



What Small Businesses Want And how To Aid Them

by [Steve Brown](#) Topics: [business customers](#), [lending](#), [performance](#)

Summary: Small business owners have given up around \$43k on average in lost opportunities because of insufficient cash flow issues. Here's how your bank can help these customers.

In psychology, one of the most common human biases is known as the confirmation bias. Science finds that humans like to confirm what we already know or think we know. In fact, we will actively favor information that confirms our preexisting beliefs. To avoid this issue, it is important to slow down, think about the decision you are about to make, and openly consider other options, to help alert the brain to avoid this bias.

One thing we do want to confirm for community bankers today though is that many small business owners appear to be uneasy about their ability to generate enough money to satisfy their business goals. Indeed, 61% of small businesses grapple with cash flow and 69% of them say they have sleepless nights over cash flow worries, according to a global study by Intuit on the [state of small business cash flow](#).

In many cases, these concerns are justifiable. Consider that, on average, US small business owners have given up around \$43k in lost opportunities because of issues created by insufficient cash flow, according to Intuit. What's more, greater than half (52%) of US small business owners' companies have lost \$10k or more by relinquishing sales or a venture as a result of inadequate cash flow, the study found.

These realities lead to some interesting opportunities for banks to help their small business customers with funding-related issues. A good starting point is to gain more understanding of what small businesses want and need from a bank.

There's an obvious checklist of things banks should already be doing, such as making sure business owners have a clear understanding of rates and offering them competitive business checking and savings products that can help them run their business more efficiently.

Beyond this, banks also should consider addressing a particularly vexing issue of the tendency of small business owners to shy away from loans. Consider that nearly 3 in 5 (55%) of US small businesses have not requested a loan for their business because they didn't believe it was necessary, according to Intuit. This is despite having bouts of sleeplessness over cash-flow issues. Other reasons owners name for not applying for a loan include high-interest rates (29%), not wanting to make payments (23%) and thinking they wouldn't be approved (19%).

Some of these barriers are perception issues that banks can easily change by stepping up customer communication, perhaps. This could include demystifying the loan process for business owners, especially new ones, so they know what to expect.

Banks also need to help business owners understand the various loan and rate options that exist and that there's no one-size-fits-all solution.

Moreover, banks need to help ensure business owners know what factors the bank takes into account when underwriting, what it takes to get approved and how they can build a successful credit profile, if they don't already have one.

Very often, small business owners aren't well-versed in these areas or may have concerns about debt overall. Now may be a good time to touch base with your small business customers to help them minimize their lost sleep over cash flow concerns.

ECONOMY & RATES

Rates As Of: 03/15/2019 11:18AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.43	0.00	0.08
6M	2.50	0.01	0.03
1Y	2.51	-0.03	-0.09
2Y	2.45	-0.07	-0.04
5Y	2.41	-0.11	-0.11
10Y	2.60	-0.12	-0.08
30Y	3.03	-0.05	0.01
FF Market	FF Target	Fed Disc	
2.40	2.50	3.00	
SOFR	Prime	Unemp	
2.42	5.50	3.80	

[More Market Rates](#)

BANK NEWS

Economic Status

In its semiannual report to Congress, the Fed reported that the US financial system "remains substantially safer than before the 2008 recession". They further indicated that 2H 2018 economic activity increased at a solid pace and that inflation pressures are "muted"; but it also pointed out a slowdown in consumer spending and business investment with housing market activity seemingly pointing to a shrinking tolerance for risk.

ATM Biometrics

In a twist that could soon reach US shores, customers of [Spain's largest retail bank can now use facial recognition technology](#) instead of PINs at its ATMs.

Future Hikes

Atlanta Fed President Bostic told the Wall Street Journal that with the economy still performing, there is no reason why there can't be a rate hike in 2019 and another one in 2020.

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