

2024 REPORT ON EMPLOYER FIRMS:

Findings from the **2023 Small Business Credit Survey**

PUBLISHED MARCH 2024

ISSN 2831-4034 | https://doi.org/10.55350/sbcs-20240307

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ACKNOWLEDGMENTS

REPORT TEAM[1]

Cornelius Johnson, Federal Reserve Bank of Cleveland

Jordan Manes, Federal Reserve Bank of Cleveland

Lucas Misera, Federal Reserve Bank of Cleveland

Ann Marie Wiersch, Federal Reserve Bank of Cleveland

Please direct media inquiries to Chuck Soder at chuck.soder@clev.frb.org. Please direct inquiries about research and data in this report to Lucas Misera, Small Business Credit Survey senior policy analyst, at lucas.misera@clev.frb.org.

The Small Business Credit Survey is made possible through collaboration with business and civic organizations in communities across the United States. The Federal Reserve Banks thank the national, regional, and community partners who share valuable insights about small business financing needs and collaborate with us to distribute and promote the survey.[2]

Special thanks to colleagues within the Federal Reserve System, especially the community affairs officers, for their ongoing support for the SBCS. The 2023 SBCS is the result of the collaborative effort and input of the following individuals in the Federal Reserve System:

NATIONAL SBCS TEAM

Emily Wavering Corcoran, Formerly of the Federal Reserve Bank of Cleveland

Cornelius Johnson, Federal Reserve Bank of Cleveland

Jordan Manes, Federal Reserve Bank of Cleveland

Lucas Misera, Federal Reserve Bank of Cleveland

Aaliyah Price, Federal Reserve Bank of Atlanta

Amber Sherman, Federal Reserve Bank of Cleveland

Ann Marie Wiersch, Federal Reserve Bank of Cleveland

SURVEY ADVISORS

Claire Kramer Mills, Federal Reserve Bank of New York

Mark Schweitzer, Formerly of the Federal Reserve Bank of Cleveland

OUTREACH TEAM

Andrew Bennett, Federal Reserve Bank of Cleveland

Surekha Carpenter, Federal Reserve Bank of Richmond

Brian Clarke, Federal Reserve Bank of Boston

Mike Eggleston, Federal Reserve Bank of St. Louis

Emily Engel, Federal Reserve Bank of Chicago

Mary Hirt, Federal Reserve Bank of Atlanta

Steven Howland, Federal Reserve Bank of Kansas City

Michou Kokodoko, Federal Reserve Bank of Minneapolis

Michelle Luevano, Federal Reserve Bank of Dallas

Olivia Ness, Federal Reserve Bank of Philadelphia

Emily Perlmeter, Federal Reserve Bank of Dallas

Ashley Putnam, Federal Reserve Bank of Philadelphia

Edison Reyes, Federal Reserve Bank of New York

Steven Shepelwich, Federal Reserve Bank of Kansas City

Javier Silva, Federal Reserve Bank of New York

Sarah Simms, Federal Reserve Bank of San Francisco

Heather Sobrepena, Federal Reserve Bank of Minneapolis

1 *The report team appreciates the thoughtful comments and guidance from the following Federal Reserve System colleagues: Ed Knotek, Mark Schweitzer, and Merissa Piazza from the Federal Reserve Bank of Cleveland, Claire Kramer Mills from the Federal Reserve Bank of New York, Sarah Simms from the Federal Reserve Bank of San Francisco, and Barbara Lipman and Kim Wilson from the Board of Governors of the Federal Reserve System. Thank you to Michelle Volpe-Kohler and Ellen Seguin of the Federal Reserve Bank of Cleveland for publication review and report design.*

2 *For a full list of partner organizations, please visit www.fedsmallbusiness.org/partnerships/partner-organizations.*

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SUGGESTED CITATION

"2024 Report on Employer Firms: Findings from the 2023 Small Business Credit Survey." 2024.
Small Business Credit Survey. Federal Reserve Banks.
https://doi.org/10.55350/sbcs-20240307

EXECUTIVE SUMMARY

INTRODUCTION

The Small Business Credit Survey (SBCS) is a collaboration of all 12 Federal Reserve Banks and provides timely information about small business conditions to policymakers and service providers. The 2023 survey was fielded from September through November 2023 and reached more than 6,000 small employer firms, collecting information about the performance, challenges, and credit-seeking experiences of businesses across the United States.

In some respects, the 2023 SBCS findings suggest a further waning of effects from the COVID-19 pandemic and a modest improvement in small-business conditions. Measures of firm performance held steady and remain well above pandemic-era lows, and the share of firms reporting challenges with supply chains declined markedly between 2022 and 2023. Looking forward, firms were much more likely to expect increases than decreases in revenue and employment in the coming year.

Still, small businesses continue to face headwinds. Firms experienced challenges with rising costs and paying operating expenses in the year leading up to the survey. While the share of firms with challenges hiring or retaining qualified staff declined year-over-year, it remained the most common operational challenge. Additionally, a majority of firms said that higher interest rates were affecting their business in some way, most often in the form of increased debt payments.

With respect to financing, the share of firms that applied for loans, lines of credit, or merchant cash advances declined slightly between 2022 and 2023. Approvals remained mostly steady; applicants at small banks, credit unions, and finance companies were more likely than applicants at other sources to be approved for at least some financing. Applicants at small banks and credit unions were most satisfied with their experiences, while online-lender applicants were least satisfied.

SURVEY FINDINGS

The 2023 SBCS yielded 6,131 responses from a nationwide convenience sample of small employer firms with 1–499 full- or part-time employees (hereafter “firms”) across all 50 states and the District of Columbia. This publication summarizes data for firms that were currently operating or temporarily closed at the time of the survey. Permanently closed firms are not included in the sample for this report.

Performance indices held steady year-over-year, but firms continued to face operational and financial challenges.

- Performance indices for revenue and employment growth remained steady between 2022 and 2023. While the 2023 performance measures were substantially higher than pandemic-era lows, they remained below prepandemic levels.
- In the 12 months leading up to the survey, 91% of firms experienced one or more operational challenges, and 93% faced some type of financial challenge.
- The share of firms experiencing operational challenges associated with the pandemic’s effects continued to decline in 2023. The largest change was in the share of firms that identified supply chain issues as an operational challenge: Forty-one percent reported supply chain issues in 2023, down markedly from 60% in 2022. Additionally, challenges with employee hiring or retention and challenges with ensuring the health and safety of customers or employees declined year-over-year.
- In both 2022 and 2023, the most commonly reported financial challenge was the rising costs of goods, services, and/or wages. In 2023, 77% of firms identified rising costs as a financial challenge, down from 81% in 2022.

Firms surveyed in 2023 held higher amounts of debt than firms surveyed in the years leading up to the pandemic.

- While the share of firms with debt outstanding in 2023 was nearly the same as in 2019, firms with debt are holding higher amounts. Thirty-nine percent of firms had more than $100,000 in debt outstanding at the time of the survey, up from 31% in 2019.
- Forty-four percent of firms received a US Small Business Administration (SBA) COVID-19 Economic Injury Disaster Loan (EIDL); 28% had an outstanding balance at the time of the survey.[1]
- Thirty-four percent of firms reported that making payments on debt was a financial challenge. More than half of all firms (54%) said that higher interest rates were contributing to increased debt costs.

1 *The SBA distributed $390 billion in EIDL loans between the onset of the COVID-19 pandemic and the program's closure in 2022. EIDL loans are not forgivable and carry an interest rate of 3.75%. For more on the COVID-19 EIDL program, see the SBA website.*

EXECUTIVE SUMMARY
(Continued)

Demand for loans, lines of credit, and merchant cash advances declined between 2022 and 2023, and approval rates remained steady year-over-year.

- Application rates for loans, lines of credit, and merchant cash advances in the 12 months leading up to the survey declined 3 percentage points between 2022 and 2023, falling from 40% to 37%.
- About half of applicants (51%) were fully approved for the financing for which they applied. While the share of applicants fully approved was higher than the pandemic-era low of 46%, it remained below prepandemic levels.
- Firms that applied at small banks, credit unions, and finance companies were most likely to be approved. Seventy-five percent of small-bank applicants were at least partially approved, as were 76% of applicants that sought financing at credit unions and finance companies. Comparatively, 70% of online-lender applicants and 66% of large-bank applicants were at least partially approved.
- Relative to a year earlier, applicant firms were less satisfied with their experiences at their lenders. Satisfaction declined among applicants at large and small banks, finance companies, and online lenders. Across all of these lender categories, the most commonly reported challenge was high interest rates.

ABOUT THE SURVEY

The SBCS is an annual survey of firms with fewer than 500 employees. These types of firms represent 99.7% of employer establishments in the United States.[2] Respondents are asked to report information about their business performance, financing needs and choices, and borrowing experiences. Responses to the SBCS provide insights into the dynamics behind lending trends and shed light on various segments of the small business population. The SBCS is not a random sample; results should be analyzed with awareness of potential biases that are associated with convenience samples. For detailed information about the survey design and weighting methodology, please consult the Methodology section.

2 *US Census Bureau, County Business Patterns, 2021.*

NOTES AND DEFINITIONS

TIME REFERENCES

Survey questions in the SBCS ask respondents to reference specific time periods. Most questions ask about respondents' experiences in the 12 months prior to the time of their response. In some cases, questions ask about conditions at the time of their response. Finally, some questions ask about respondents' expectations in the 12 months following the time of their response. The time periods referenced in the survey are defined as follows throughout this report:

Prior 12 Months. The 12 months prior to the fielding of the survey. For the 2023 SBCS, this is approximately September–November 2022 through September–November 2023.

At Time of Survey. September through November 2023.

Next 12 Months. The 12 months following the fielding of the survey. For the 2023 SBCS, this is approximately September–November 2023 through September–November 2024.

FINANCIAL SERVICES PROVIDERS AND LENDERS

Questions in the SBCS ask respondents about their use of and experiences with lenders and other financial services providers. Because respondents may not have a uniform understanding of the terms used in the SBCS, the questionnaire provides examples and explanatory information about the response options. The financial services providers, lenders, and lender categories referenced in the survey are defined as follows:

Large bank, small bank. Large banks are defined as those with at least $10B in total assets; small banks are those with less than $10B in total assets. For applicable questions, respondents are shown a list of large banks operating in their state to assist them with proper classification of their institution.

Finance company. Finance companies are nonbanks that provide loans, leases, and other financial services. Examples include mortgage companies, equipment dealers, insurance companies, and auto finance companies.

Financial company that is not a bank. Examples include payroll services and payments processing companies, fintech lenders, and finance companies.

Financial institution or lender. This category includes all bank or nonbank financial intermediaries, such as banks, finance companies, online lenders, and credit unions.

Online lender/fintech company. Online lenders/fintech companies are nonbanks that operate online. Examples include OnDeck, CAN Capital, and PayPal Working Capital.

Community development financial institution (CDFI). CDFIs are financial institutions that provide credit and financial services to underserved markets and populations. CDFIs are certified by the CDFI Fund at the US Department of the Treasury.

CREDIT RISK

Credit risk is determined by the self-reported business credit score or personal credit score, depending on which is used to obtain financing for the business. If a firm uses both, the higher risk rating is used. "Low credit risk" is an 80–100 business credit score or 720+ personal credit score. "Medium credit risk" is a 50–79 business credit score or a 620–719 personal credit score. "High credit risk" is a 1–49 business credit score or a <620 personal credit score.

1 *For more details, see the 2023 SBCS questionnaire at www.fedsmallbusiness.org/our-data/questionnaires.*

PERFORMANCE AND CHALLENGES

Firm Performance, Prior 12 Months

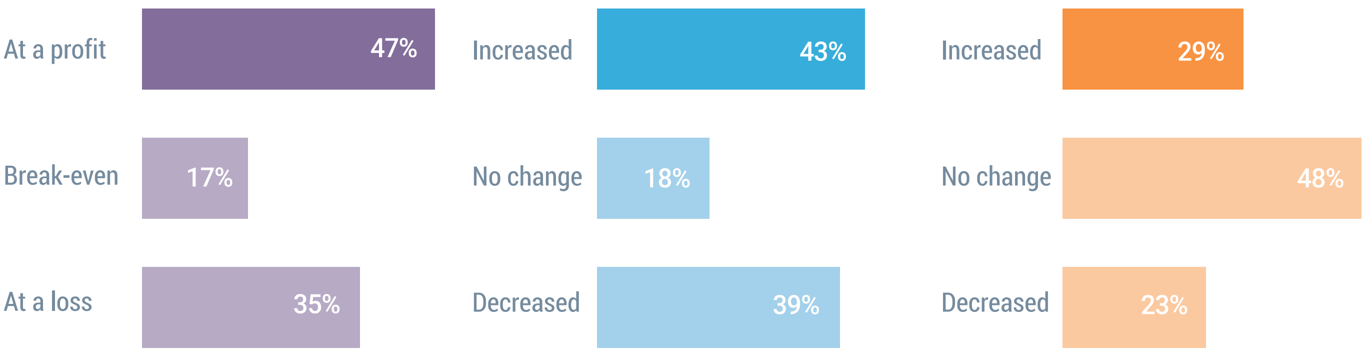
Firm performance indices remained steady between 2022 and 2023. The indices have recovered from their pandemic-era lows but remain below prepandemic levels.

EMPLOYER FIRM PERFORMANCE, *2023 Survey*[1,2] (% of employer firms)

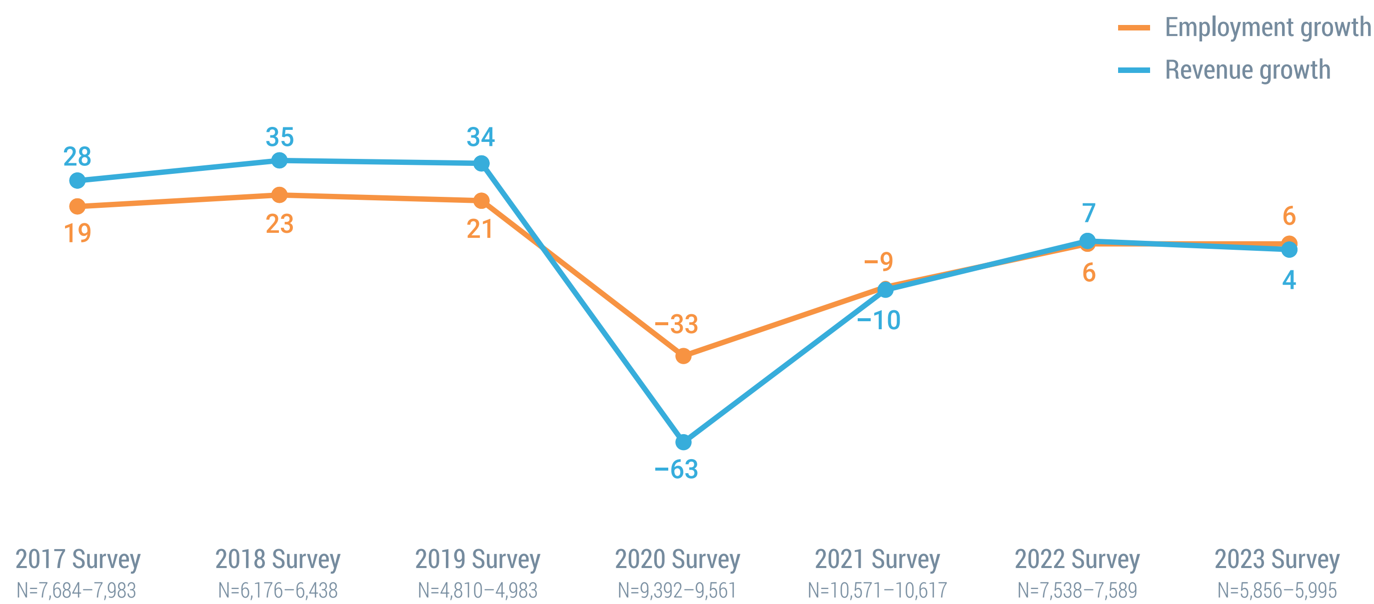
PROFITABILITY, *End of 2022* N=5,913

REVENUE CHANGE, *Prior 12 Months* N=5,856

EMPLOYMENT CHANGE, *Prior 12 Months* N=5,995



EMPLOYER FIRM PERFORMANCE INDICES, *Prior 12 Months, By Survey Year*[1,3]



1 *See Notes and Definitions for details on time period definitions used in the SBCS.*
2 *Percentages may not sum to 100 because of rounding.*
3 *The revenue and employment growth diffusion indices are the shares reporting growth minus the shares reporting a reduction in the prior 12 months. Questions were asked separately; therefore, the number of observations may differ slightly between questions.*

Source: Small Business Credit Survey, Federal Reserve Banks

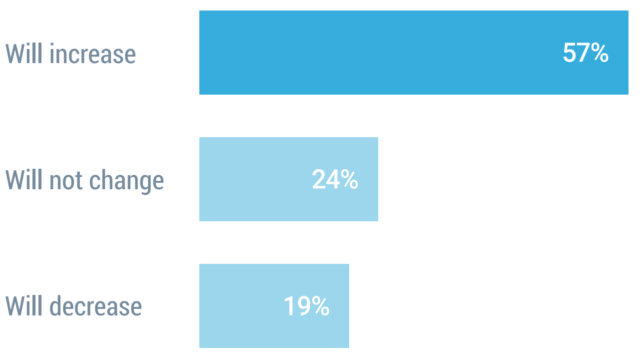
PERFORMANCE AND CHALLENGES

Revenue and Employment Expectations, Next 12 Months

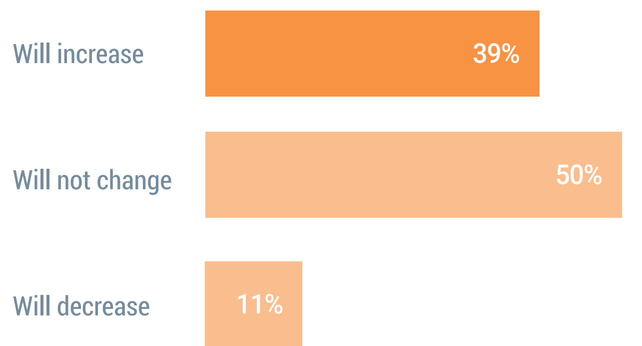
Expectations for revenue and employment growth in the next 12 months were little changed year-over-year and remain below prepandemic levels.

EMPLOYER FIRM EXPECTATIONS, *2023 Survey*[1] (% of employer firms)

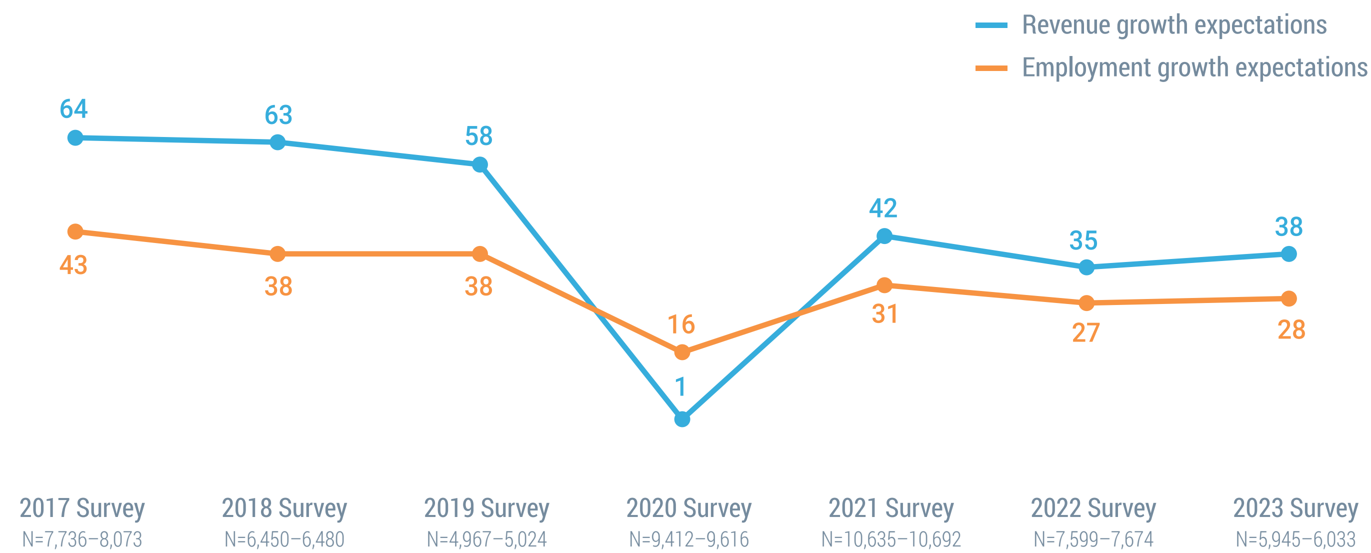
EXPECTED REVENUE CHANGE, *Next 12 Months* N=5,945



EXPECTED EMPLOYMENT CHANGE, *Next 12 Months* N=6,033



EMPLOYER FIRM EXPECTATIONS INDICES, *Next 12 Months, By Survey Year*[1,2]



1 *See Notes and Definitions for details on time period definitions used in the SBCS.*
2 *The revenue and employment expectations diffusion indices are the shares expecting growth minus the shares expecting a reduction in the next 12 months. Questions were asked separately; therefore, the number of observations may differ slightly between questions.*

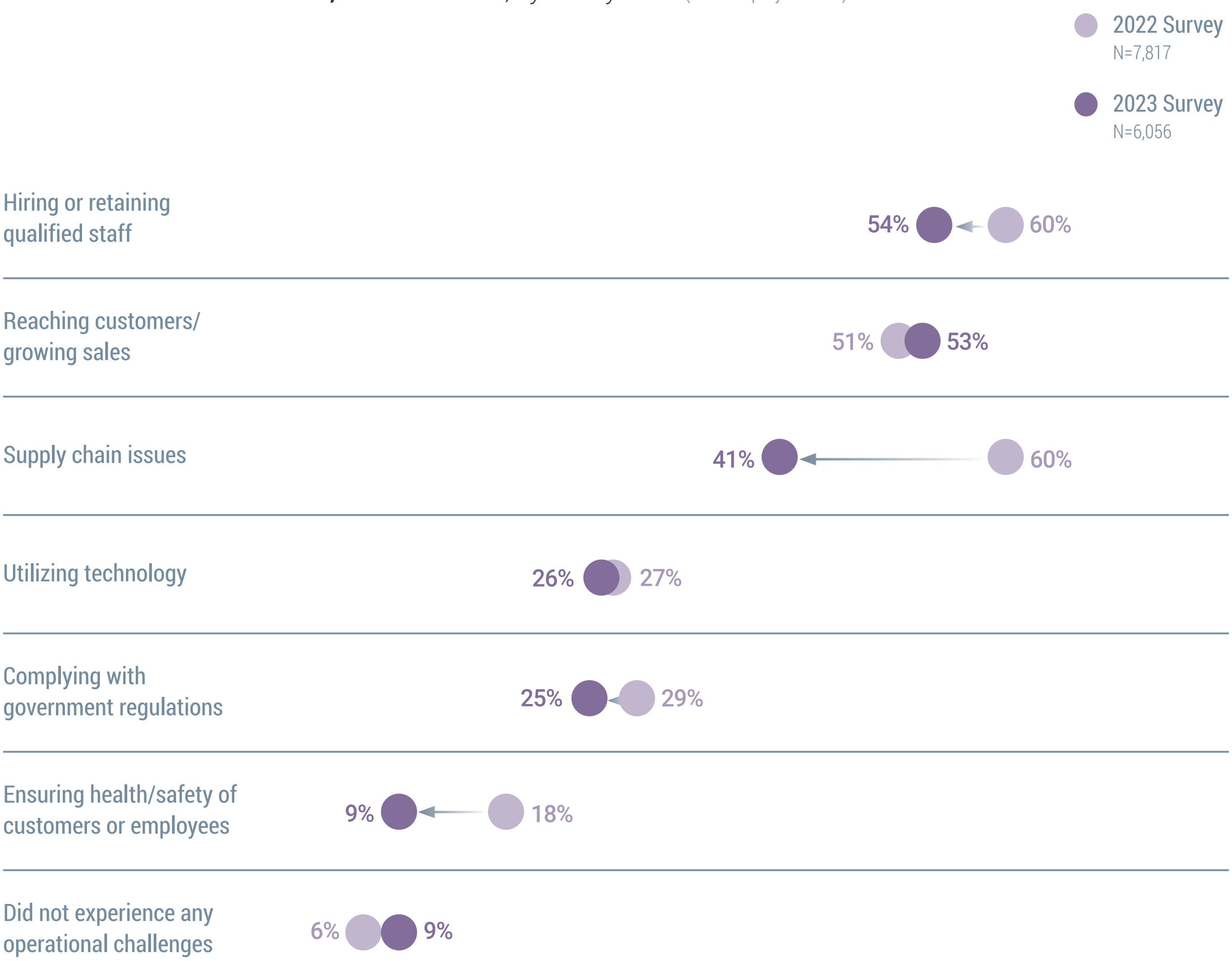
Source: Small Business Credit Survey, Federal Reserve Banks

PERFORMANCE AND CHALLENGES

Operational Challenges

The share of firms reporting supply chain issues declined significantly between 2022 and 2023, from 60% to 41%.

OPERATIONAL CHALLENGES, *Prior 12 Months, By Survey Year*[1] (% of employer firms)



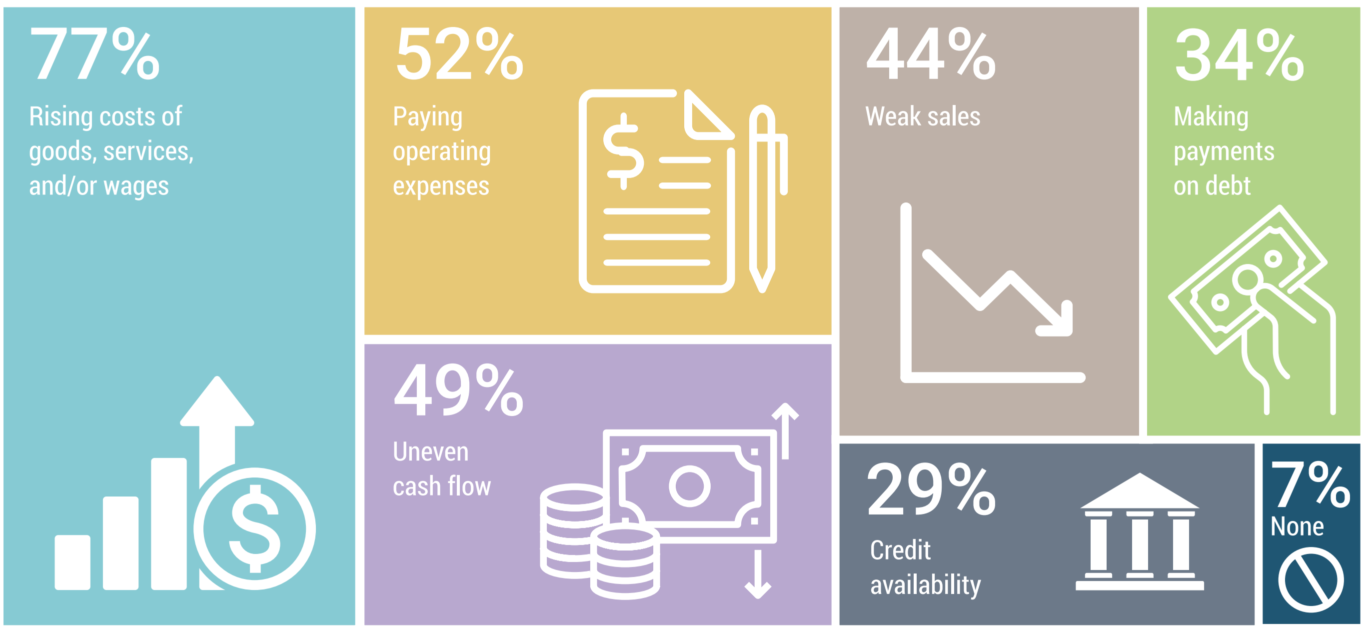
1 *"Utilizing technology" includes website, e-commerce, social media, and cybersecurity. In the 2022 survey, "complying with government regulations" included pandemic-related mandates. Respondents could select multiple options. Response option "other" not shown. See Appendix for more details. See Notes and Definitions for details on time period definitions used in the SBCS.*

Source: Small Business Credit Survey, Federal Reserve Banks

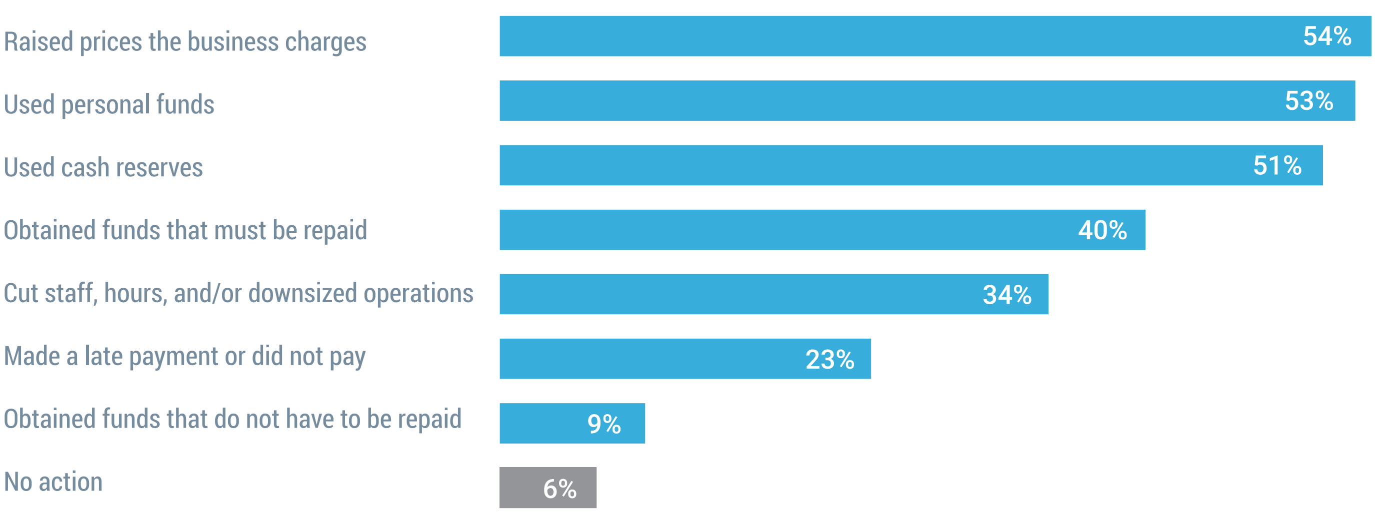
PERFORMANCE AND CHALLENGES
Financial Challenges

Rising costs of goods, services, and wages remained the most commonly reported financial challenge. In the 2023 survey, 77% of firms experienced challenges with these rising costs, compared to 81% in the 2022 survey.

FINANCIAL CHALLENGES, *Prior 12 Months*[1,2] (% of employer firms) N=6,103



ACTIONS TAKEN IN RESPONSE TO FINANCIAL CHALLENGES, *Prior 12 Months*[2] N=5,777
(% of employer firms with financial challenges)



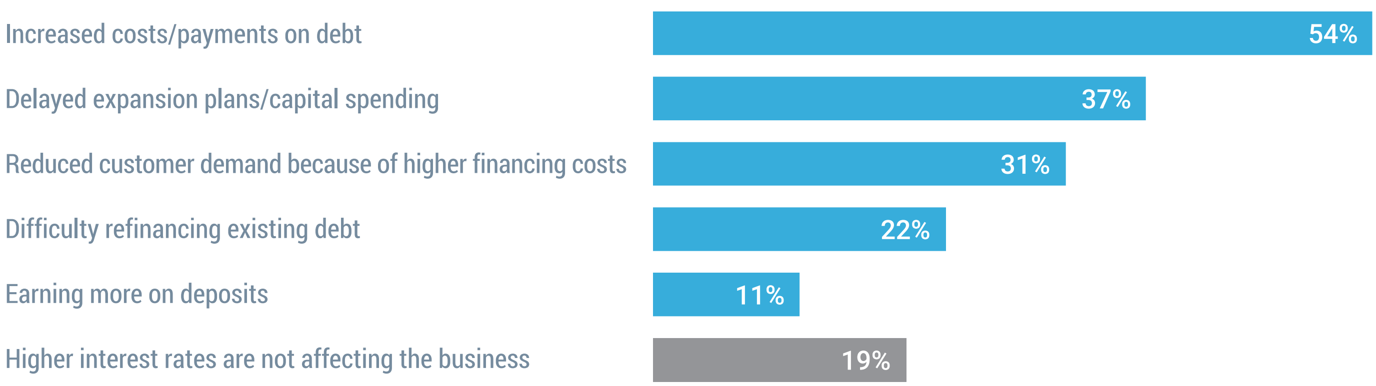
1 *"Uneven cash flow" includes collecting on receivables. Examples presented for "paying operating expenses" include payroll, rent, and inventory costs.*
2 *See Notes and Definitions for details on time period definitions used in the SBCS. Respondents could select multiple options. Response option "other" not shown. See Appendix for more details.*

DEBT AND FINANCING

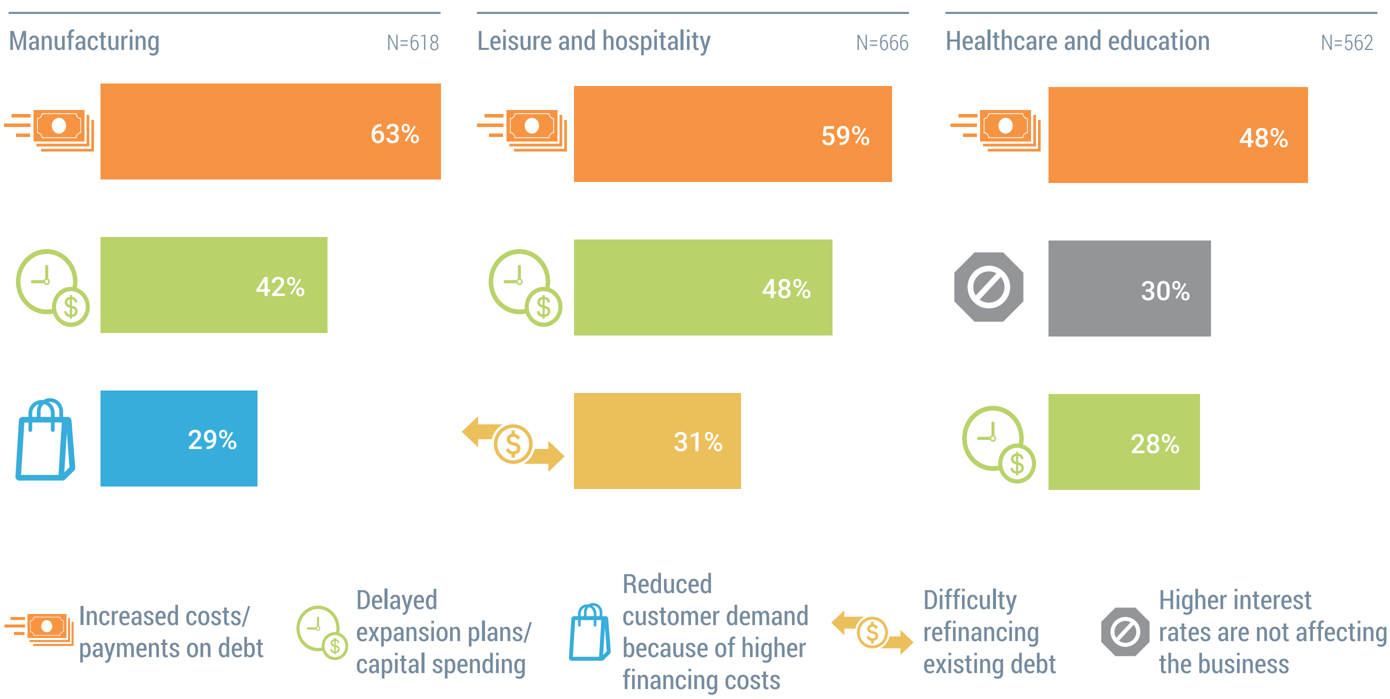
Effects of Higher Interest Rates

Most firms reported that higher interest rates affected their business, with increased cost of debt being the most common effect. More than a third said they delayed expansion or capital spending because of higher interest rates.

EFFECTS OF HIGHER INTEREST RATES[1] (% of employer firms) N=4,831



TOP THREE EFFECTS OF HIGHER INTEREST RATES, *Select Industries*[1,2] (% of employer firms)



1 *Data on the effects of higher interest rates are drawn from an optional end-of-survey module (approximately 80% of employer firm respondents opted to answer in 2023). Respondents could select multiple options. Response option "other" not shown. See Appendix for more details.*

2 *See Appendix for effects of interest rates on firms in other industries.*

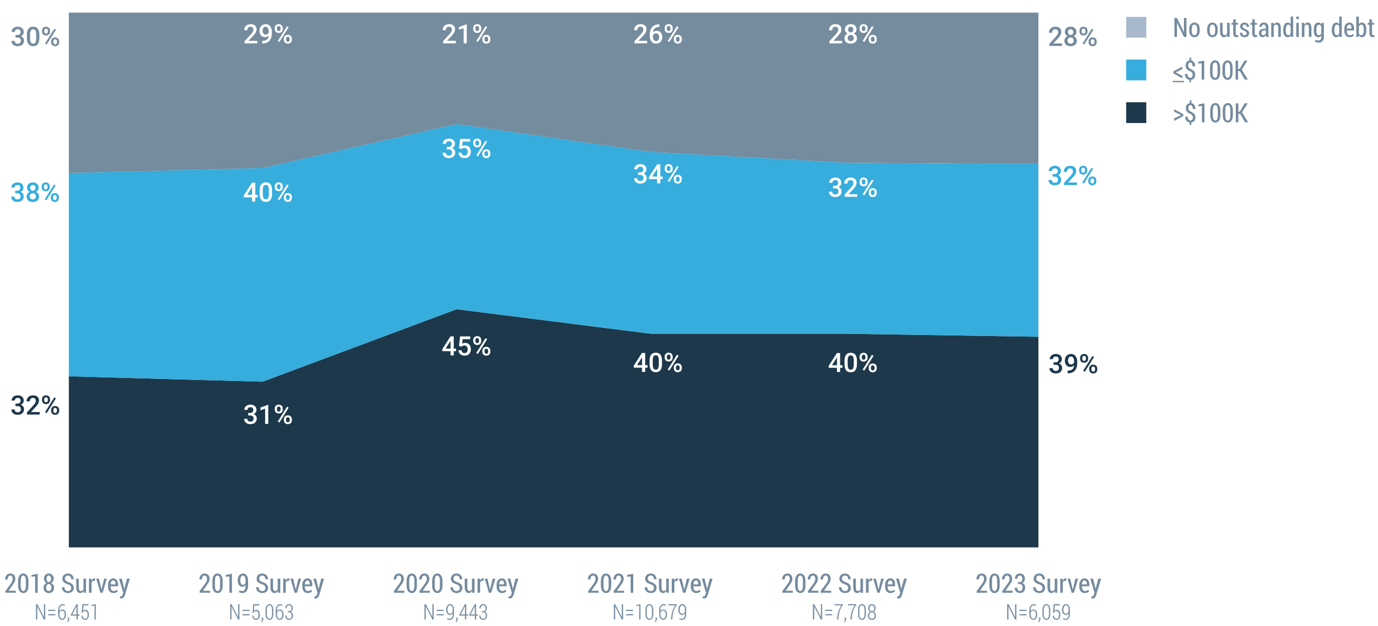
Source: Small Business Credit Survey, Federal Reserve Banks

DEBT AND FINANCING

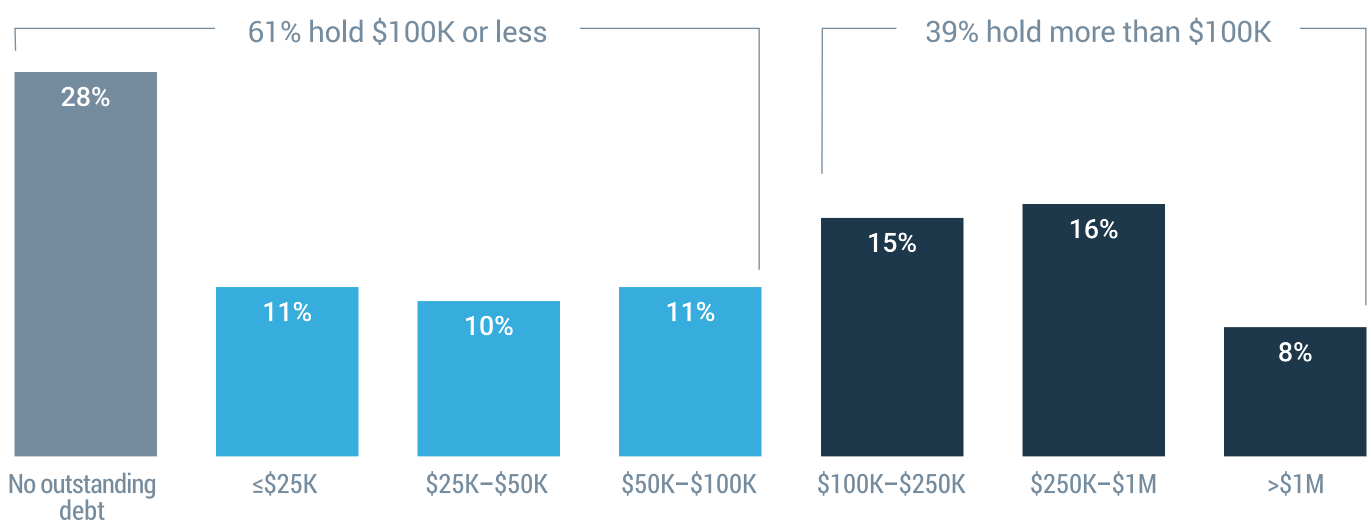
Debt Outstanding

Nearly three in four firms have some amount of debt outstanding; 39% have more than $100K in outstanding debt.

AMOUNT OF OUTSTANDING DEBT, *At Time of Survey, By Survey Year*[1] (% of employer firms)



AMOUNT OF OUTSTANDING DEBT, *At Time of 2023 Survey*[1,2] (% of employer firms) N=6,059



1 *Respondents were instructed to consider funds borrowed from external parties, including formal borrowing from financial institutions and loans from friends and family. In the 2020, 2021, and 2022 surveys, respondents were instructed to exclude loans they expected would be forgiven from their outstanding debt (for example, Paycheck Protection Program loans). Percentages may not sum to 100 because of rounding. See Notes and Definitions for details on time period definitions used in the SBCS.*

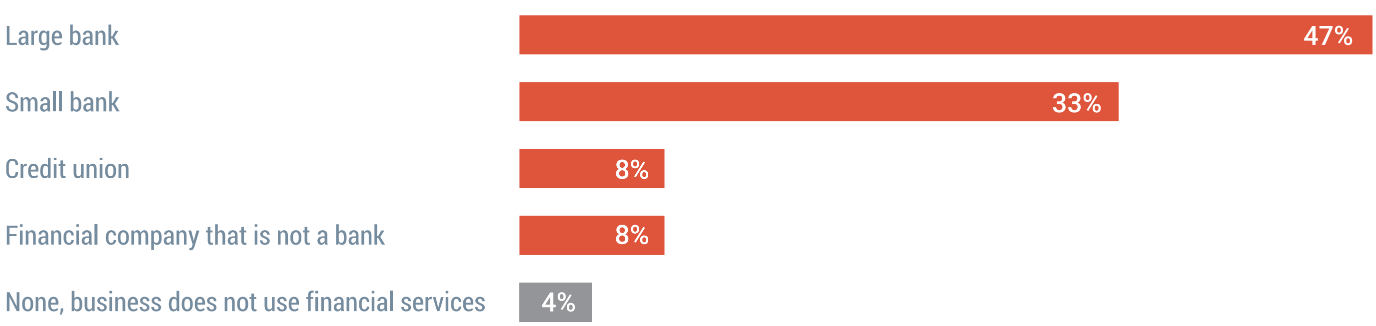
2 *Categories have been simplified for readability. Actual categories are: ≤$25K, $25,001–$50K, $50,001–$100K, $100,001–$250K, $250,001–$1M, and >$1M.*

DEBT AND FINANCING

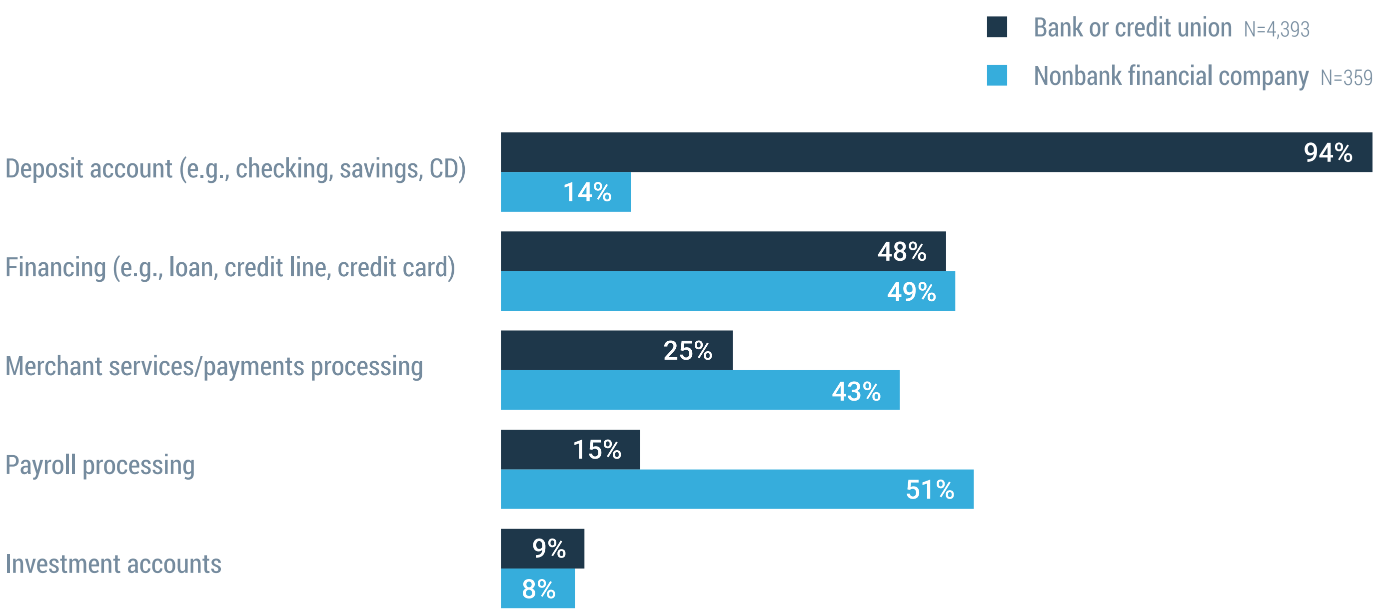
Financial Services Providers

Nearly half of firms use a large bank as their primary financial services provider. Four percent do not use financial services.

PRIMARY FINANCIAL SERVICES PROVIDER[1] (% of employer firms) N=6,106



SERVICES USED AT PRIMARY FINANCIAL SERVICES PROVIDER, *By Provider Type*[1,2] (% of employer firms)



1 *Financial services providers are those at which the firm has an account or uses other financial services, including loans and payments processing. Many respondents have more than one financial services provider (36% of employer firms in the 2023 survey) and are asked to identify their primary source of financial services in a follow-up question. See Notes and Definitions for details on financial services provider definitions used in the SBCS. Response option "other" not shown. See Appendix for more details.*

2 *Data on the financial services businesses use at their primary financial services provider are drawn from an optional end-of-survey module (approximately 80% of employer firm respondents opted to answer in 2023). Respondents could select multiple options. See Appendix for more details. "Bank or credit union" includes large bank, small bank, and credit union. "Nonbank financial company" includes "financial company that is not a bank" and "other."*

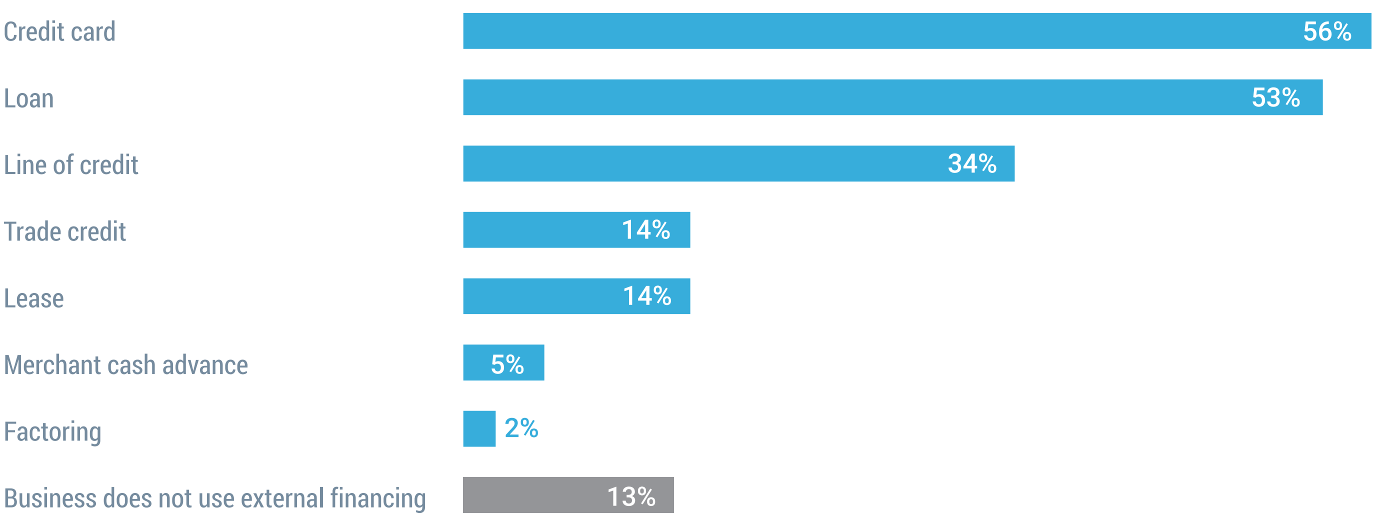
Source: Small Business Credit Survey, Federal Reserve Banks

DEBT AND FINANCING

Types of Financing Used

Most businesses regularly use or carry a balance on at least one financing product—most commonly, credit cards and loans. The share of firms that regularly use financing rose to 87% in the 2023 survey from 80% in the 2019 survey when the question was last asked.

USE OF FINANCING AND CREDIT, *Products Used on a Regular Basis*[1] (% of employer firms) N=6,131



More than 1 in 4 firms had outstanding debt on a COVID-19 Economic Injury Disaster Loan (EIDL) at the time of the survey.

COVID-19 EIDL DEBT, *At Time of Survey*[2] (% of employer firms) N=4,889

COVID-19 Economic Injury Disaster Loans were administered by the US Small Business Administration during the pandemic. These EIDL loans carry a 3.75% interest rate and have a 30-year term. Repayment began 30 months after the proceeds were disbursed.

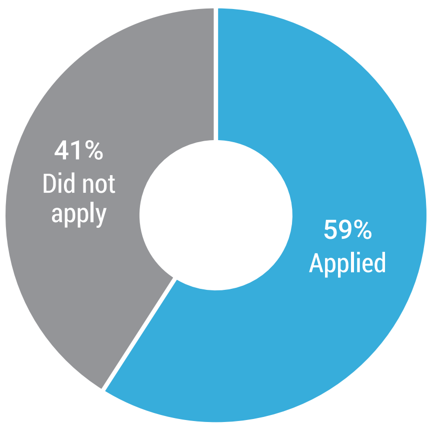
1 *"Loan" includes mortgage for the business. Respondents could select multiple options. Response option "other" not shown. See Appendix for more details.*
2 *Data on COVID-19 EIDL debt are drawn from an optional end-of-survey module (approximately 80% of employer firm respondents opted to answer in 2023).*

DEBT AND FINANCING

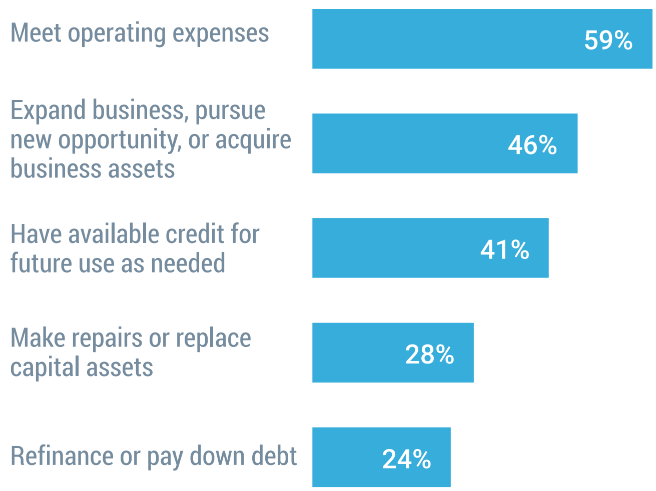
Demand for Financing

More than half of firms sought some type of financing in the 12 months prior to the survey. Firms most often applied for financing to meet operating expenses.

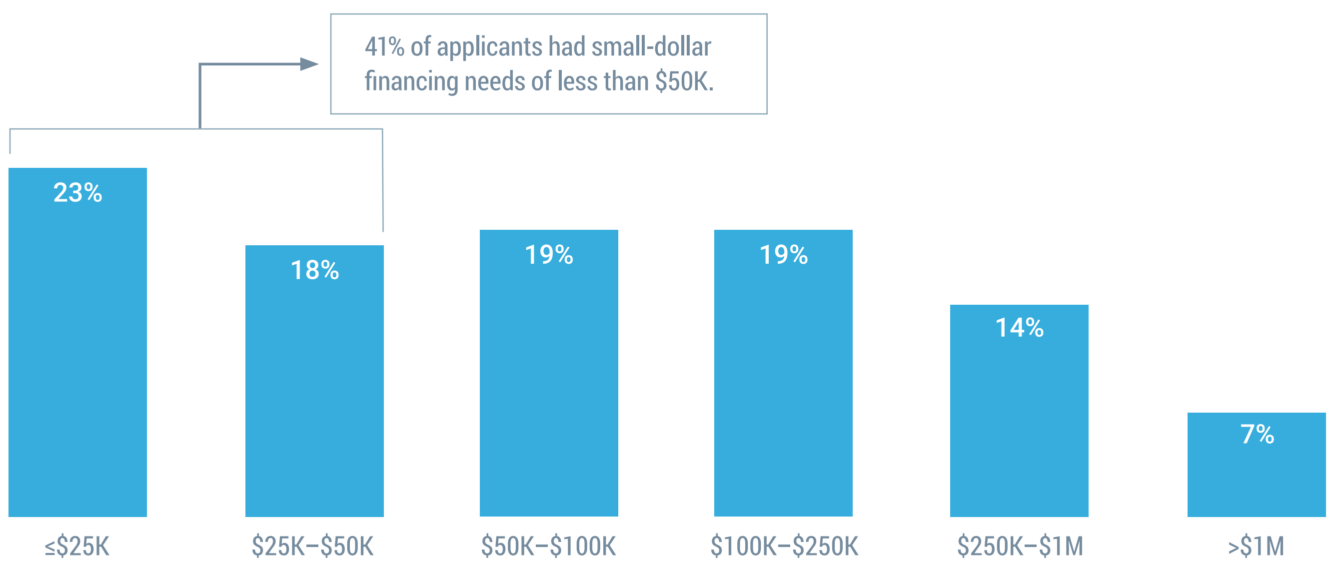
SHARE THAT APPLIED FOR FINANCING, *Prior 12 Months*[1,2] (% of employer firms) N=6,131



REASONS FOR APPLYING, *Prior 12 Months*[1,2,3] (% of applicants) N=3,476



TOTAL AMOUNT OF FINANCING SOUGHT, *Prior 12 Months*[1,2,4] (% of applicants) N=3,424



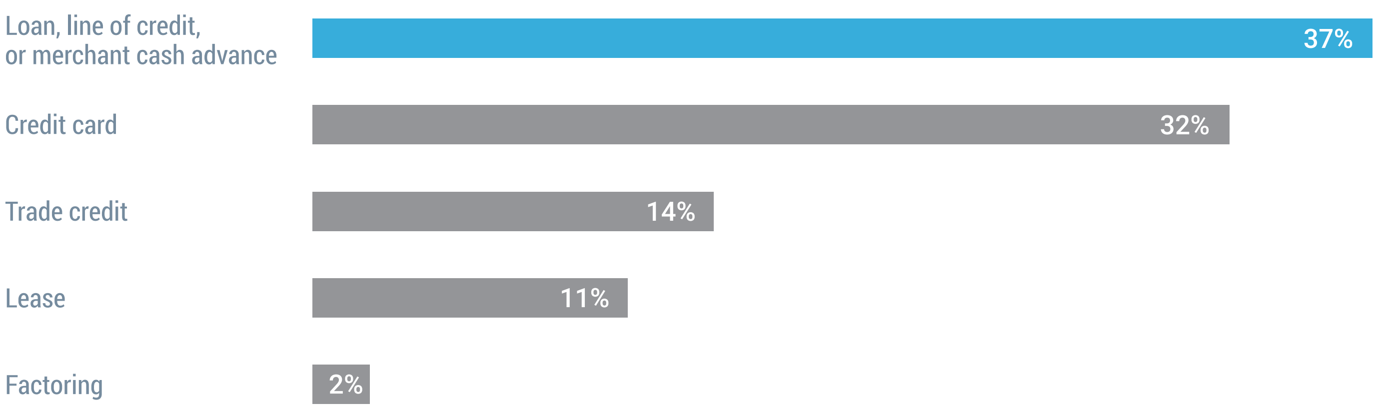
1 *See Notes and Definitions for details on time period definitions used in the SBCS.*
2 *Because of changes to financing questions in the 2023 survey, data on demand for financing in the 2023 survey are not directly comparable to findings from prior surveys. See Methodology for more details.*
3 *"Have available credit for future use as needed" was added as a discrete answer choice in 2023. Examples provided for "meet operating expenses" include payroll, rent, and inventory; examples provided for "make repairs or replace capital assets" include vehicles, equipment, and facilities. Respondents could select multiple options. Response option "other" not shown. See Appendix for more details.*
4 *Categories have been simplified for readability. Actual categories are: ≤$25K, $25,001–$50K, $50,001–$100K, $100,001–$250K, $250,001–$1M, and >$1M.*

Source: Small Business Credit Survey, Federal Reserve Banks

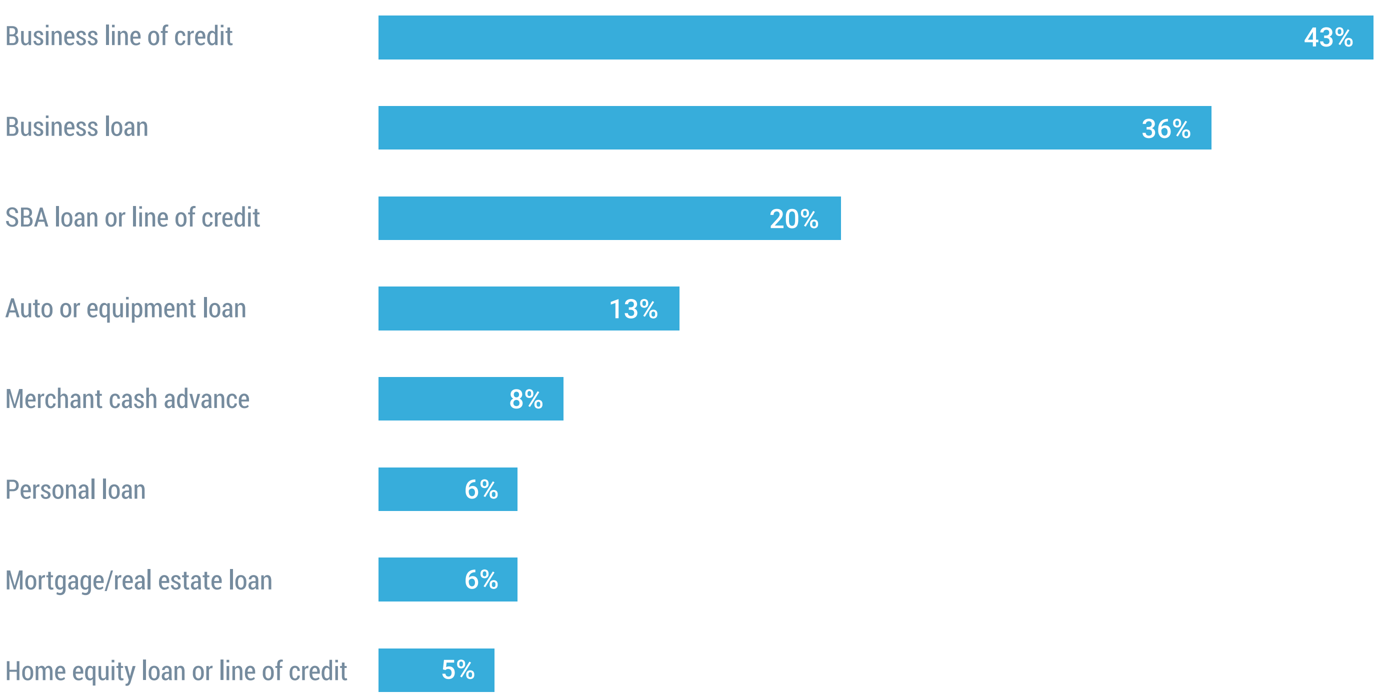
DEBT AND FINANCING

Applications by Product

FINANCING AND CREDIT PRODUCTS SOUGHT, *Prior 12 Months*[1,2] (% of employer firms) N=6,131



APPLICATION RATE BY TYPE OF LOAN, LINE OF CREDIT, OR CASH ADVANCE, *Prior 12 Months*[1,3]
(% of loan, line of credit, and cash advance applicants) N=2,326



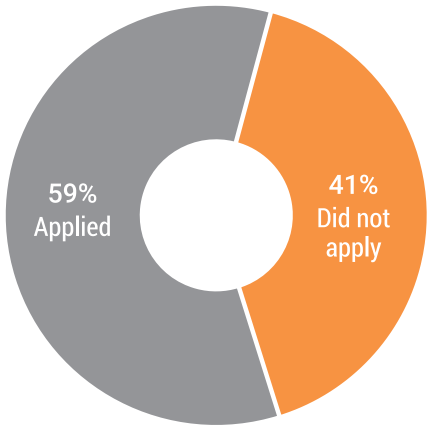
1 *Respondents could select multiple options. See Notes and Definitions for details on time period definitions used in the SBCS.*
2 *Loans, lines of credit, and merchant cash advances are presented separately in the questionnaire but are combined here to show the total share that applied for at least one of the three. The combined share is intended to provide context for the Financing Applications section of this report which draws from the survey's more detailed questions on application experiences for these three product types. Reported separately, 27% of firms applied for a loan, 22% applied for a line of credit, and 5% applied for a merchant cash advance. For brevity, merchant cash advances are also referred to as cash advances throughout the report. See Appendix for more details.*
3 *Response option "other" not shown. See Appendix for more details.*

Source: Small Business Credit Survey, Federal Reserve Banks

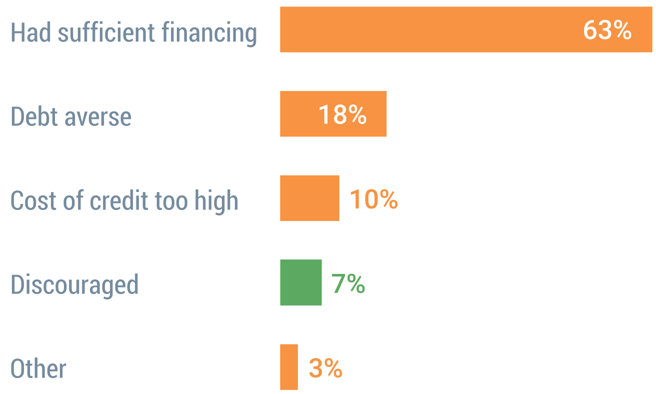
DEBT AND FINANCING
Nonapplicants

Most nonapplicants—that is, firms that did not apply for financing in the past 12 months—chose not to apply because they already had sufficient financing.

SHARE THAT APPLIED FOR FINANCING,
Prior 12 Months[1,2] (% of employer firms) N=6,131

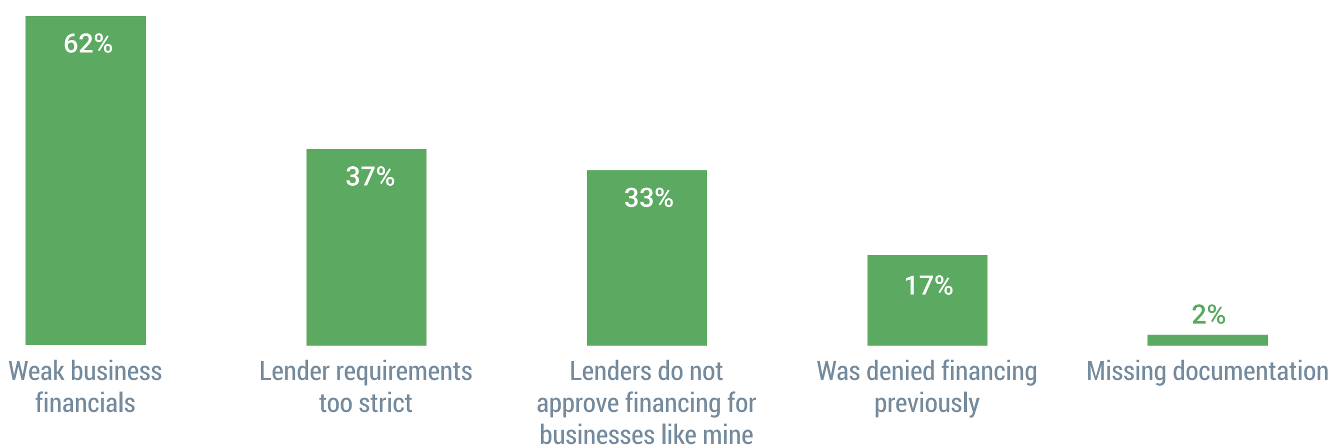


TOP REASONS FOR NOT APPLYING,
Prior 12 Months[1,2,3] (% of nonapplicants) N=2,359



Discouraged nonapplicants—those who did not apply because they did not think they would be approved—most often cited weak business financials as the reason they expected to be denied financing.

REASONS DISCOURAGED NONAPPLICANTS DID NOT EXPECT TO BE APPROVED[4,5]
(% of discouraged nonapplicants) N=204



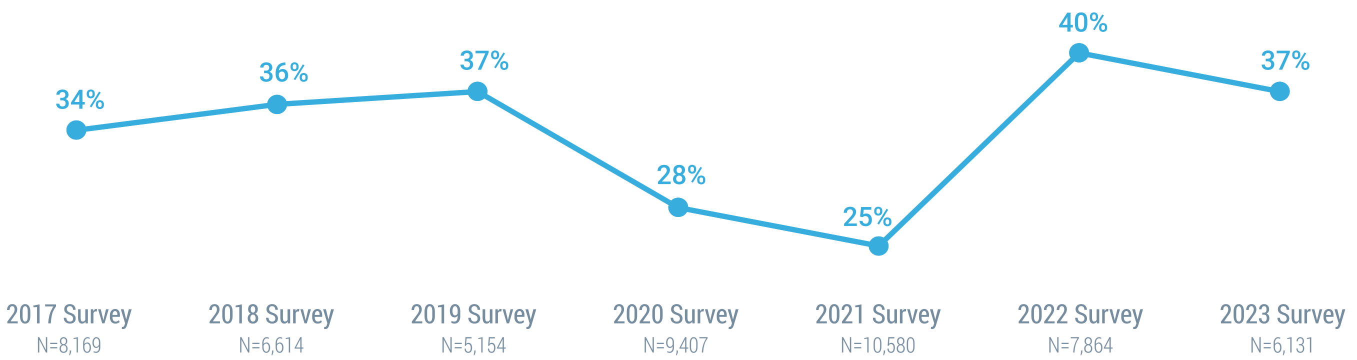
1 *See Notes and Definitions for details on time period definitions used in the SBCS.*
2 *Because of changes to financing questions in the 2023 survey, data on demand for financing and, likewise, data on nonapplicants in the 2023 survey are not directly comparable to findings from prior surveys. See Methodology for more details.*
3 *Percentages may not sum to 100 due to rounding. Response option "other" includes "application process was too difficult or confusing" and other reasons. See Appendix for more detail.*
4 *In prior surveys, respondents that selected "lenders do not approve financing for businesses like mine" had the option to explain further. Firms most often said that their business was too small, too new, or is in an industry lenders view as risky. Additionally, respondents cited irregular cash flow (for example, a seasonal business or a business with large contracts that pay infrequently) or a lack of assets suitable for collateral. A comparatively small share expected lenders would not approve them because of the owners' race or ethnicity, gender, age, disability, or another characteristic.*
5 *Respondents could select multiple options. Response options "other" and "unsure" not shown. See Appendix for more details.*

FINANCING APPLICATIONS

Applications for Loans, Lines of Credit, and Cash Advances

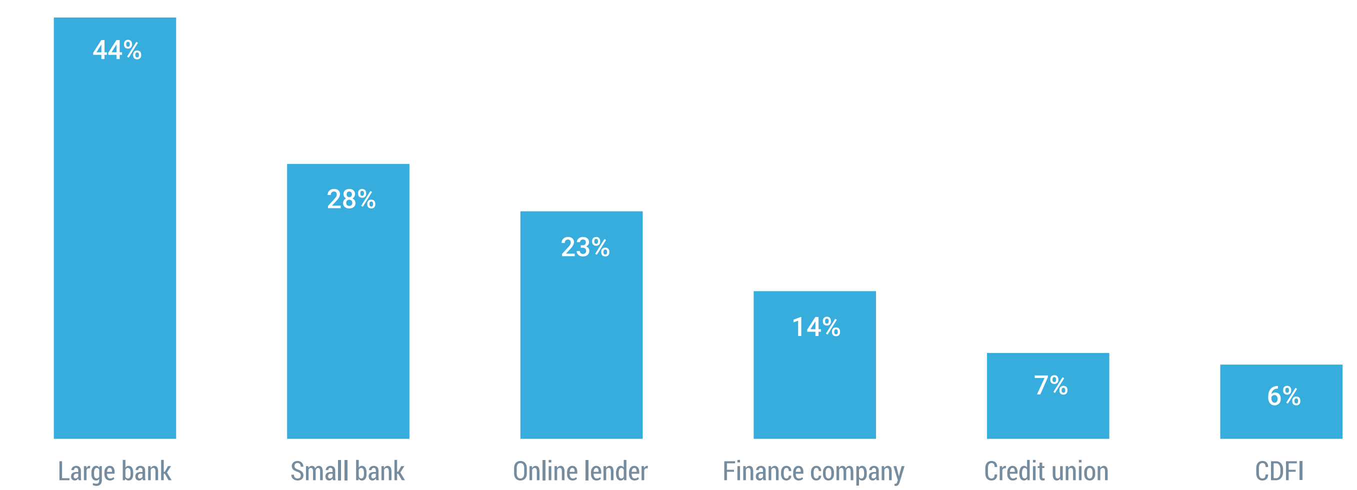
The share of firms that applied for loans, lines of credit, or merchant cash advances declined between 2022 and 2023, returning to prepandemic application rates.

SHARE OF FIRMS THAT APPLIED FOR LOANS, LINES OF CREDIT, OR CASH ADVANCES,
Prior 12 Months, By Survey Year[1] (% of employer firms)



Applicants most often sought financing at banks. Large banks were the most common source.

CREDIT SOURCES APPLIED TO, *Prior 12 Months, 2023 Survey*[2] (% of loan, line of credit, and cash advance applicants) N=2,305

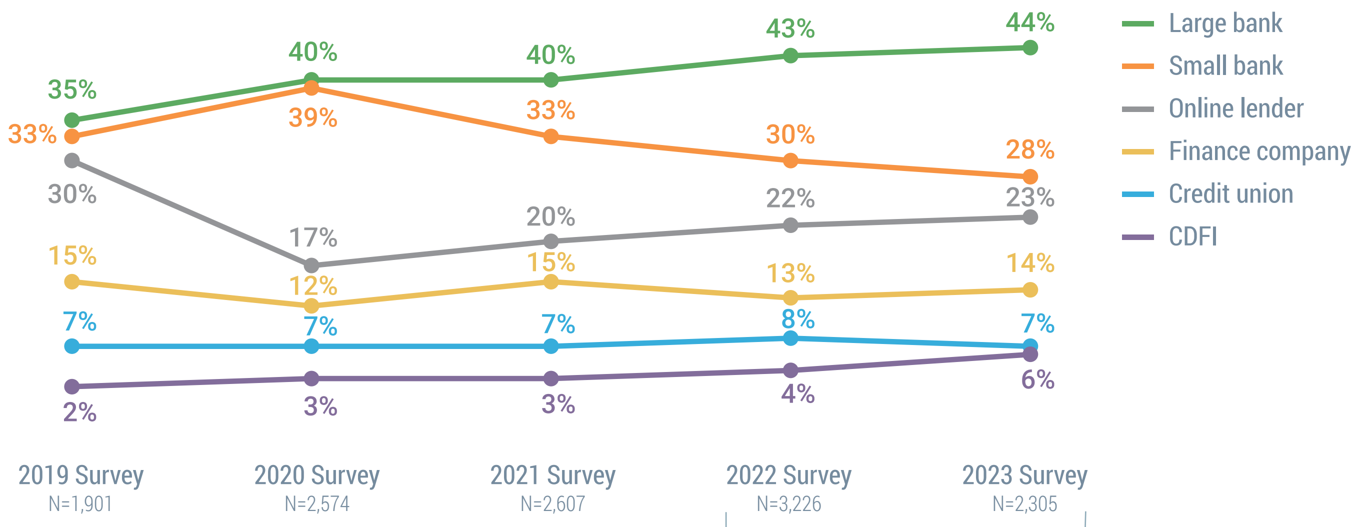


1 *For applicable survey years, the application rate excludes demand for pandemic-related assistance programs (i.e., the Paycheck Protection Program and COVID-19 Economic Injury Disaster Loans). See Notes and Definitions for details on time period definitions used in the SBCS.*

2 *Respondents that submitted more than one application could select multiple source options. Response option "other source" not shown. See Appendix for more details. See Notes and Definitions for time period definitions and lender descriptions used in the SBCS.*

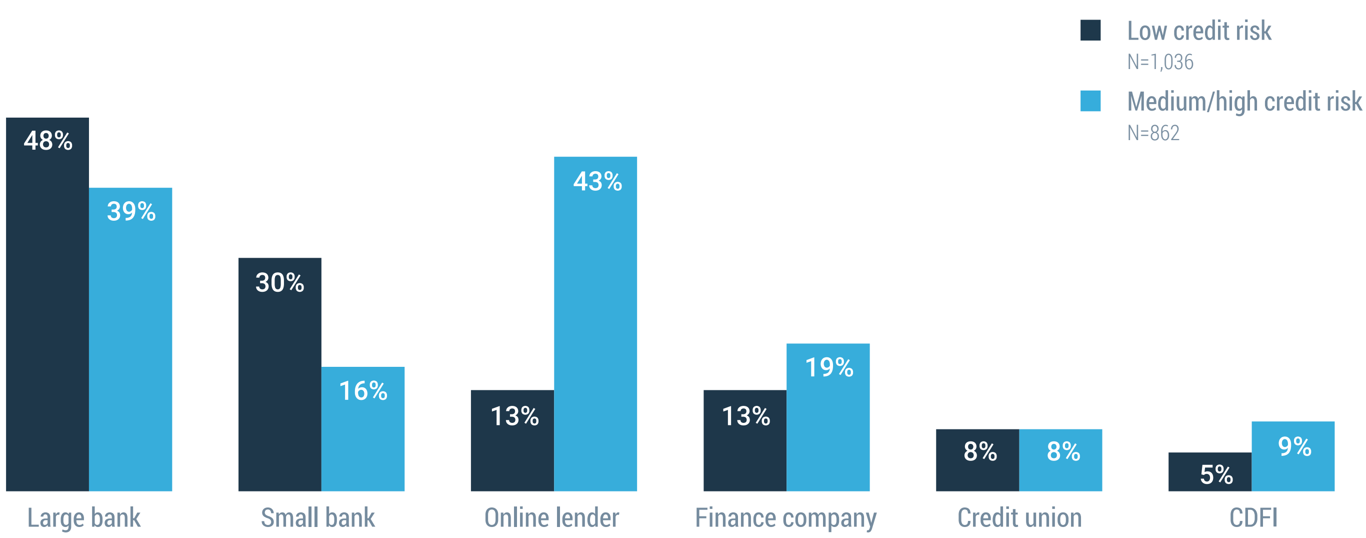
FINANCING APPLICATIONS
Loan/Line of Credit/Cash Advance Sources

CREDIT SOURCES APPLIED TO, *Prior 12 Months, By Survey Year*[1,2]
(% of loan, line of credit, and cash advance applicants)



The survey methodology was revised in 2022 to enable more accurate identification of lender types than in prior years. See Methodology for more details.

CREDIT SOURCES APPLIED TO, *By Credit Risk of Firm, 2023 Survey*[2,3] (% of loan, line of credit, and cash advance applicants)



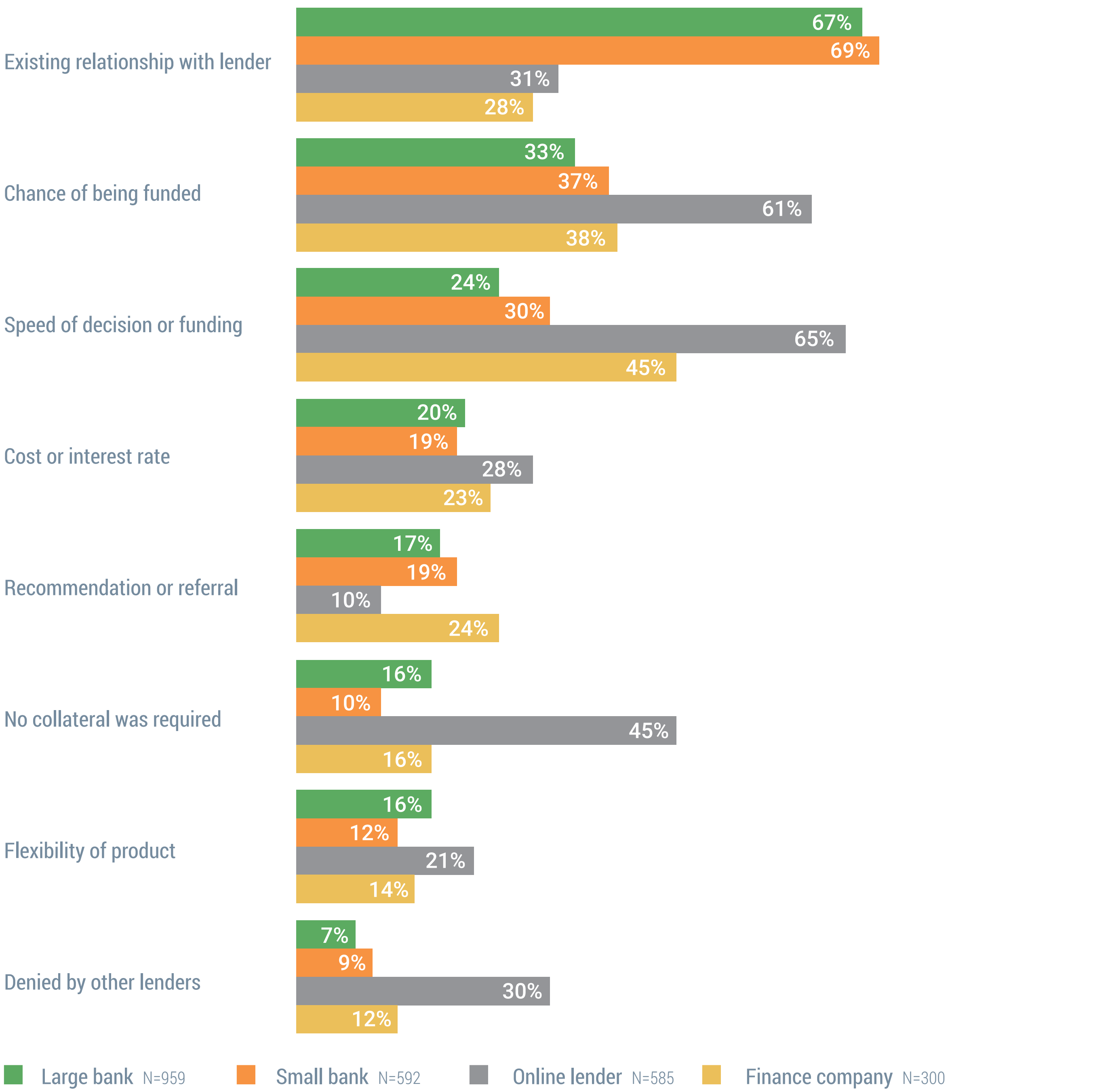
1 *Beginning with the 2022 survey, details on firms' experiences with lenders were collected only for the two most recent applications. For comparison purposes, percentages shown here from the 2019, 2020, and 2021 surveys include only the firms' two most recent applications; therefore, percentages may vary from past reports. See Notes and Definitions for lender descriptions used in the SBCS.*
2 *Response option "other source" not shown. See Appendix for more details. See Notes and Definitions for details on time period definitions and lender descriptions used in the SBCS.*
3 *See Notes and Definitions for details on credit risk definitions used in the SBCS.*

FINANCING APPLICATIONS

Loan/Line of Credit/Cash Advance Sources (Continued)

Bank applicants most often cited an existing relationship with their lender as a factor influencing where they applied. Applicants that sought credit at online lenders and finance companies often chose their lenders in anticipation of a quick lending decision.

FACTORS INFLUENCING WHERE FIRMS APPLY[1] (% of loan, line of credit, and cash advance applicants at source)



1 *Select lenders shown. Respondents could select multiple options. Response option "other" not shown. See Appendix for more details. See Notes and Definitions for details on lender descriptions used in the SBCS.*

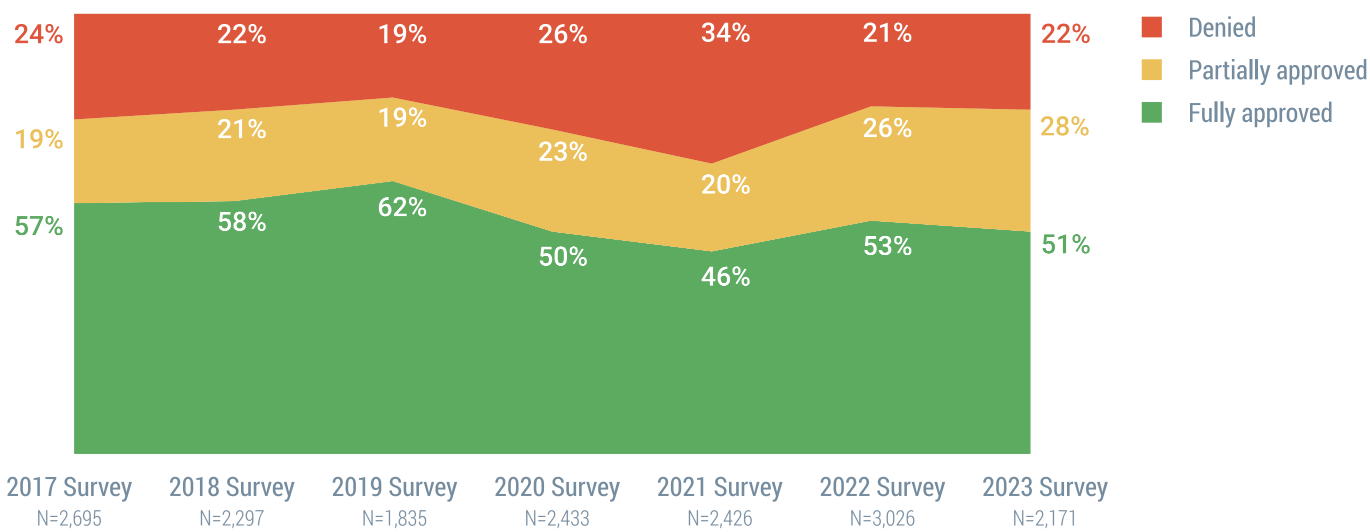
FINANCING APPLICATIONS

Loan/Line of Credit/Cash Advance Application Outcomes

Approval rates on loan, line of credit, and merchant cash advance applications were mostly steady between 2022 and 2023. The share of applicants fully approved remains below prepandemic levels.

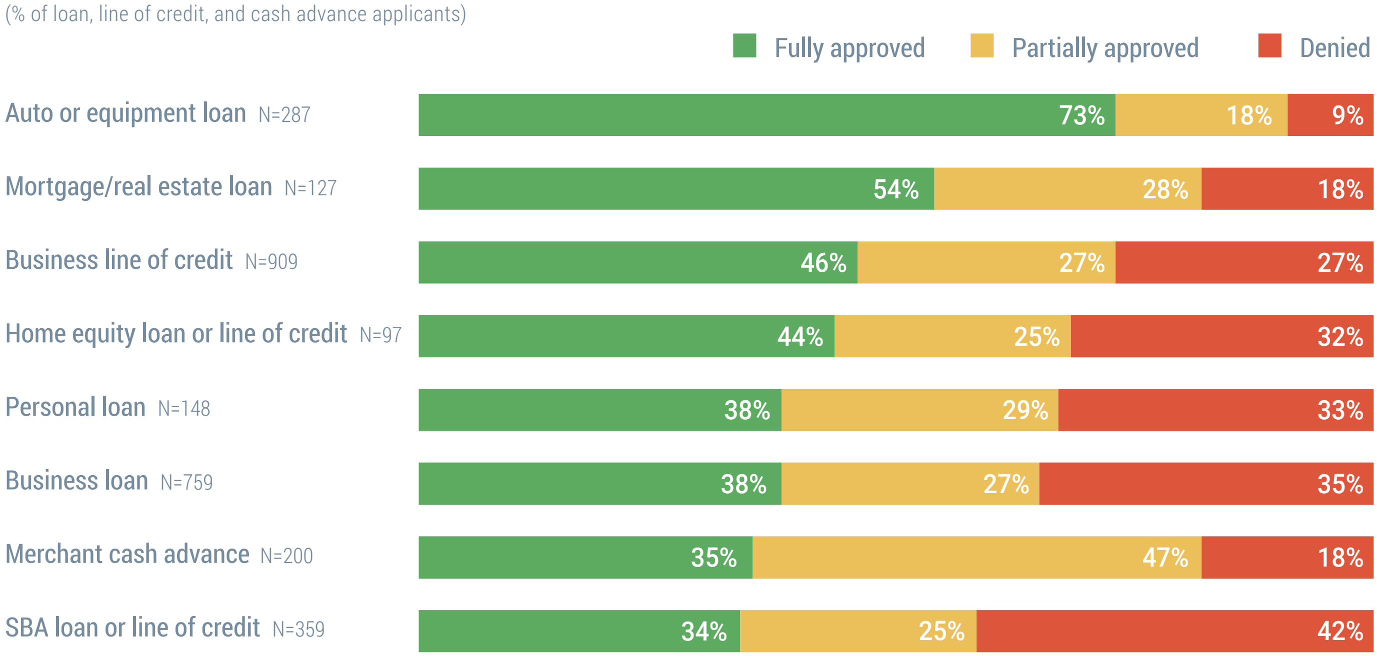
OUTCOMES FOR LOAN, LINE OF CREDIT, OR CASH ADVANCE APPLICANTS, *Prior 12 Months, By Survey Year*[1,2]

(% of loan, line of credit, and cash advance applicants)



OUTCOMES FOR LOAN, LINE OF CREDIT, OR CASH ADVANCE APPLICANTS, *By Product, 2023 Survey*[3]

(% of loan, line of credit, and cash advance applicants)



1 *Beginning with the 2022 survey, details on firms' experiences with lenders were collected only for the two most recent applications. For comparison purposes, percentages shown here from surveys prior to 2022 include only the firms' two most recent applications; therefore, percentages may vary from past reports. See Notes and Definitions for details on time period definitions used in the SBCS.*

2 *Throughout the Financing Applications section of this report, outcomes exclude pending applications and, for applicable years, applications for pandemic-related assistance programs (i.e., the Paycheck Protection Program and COVID-19 Economic Injury Disaster Loans).*

3 *Percentages may not sum to 100 because of rounding. Product type "other" not shown. See Appendix for more detail.*

Source: Small Business Credit Survey, Federal Reserve Banks

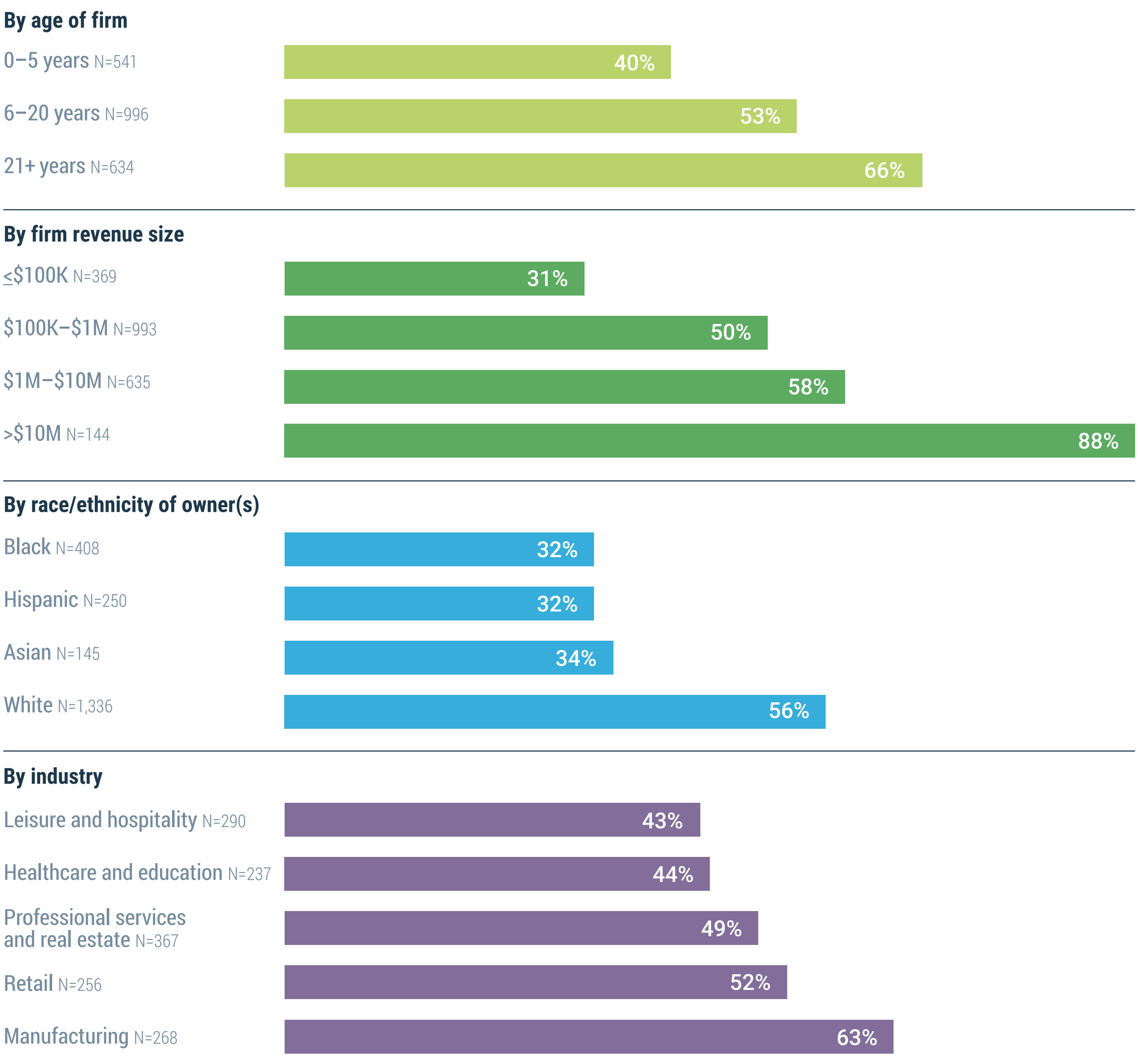
FINANCING APPLICATIONS

Loan/Line of Credit/Cash Advance Application Outcomes (Continued)

Older, larger, and white-owned firms were more likely than their counterparts to be fully approved for a loan, line of credit, or merchant cash advance in the 12 months prior to the survey.

SHARE OF APPLICANTS THAT WERE FULLY APPROVED, *Prior 12 Months*[1]

(% of loan, line of credit, and cash advance applicants)



1 *Select firm categories shown. See Appendix for more details. Revenue size categories have been condensed and simplified for readability. Actual categories are ≤$25K, $25,001–$50K, $50,001–$100K, $100,001–$250K, $250,001–$500K, $500,001–$1M, $1,000,001–$5M, $5,000,001–$10M, and >$10M. American Indian- and Alaskan Native-owned firms not shown because of sample size limitations. See Notes and Definitions for details on time period definitions used in the SBCS.*

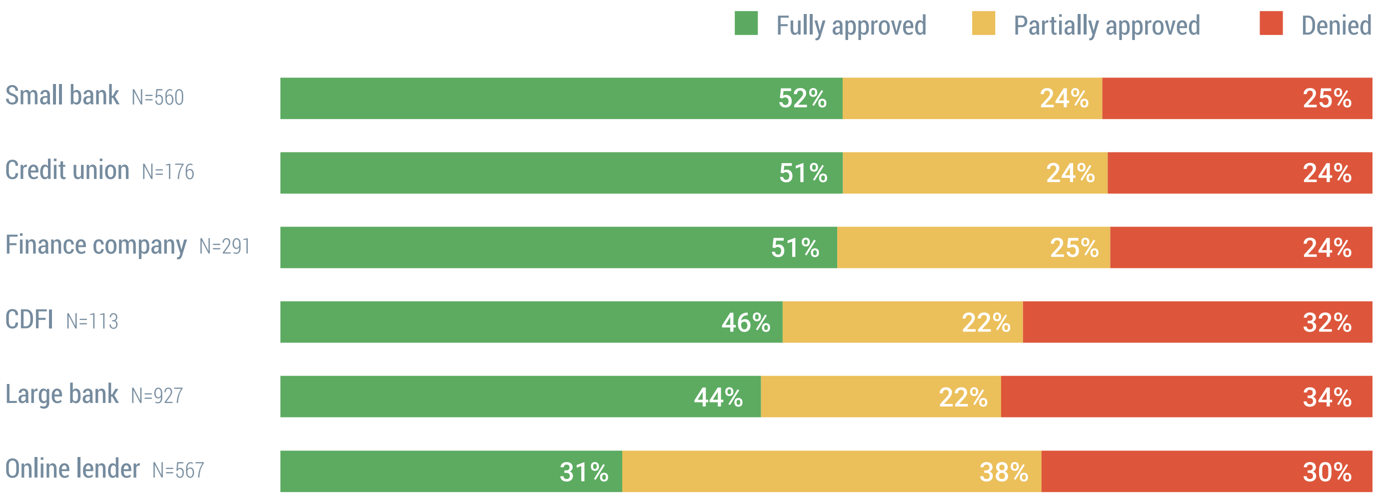
Source: Small Business Credit Survey, Federal Reserve Banks

FINANCING APPLICATIONS

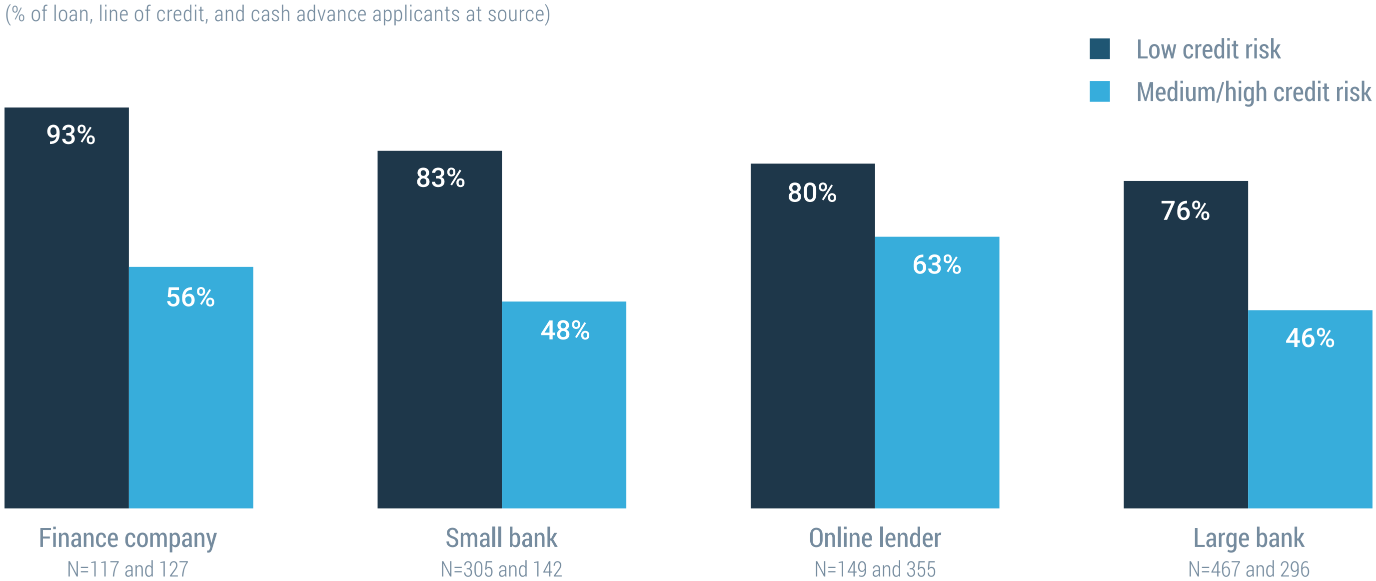
Loan/Line of Credit/Cash Advance Approval by Source

Financing approval rates were highest at small banks, credit unions, and finance companies. Online-lender applicants were least likely to be fully approved.

OUTCOMES FOR LOAN, LINE OF CREDIT, OR CASH ADVANCE APPLICANTS, *By Source, Prior 12 Months*[1,2]
(% of loan, line of credit, and cash advance applicants at source)



SHARE OF APPLICANTS AT LEAST PARTIALLY APPROVED AT SOURCE, *By Credit Risk of Firm, Prior 12 Months*[2,3]
(% of loan, line of credit, and cash advance applicants at source)

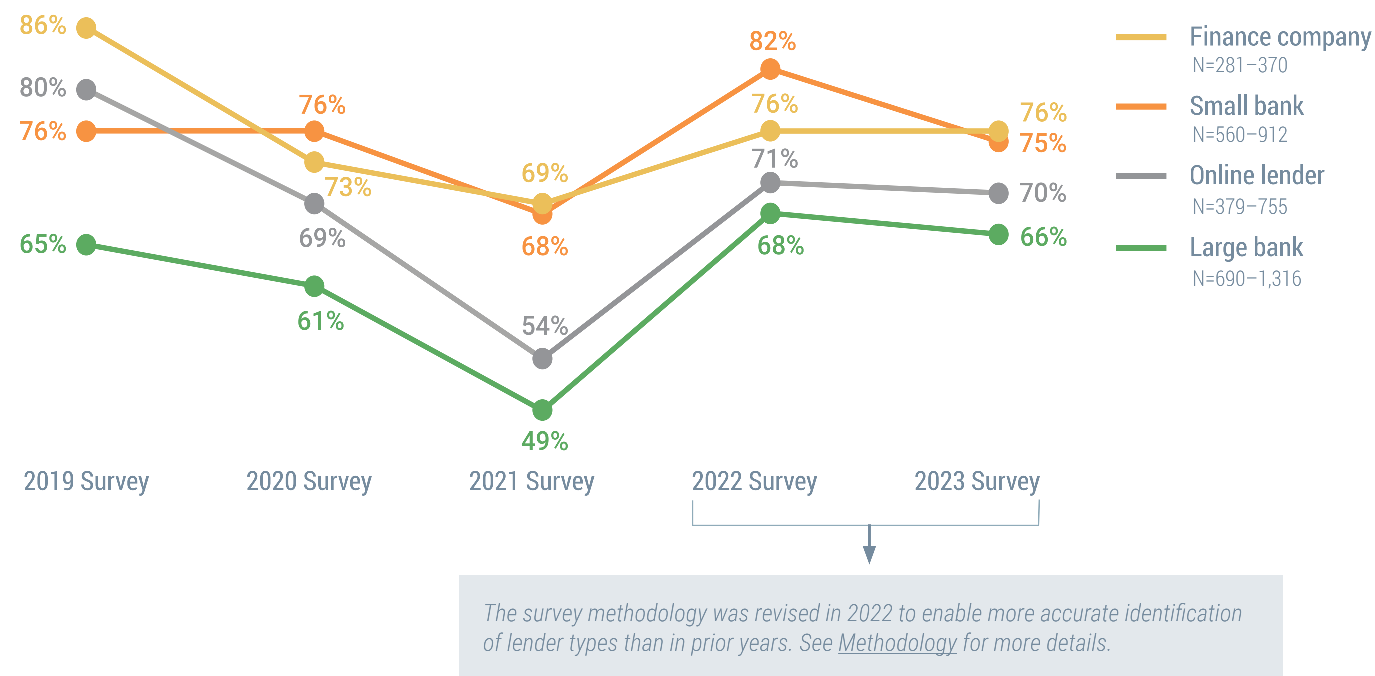


1 *Percentages may not sum to 100 because of rounding.*
2 *Response option "other source" not shown. See Appendix for more details. See Notes and Definitions for details on time period definitions and lender descriptions used in the SBCS.*
3 *Number of observations varies by credit risk category; number of observations for low-credit-risk applicants is shown first. See Notes and Definitions for details on credit risk definitions used in the SBCS. Credit union and CDFI not shown because of sample size limitations. See Appendix for more details.*

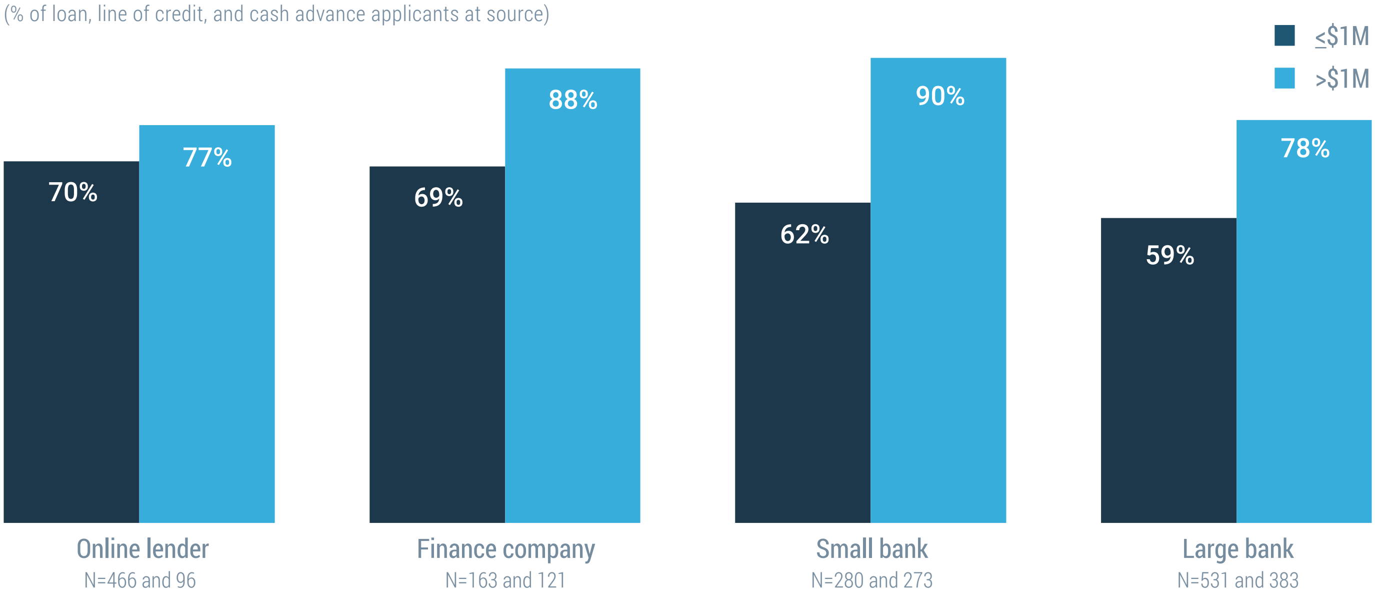
FINANCING APPLICATIONS
Loan/Line of Credit/Cash Advance Approval by Source (Continued)

Applicants at finance companies and small banks remain more likely than applicants at large banks and online lenders to be approved.

SHARE OF APPLICANTS AT LEAST PARTIALLY APPROVED AT SOURCE, *Prior 12 Months, By Survey Year*[1,2]
(% of loan, line of credit, and cash advance applicants at source)



SHARE OF APPLICANTS AT LEAST PARTIALLY APPROVED AT SOURCE, *By Firm Revenue Size, 2023 Survey*[2,3]
(% of loan, line of credit, and cash advance applicants at source)



1 *Beginning with the 2022 survey, details on firms' experiences with lenders were collected only for the two most recent applications. For comparison purposes, percentages shown here from the 2019, 2020, and 2021 surveys include only the firms' two most recent applications; therefore, percentages may vary from past reports. See Notes and Definitions for details on time period definitions used in the SBCS.*
2 *Select lenders shown. See Appendix for more details. See Notes and Definitions for time period definitions and lender descriptions used in the SBCS.*
3 *Number of observations varies by firm size; number of observations for firms with ≤$1M in annual revenue shown first.*

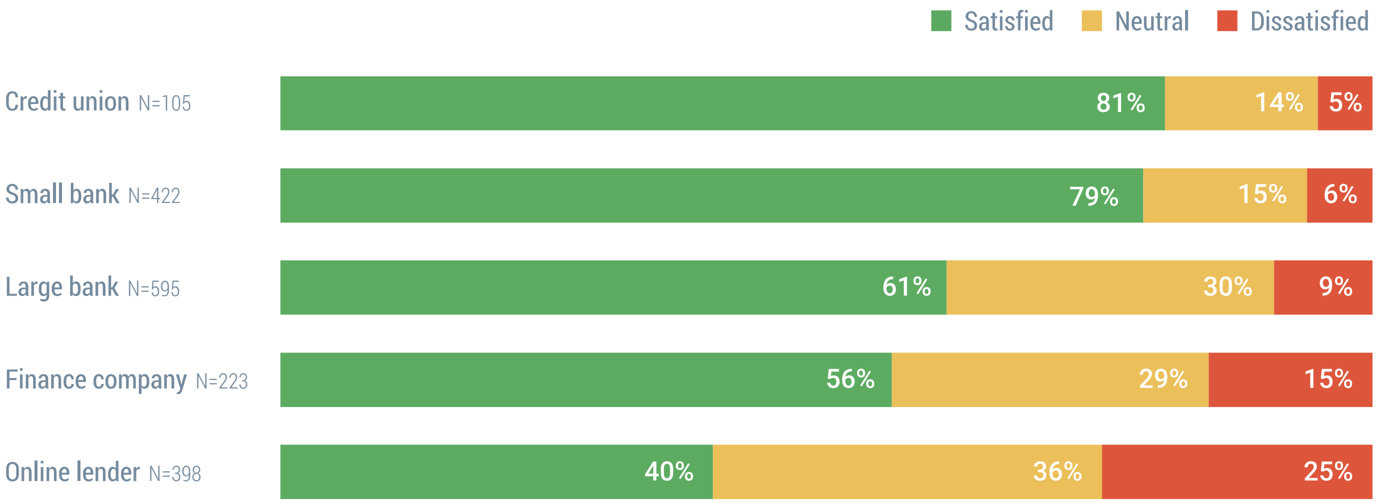
FINANCING APPLICATIONS

Satisfaction with Lenders

Applicants at credit unions and small banks were more satisfied with their experiences than were applicants at other sources.

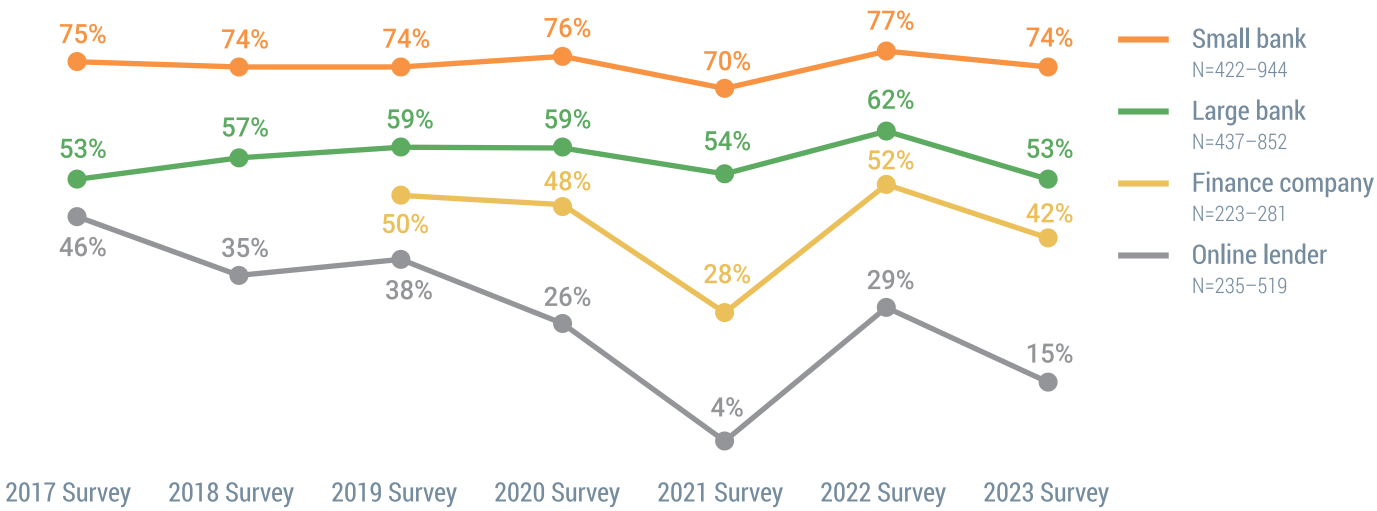
SATISFACTION WITH LENDERS, *Prior 12 Months*[1,2]

(% of loan, line of credit, and cash advance applicants approved for at least some financing at source)



NET SATISFACTION, *Prior 12 Months, By Survey Year*[2,3,4]

(% of loan, line of credit, and cash advance applicants approved for at least some financing at source)

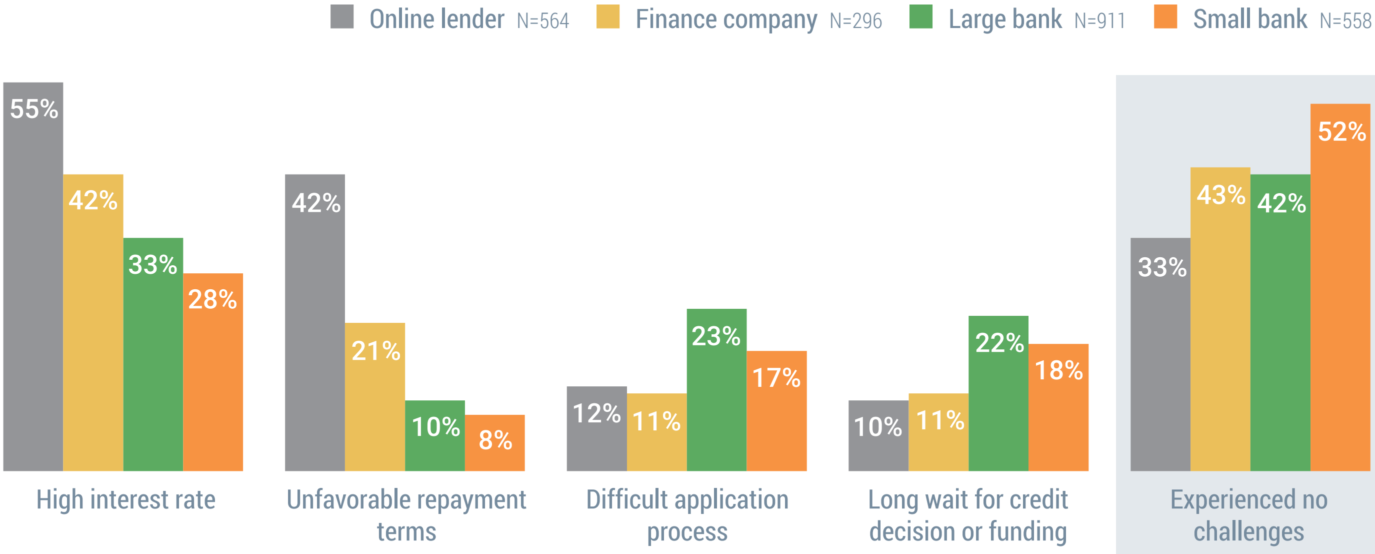


1 *Percentages may not sum to 100 because of rounding.*
2 *See Notes and Definitions for details on time period definitions and lender descriptions used in the SBCS. Select lenders shown. See Appendix for more details.*
3 *Net satisfaction is the share of firms satisfied minus the share of firms dissatisfied. CDFIs and credit unions are not shown because of insufficient sample sizes in multiple survey years. Finance company satisfaction data for years prior to 2019 are not available because it was not included as a discrete answer choice.*
4 *Beginning with the 2022 survey, details on firms' experiences with lenders were collected only for the two most recent applications. For comparison purposes, percentages shown here for surveys prior to 2022 include only the firms' two most recent applications; therefore, percentages may vary from past reports.*

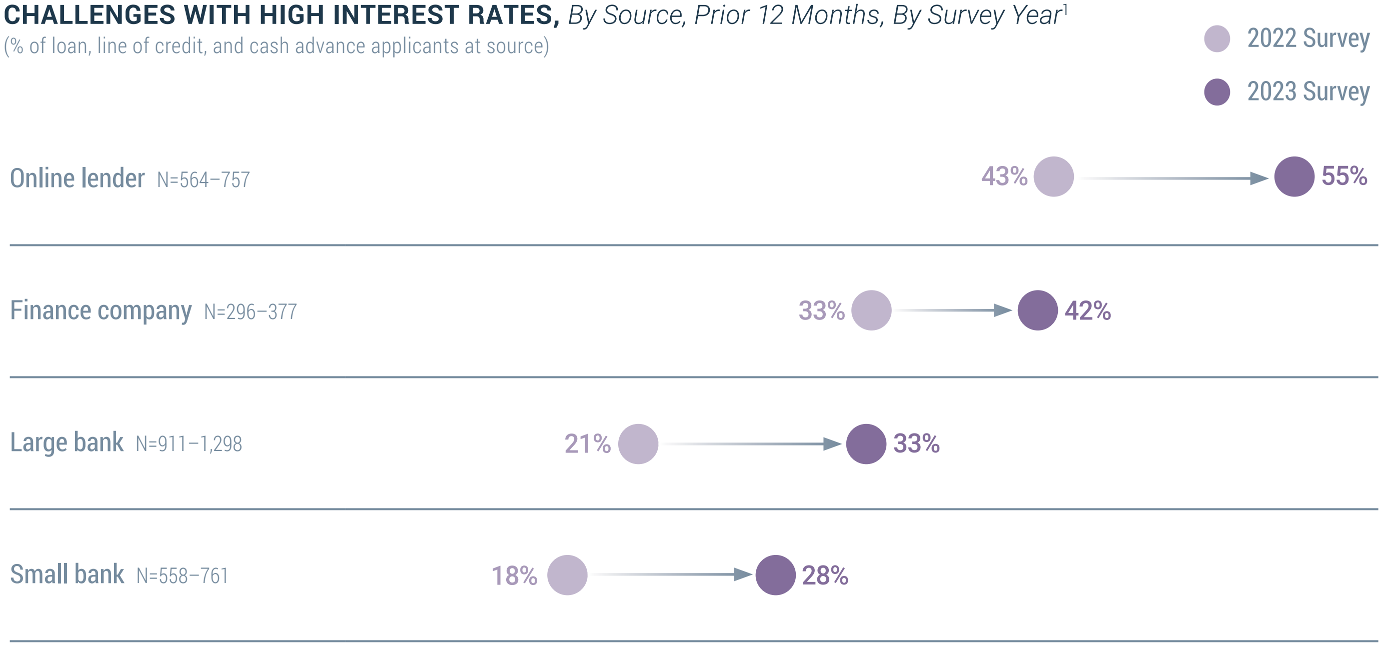
FINANCING APPLICATIONS
Challenges with Lenders

Applicants at online lenders were more likely than applicants at other lenders to report some type of challenge. The most common challenge—regardless of lender type—was high interest rates.

CHALLENGES WITH LENDERS, *Prior 12 Months*[1,2] (% of loan, line of credit, and cash advance applicants at source)



CHALLENGES WITH HIGH INTEREST RATES, *By Source, Prior 12 Months, By Survey Year*[1]
(% of loan, line of credit, and cash advance applicants at source)



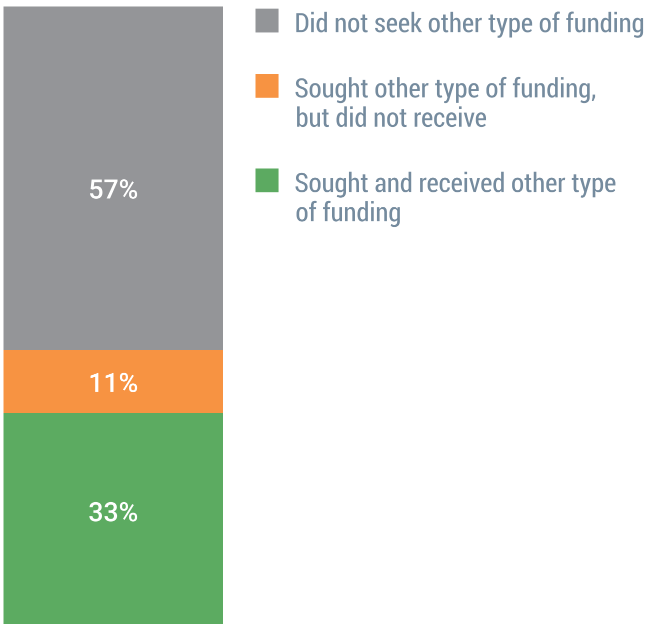
1 *Select lenders shown. See Appendix for more details. See Notes and Definitions for details on time period definitions and lender descriptions used in the SBCS.*
2 *Respondents could select multiple options. Select response options shown. See Appendix for more details.*

OTHER TYPES OF FUNDING

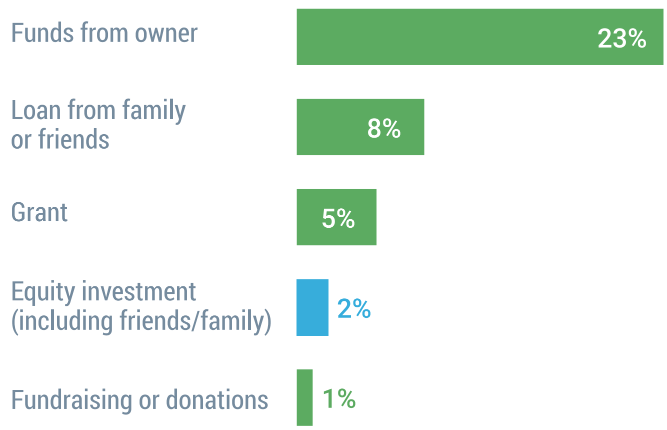
Funding Sought and Received

Approximately one in three firms received funding other than credit—including funds from the owner(s), loans from family or friends, or grants.

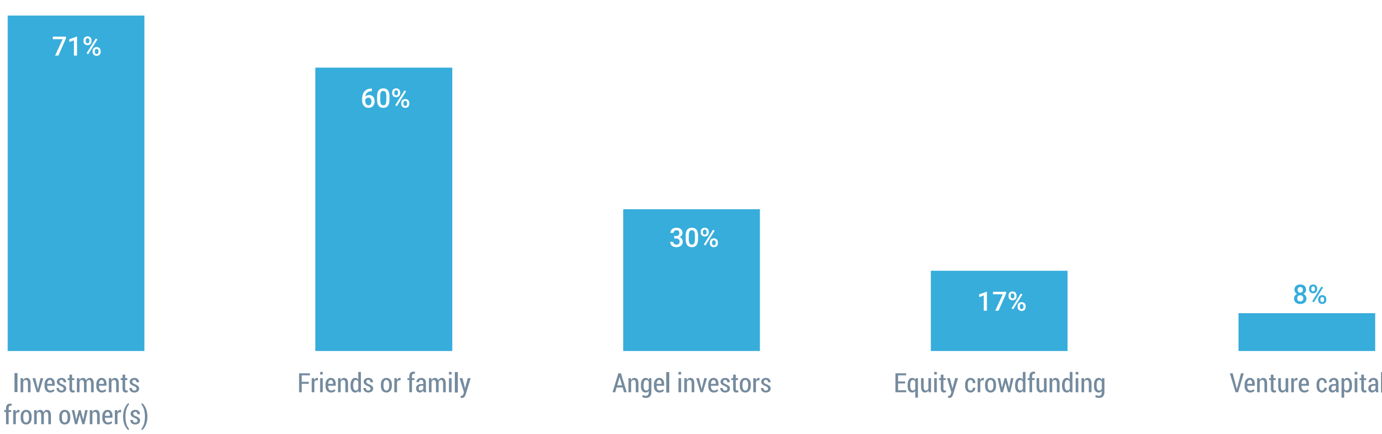
OTHER TYPES OF FUNDING SOUGHT AND RECEIVED, *Prior 12 Months*[1,2] (% of employer firms) N=5,947



OTHER TYPES OF FUNDING RECEIVED, *Prior 12 Months*[2,3] (% of employer firms) N=5,947



SOURCES OF EQUITY INVESTMENTS, *Prior 12 Months*[2,3] (% of employer firms that received an equity investment) N=71



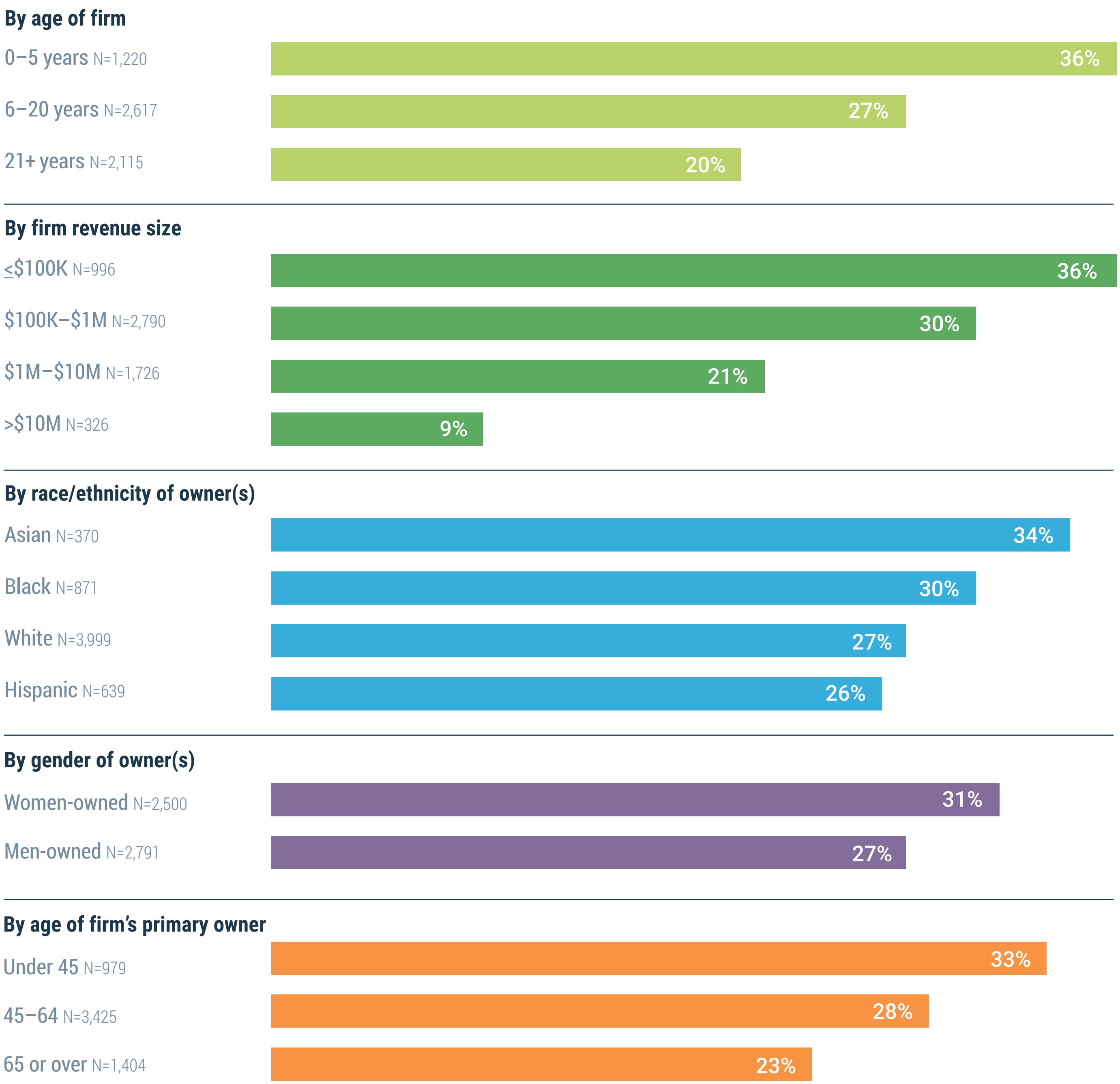
1 *Percentages may not sum to 100 because of rounding.*
2 *See Notes and Definitions for details on time period definitions used in the SBCS.*
3 *Data on this page are sourced from a set of questions added to the 2023 survey and cannot be compared to data on equity investments from prior reports. Respondents could select multiple options. Response option "other" not shown. See Appendix for more details.*

OTHER TYPES OF FUNDING

Use of Personal Funding Sources

Younger, smaller firms were more likely than their older and larger counterparts to have received funds from personal sources.

SHARE OF FIRMS THAT RECEIVED A LOAN FROM FRIENDS AND FAMILY OR FUNDS FROM THE OWNER, *Prior 12 Months*[1,2] (% of employer firms)



1 *In questions about other types of funding, "loan from friends and family" and "funds from owner" were presented as distinct response options. Page 10 of the* 2023 Report on Employer Firms *featured a similar chart on the use of personal funding sources in the past five years. The data on this page are sourced from a different question and should not be compared to the similar chart from the prior year's report. See Notes and Definitions for details on time period definitions used in the SBCS.*

2 *Select firm categories shown. See Appendix for more details. Revenue size categories have been condensed and simplified for readability. Actual categories are ≤$25K, $25,001–$50K, $50,001–$100K, $100,001–$250K, $250,001–$500K, $500,001–$1M, $1,000,001–$5M, $5,000,001–$10M, and >$10M. American Indian- and Alaskan Native-owned firms not shown because of sample size limitations.*

Source: Small Business Credit Survey, Federal Reserve Banks

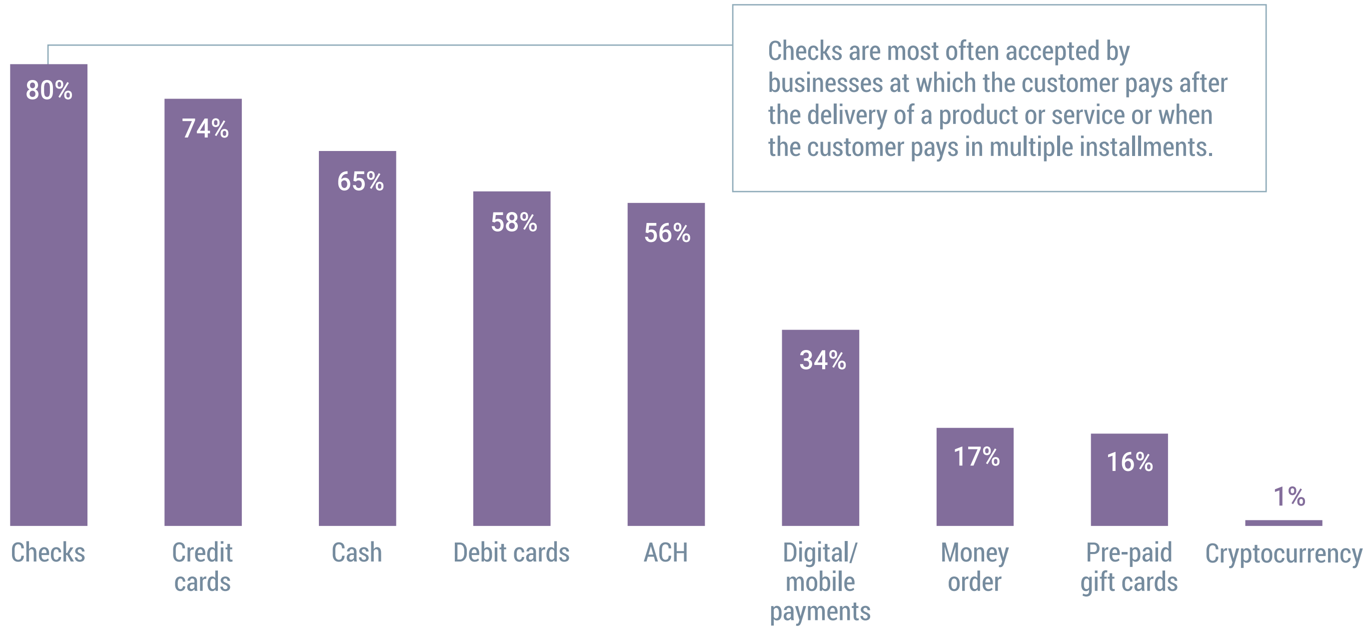
PAYMENTS

Forms of Payment Accepted and Payments-Related Challenges

Firms are more likely to accept checks than any other form of payment—even cash or credit cards. Only 1% accept cryptocurrency.

FORMS OF PAYMENT ACCEPTED[1,2] (% of employer firms)

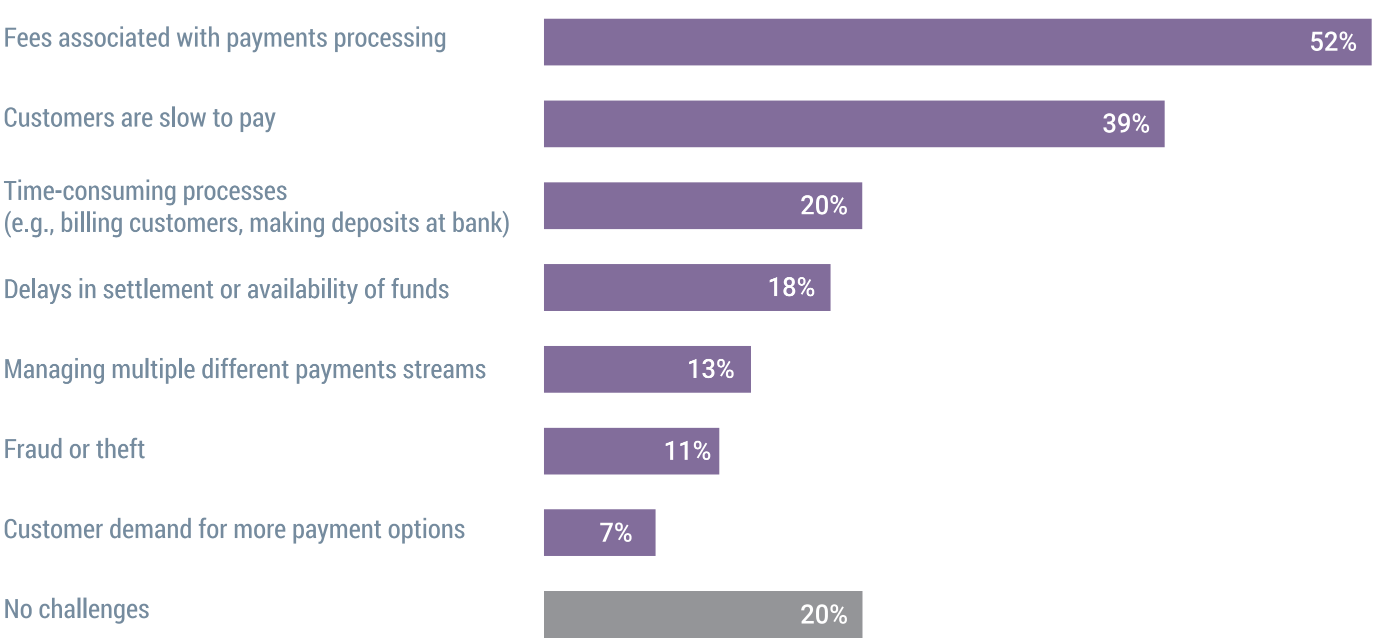
N=4,902



More than half of firms cited payments processing fees as a challenge.

PAYMENTS-RELATED CHALLENGES[1] (% of employer firms)

N=4,858



1 *Data on payments are drawn from an optional end-of-survey module (approximately 80% of employer firm respondents opted to answer in 2023). Additional data on payments from the 2023 survey will be published in a separate report. Respondents could select multiple options. Response option "other" not shown. See Appendix for more details.*

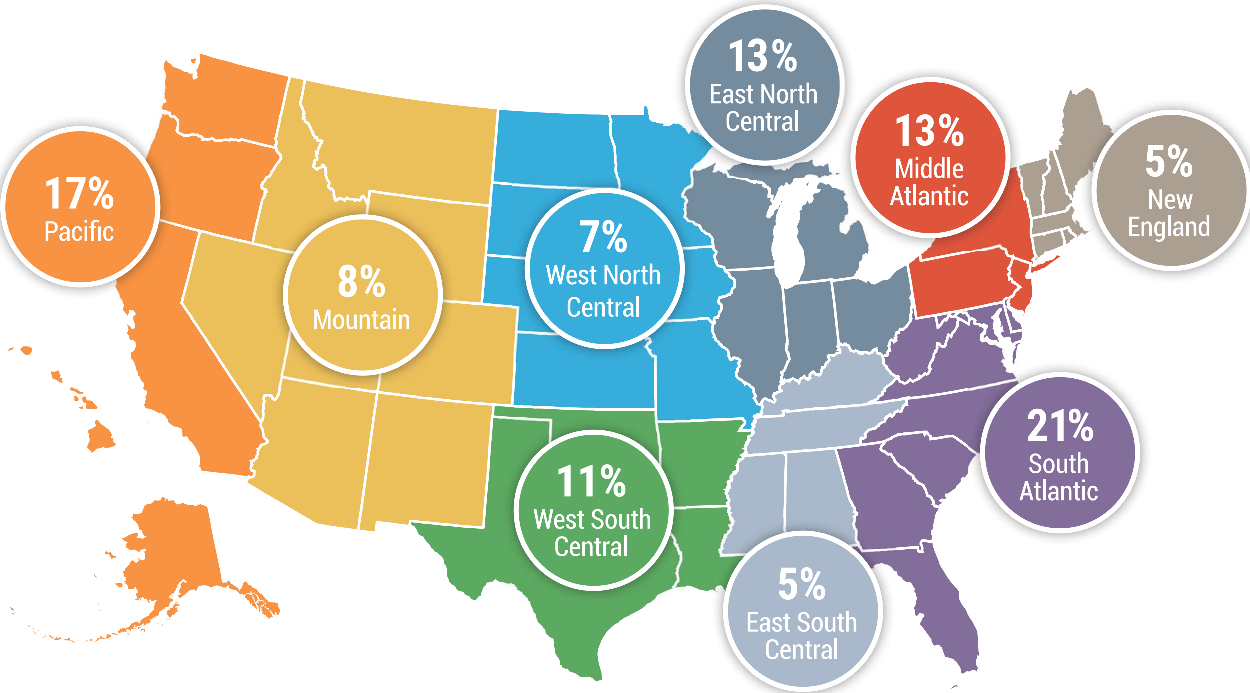
2 *Examples of digital/mobile payments provided to respondents include PayPal, Venmo, and ApplePay.*

Source: Small Business Credit Survey, Federal Reserve Banks

DEMOGRAPHICS

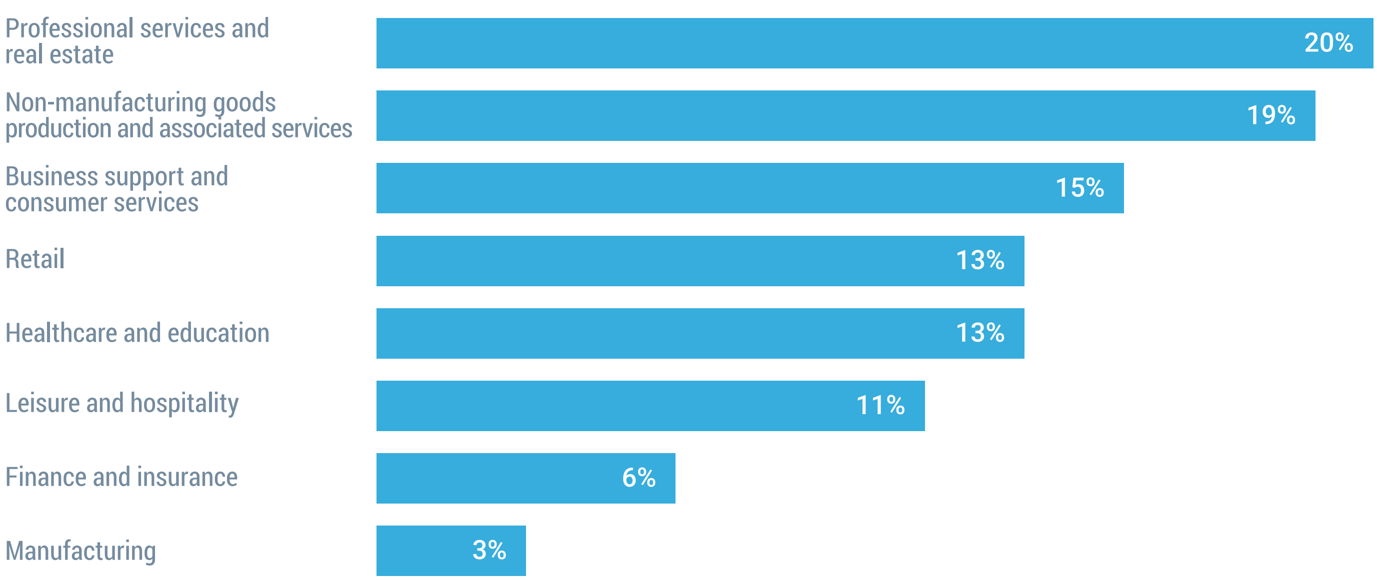
CENSUS DIVISION[1] (% of employer firms)

N=6,131



INDUSTRY[1,2] (% of employer firms)

N=6,131



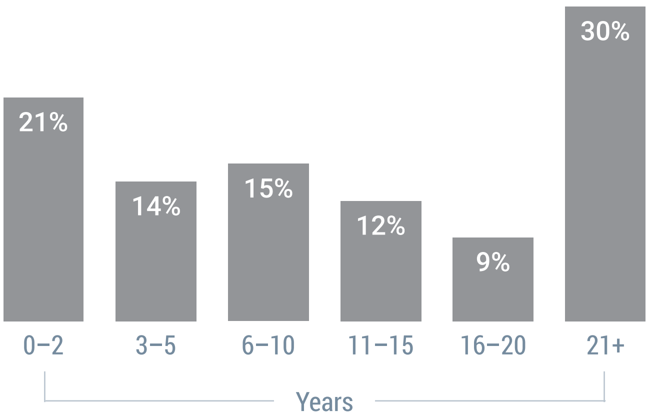
1 *SBCS responses throughout the report are weighted using US Census data to represent the US small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner. The shares shown in the Demographics section reflect weighted values. For details on weighting, see Methodology.*

2 *The non-manufacturing goods production and associated services category includes industries such as agriculture, construction, wholesale trade, transportation, and warehousing. See Appendix for more details.*

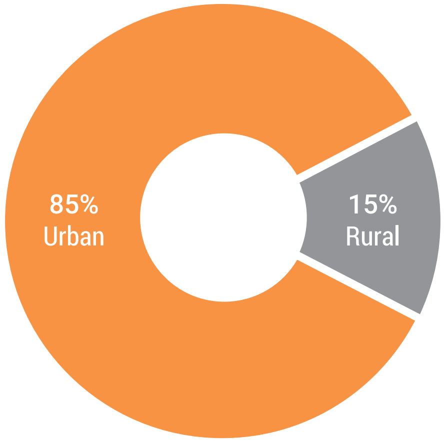
Source: Small Business Credit Survey, Federal Reserve Banks

DEMOGRAPHICS
(Continued)

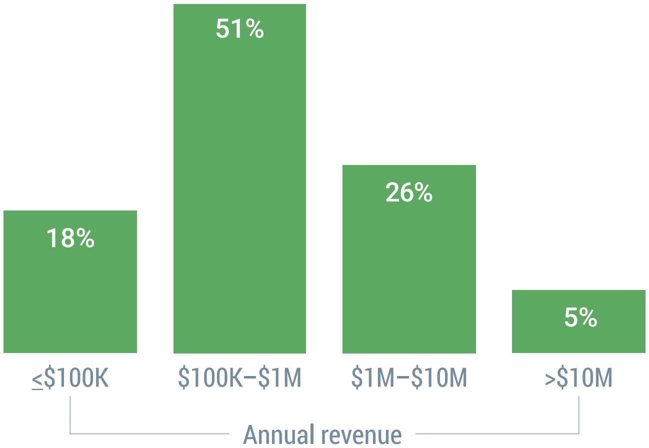
AGE OF FIRM[1,2] (% of employer firms) N=6,131



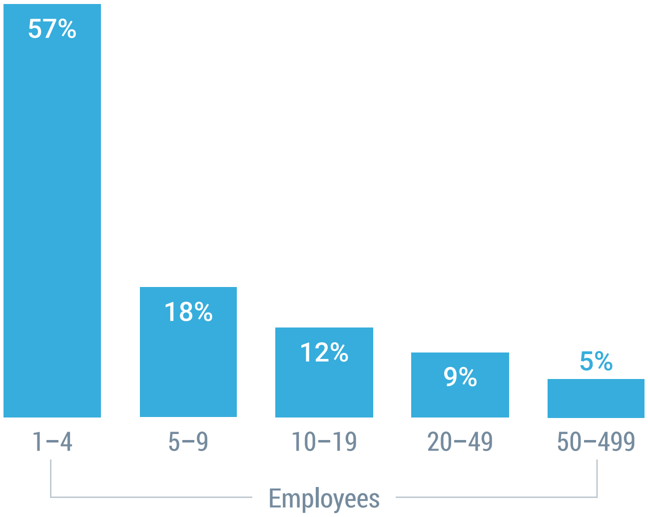
GEOGRAPHIC LOCATION[1,3] (% of employer firms) N=6,131



REVENUE SIZE OF FIRM[4] (% of employer firms) N=6,017



NUMBER OF EMPLOYEES[1,2] (% of employer firms) N=6,131



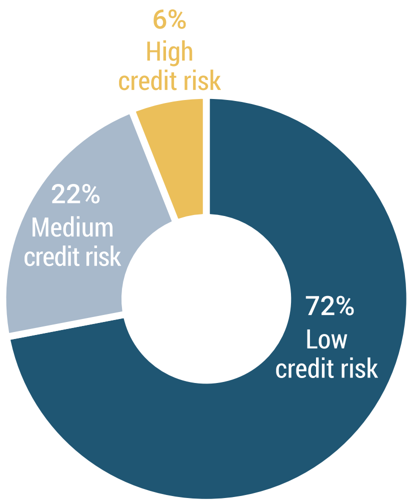
44% of employer firms use **contract workers.**

1 *SBCS responses throughout the report are weighted using census data to represent the US small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner. For details on weighting, see Methodology.*
2 *Percentages may not sum to 100 because of rounding.*
3 *Urban and rural definitions come from US Department of Agriculture Rural-Urban Commuting Area codes.*
4 *Revenue size categories have been condensed and simplified for readability. Actual categories are ≤$25K, $25,001–$50K, $50,001–$100K, $100,001–$250K, $250,001–$500K, $500,001–$1M, $1,000,001–$5M, $5,000,001–$10M, and >$10M . See Appendix for more details.*

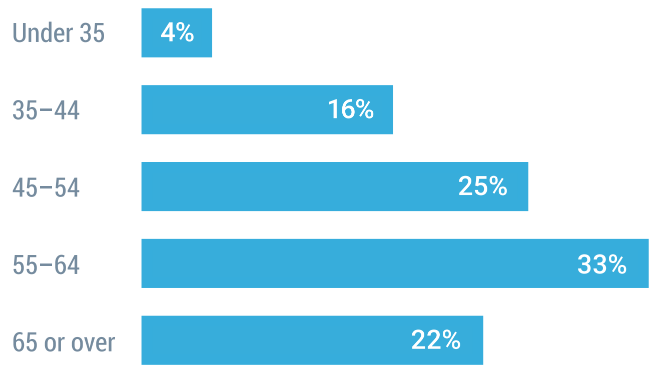
Source: Small Business Credit Survey, Federal Reserve Banks

DEMOGRAPHICS
(Continued)

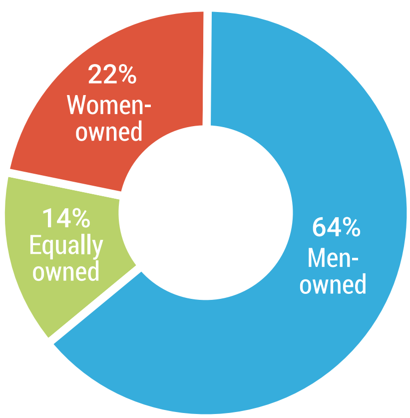
CREDIT RISK OF FIRM[1] (% of employer firms) N=4,570



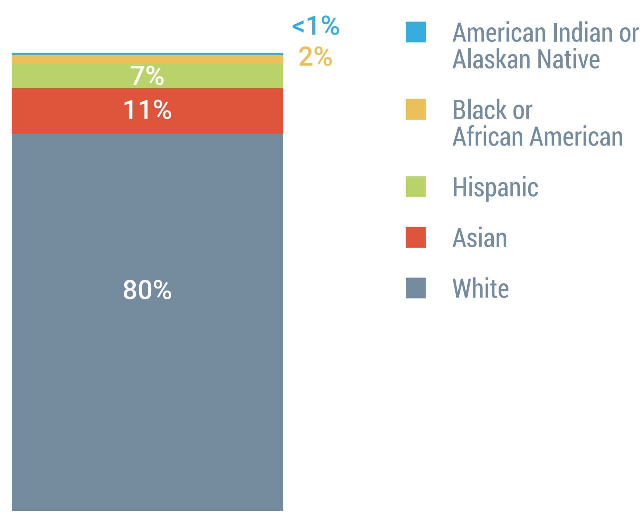
AGE OF FIRM'S PRIMARY OWNER[2] (% of employer firms) N=5,880



GENDER OF OWNER(S)[3] (% of employer firms) N=6,131



RACE/ETHNICITY OF OWNER(S)[3] (% of employer firms) N=6,131



22% of employer firms are at least partially owned by an **immigrant.**

14% of employer firms are at least partially owned by a **veteran.**

7% of employer firms are at least partially owned by a member of the **LGBTQ community.**

1 *See Notes and Definitions for details on credit risk definitions used in the SBCS.*
2 *For firms that have more than one owner with equal ownership shares, the age of the primary financial decision maker is used.*
3 *SBCS responses throughout the report are weighted using US Census data to represent the US small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner. For details on weighting, see Methodology.*

METHODOLOGY

DATA COLLECTION

The SBCS uses a convenience sample of establishments. A diverse set of partner organizations that serve the small business community contact businesses by email.[1] The Federal Reserve Banks also directly contact prior SBCS participants and other small businesses from a variety of email lists.[2] The survey instrument is an online questionnaire that typically takes 6 to 12 minutes to complete, depending on the intensity of a firm's search for financing. The questionnaire uses question branching and flows based on responses to survey questions. For example, financing applicants receive a different line of questioning than nonapplicants. Therefore, the number of observations for each question varies by how many firms receive and complete a particular question.

WEIGHTING

The sample for the SBCS is not selected randomly; thus, the SBCS may be subject to biases that random sample surveys would not be subject to. For example, there are likely small employer firms not on our contact lists, a situation which could lead to noncoverage bias. To control for some known potential biases, we weight the sample data so the weighted distribution of firms in the SBCS matches the distribution of the small firm (1 to 499 employees) population in the United States by number of employees, age, industry, geographic location (census division and urban or rural location), gender of owner(s), and race or ethnicity of owner(s).

For this report and analysis, we first limit the sample in each year to only employer firms.[3] We then post-stratify respondents by their firm characteristics. Using a statistical technique known as "raking," we compare the share of businesses in each category of each stratum (for example, within the industry stratum, the share of firms in the sample that are manufacturers) to the share of small businesses in the nation in that category.[4] As a result, underrepresented firms in the convenience sample are up weighted and overrepresented firms are down weighted. We iterate this process several times for each stratum to derive a sample weight for each respondent. This weighting methodology was developed in collaboration with the National Opinion Research Center (NORC) at the University of Chicago. The data used to construct the weights originate from the US Census Bureau.[5]

We are unable to obtain exact estimates of the combined racial and ethnic ownership of small employer firms for each state or at the national level. To derive these figures, we assume that the state-level distribution of small employer firm owners' combined race and ethnicity matches the state-level distribution of these characteristics among owners of firms of all sizes. Given that small employer firms represent 99.7 percent of businesses with paid employees, we expect these assumptions align relatively closely with the true population.[6]

RACE/ETHNICITY AND GENDER IMPUTATION

Not every respondent provided complete information on the gender, race, and/or the ethnicity of their business's owner(s). We need this information to correct for differences between the sample and the population data. To avoid losing these observations, we use a series of statistical models to impute the missing data. Generally, when the models predict a given characteristic with an accuracy of around 80 percent in out-of-sample tests, we use the predicted values from the models for the missing data.[7] When the model's predictive power is below that threshold, those data are not imputed, and the responses are dropped. After the models impute the data, we compare descriptive statistics of key survey questions with and without imputed data to ensure robustness of estimates. In the final sample, seven percent of employer firm observations have imputed values for the gender, race, or ethnicity of a firm's ownership.

1 *For more information on partnerships, please visit www.fedsmallbusiness.org/partnership.*

2 *We directly approached businesses reported on System for Award Management (SAM) Entity Management Extracts Public Data Package; Small Business Administration (SBA) Dynamic Small Business Search (DSBS); state-maintained lists of certified disadvantaged business enterprises (DBEs); state and local government Procurement Vendor Lists, including minority- and women-owned business enterprises (MWBEs); state and local government-maintained lists of small or disadvantaged small businesses; a list of veteran-owned small businesses maintained by the Department of Veterans Affairs; and Equifax Commercial Marketing Database sourced from CapitalIQ. Not all sources were used in all years.*

3 *Weights for nonemployer firms are computed separately, and a separate report on nonemployer firms is generally issued annually.*

4 *Employee size strata are 1–4 employees, 5–9 employees, 10–19 employees, 20–49 employees, and 50–499 employees. Age strata are 0–2 years, 3–5 years, 6–10 years, 11–15 years, 16–20 years, and 21+ years. Industry strata are nonmanufacturing goods production and associated services, manufacturing, retail, leisure and hospitality, finance and insurance, healthcare and education, professional services and real estate, and business support and consumer services. Race/ethnicity strata are non-Hispanic white, non-Hispanic Black or African American, non-Hispanic Asian, non-Hispanic Native American, and Hispanic. Gender strata are men-owned, equally owned, and women-owned. See Appendix for industry definitions, urban and rural definitions, and census divisions.*

5 *State- and MSA-level data on firm age come from the 2021 Business Dynamics Statistics. In contrast to prior years, we here use the firm age for all firms, not just for firms with fewer than 500 employees, for each state and MSA. Unfortunately, data on firm age and size have not been available at the state or MSA level since the 2014 Business Dynamics Statistics. At the national level, we find only very slight deviations between firm ages for all firms, as opposed to those for firms with fewer than 500 employees. We derive industry, employee size, and geographic location data from the 2021 County Business Patterns. USDA Rural-Urban Commuting Area codes are used to classify ZIP codes as urban or rural. Data on the race, ethnicity, and gender of business owners are derived from the 2021 Annual Business Survey.*

6 *US Census Bureau, County Business Patterns, 2021.*

7 *Out-of-sample tests are used to develop thresholds for imputing the missing information. To test each model's performance, half of the sample of nonmissing data is randomly assigned as the test group, while the other half is used to develop coefficients for the model. The actual data from the test group are then compared with what the model predicts for the test group. On average, predicted probabilities that are associated with an accuracy of around 80 percent are used, although this varies slightly, depending on the number of observations that are being imputed.*

METHODOLOGY

COMPARISONS TO PAST REPORTS

Because previous SBCS reports vary in terms of the population scope, geographic coverage, and weighting methodology, some survey questions are not directly comparable across time. The employer report using 2015 survey data covered 26 states and is weighted by firm age, number of employees, and industry. The employer reports using 2016 and 2017 data included respondents from all 50 states and the District of Columbia. We weight these data by firm age, number of employees, industry, and geographic location (both census division and urban or rural location). The 2017 survey weight also included gender, race, and ethnicity of the business owner(s), as described previously.

In addition, the categories used within each weighting characteristic also differ across survey years. For instance, there were three employee size categories in the 2015 survey and five employee size categories in the 2016 and 2017 surveys.

Because of changes in the weighting methodology of over-time data, the time series data in this report supersede and are not comparable with the time series data (2015–2017 survey years) in the *Report on Employer Firms* published in May 2018. Compared to those previous reports, the current weighting scheme makes use of a greater number of variables (it includes the race, ethnicity, and gender of a business's owner(s)) and is thus more representative of the US small employer-firm population. Data for the 2015 survey year are not displayed in this report, as they lack information on the aforementioned variables. The data in this report are, however, comparable to previous reports going back to the report containing 2018 survey data that was published in 2019.[8] For more information on the methodological changes to the "time-consistent" weights, please refer to the methodology section of the *2019 Report on Employer Firms*.

Many survey questions are not comparable over time because of changes in the response options. For example, the option "finance company" was added as an application source in the 2019 survey; thus, the application rates by source displayed in the 2023 report are not directly comparable to reports prior to the 2019 survey.

To better align with the literature on banking and finance, a change was made in the 2023 survey to categorize banks as large or small based on assets, rather than deposits. Beginning with the 2023 survey, banks with $10 billion or more in assets are considered large banks, and those with less than $10 billion in assets are considered small banks.[9]

Beginning with the 2022 survey, the questionnaire includes an optional, open-ended question asking respondents for the name of the lender at which their business applied. Approximately 77% of respondents provided a lender name in the 2023 survey. The new question supplements the existing multiple-choice question on type of lender. The open-ended responses provide important insights on respondents' understanding of the lender categories used in the SBCS and allow for more accurate identification of the sources at which firms applied for financing. When an open-ended response indicates a different lender type than the one selected in the multiple-choice question, the lender type is recoded to match the open-ended response. In the 2023 survey, the recoded text responses and multiple-choice responses matched 79% of the time. Because prior years' questionnaires did not include the open-ended lender question, we must rely on the multiple-choice selection for sources at which firms applied. This report includes notations for over-time comparisons to indicate that a new approach was used to categorize sources starting with the 2022 survey.

In addition, there were changes to some of the financing questions beginning in the 2022 survey, including the addition of a product table requiring a "yes" or "no" response for each financing product.[10] The response options in this table were adjusted in the 2023 survey to remove pandemic-related financial assistance, as well as equity investments and "other" products, as these were addressed in additional questions later in the survey. In the 2023 survey, respondents were also shown new instructions prior to the finance questions instructing them to exclude draws on existing credit lines, incomplete applications, funds from owners, friends, or family, grants, donations, and equity investments.[11]

8 *Because of adjustments to the weighting of the 2020 survey data after the publication of the 2021 report, percentages shown in the 2021 report related to 2020 survey data may differ from 2022 and 2023 report findings on 2020 survey data.*
9 *There were 20 banks nationwide (out of nearly 4,800) that would have been considered small banks under the previous deposit-based definition that are now considered large banks under the new asset-based definition.*
10 *For additional detail on these changes, please refer to the 2023 Report on Employer Firms.*
11 *For additional detail, please refer to the 2023 SBCS questionnaire at www.fedsmallbusiness.org/our-data/questionnaires.*

METHODOLOGY

CREDIBILITY INTERVALS AND STATISTICAL TESTS

Credibility intervals are an important component of the analysis in this report. Where there are large differences in estimates between types of businesses or survey years, we perform additional checks on the data to determine whether such differences are statistically significant. The combination of the results of these tests and several logistic regression models helped to guide our analysis and decide on the variables to include in the report. To determine whether differences are statistically significant, we develop credibility intervals using a balanced half-sample approach.[12] Because the SBCS does not come from a probability-based sample, the credibility intervals we develop should be interpreted as model-based measures of deviation from the true national population values.[13] We list 95 percent credibility intervals for key statistics in the following table. The intervals shown apply to all employer firms in the survey. More granular results with smaller observation counts will generally have larger credibility intervals.

Credibility Intervals for Key Statistics in the *2023 Report on Employer Firms*

	Percent	Credibility Interval (Percent)
Share that applied for a loan, line of credit, or cash advance	36.6	+/- 2.1
Share with outstanding debt	71.9	+/- 1.5
Loan/line of credit and cash advance approval rate	78.4	+/- 3.6
Share of firms with revenue growth in prior 12 months	42.9	+/- 1.8
Share of firms with a balance on an EIDL loan	27.8	+/- 2.0

12 *Wolter. Survey Weighting and the Calculating of Sampling Variance. 2007.*
13 *American Association for Public Opinion Research. Task Force on Non-probability Sampling. 2013.*

Source: Small Business Credit Survey, Federal Reserve Banks