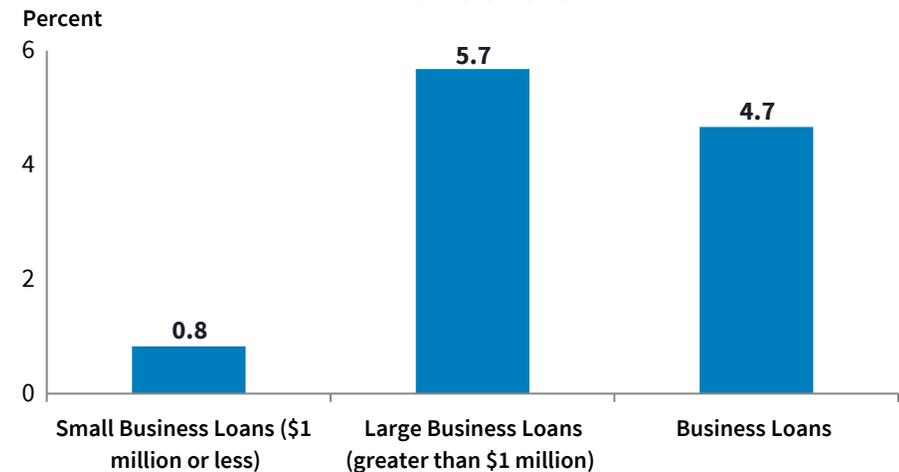


Figure 2. Small Business Lending Differs by Bank Size

