

The Landscape for Small Businesses and Entrepreneurs

Small Business and Entrepreneurship during an Economic Recovery—Washington, D.C.

November 9th, 2011

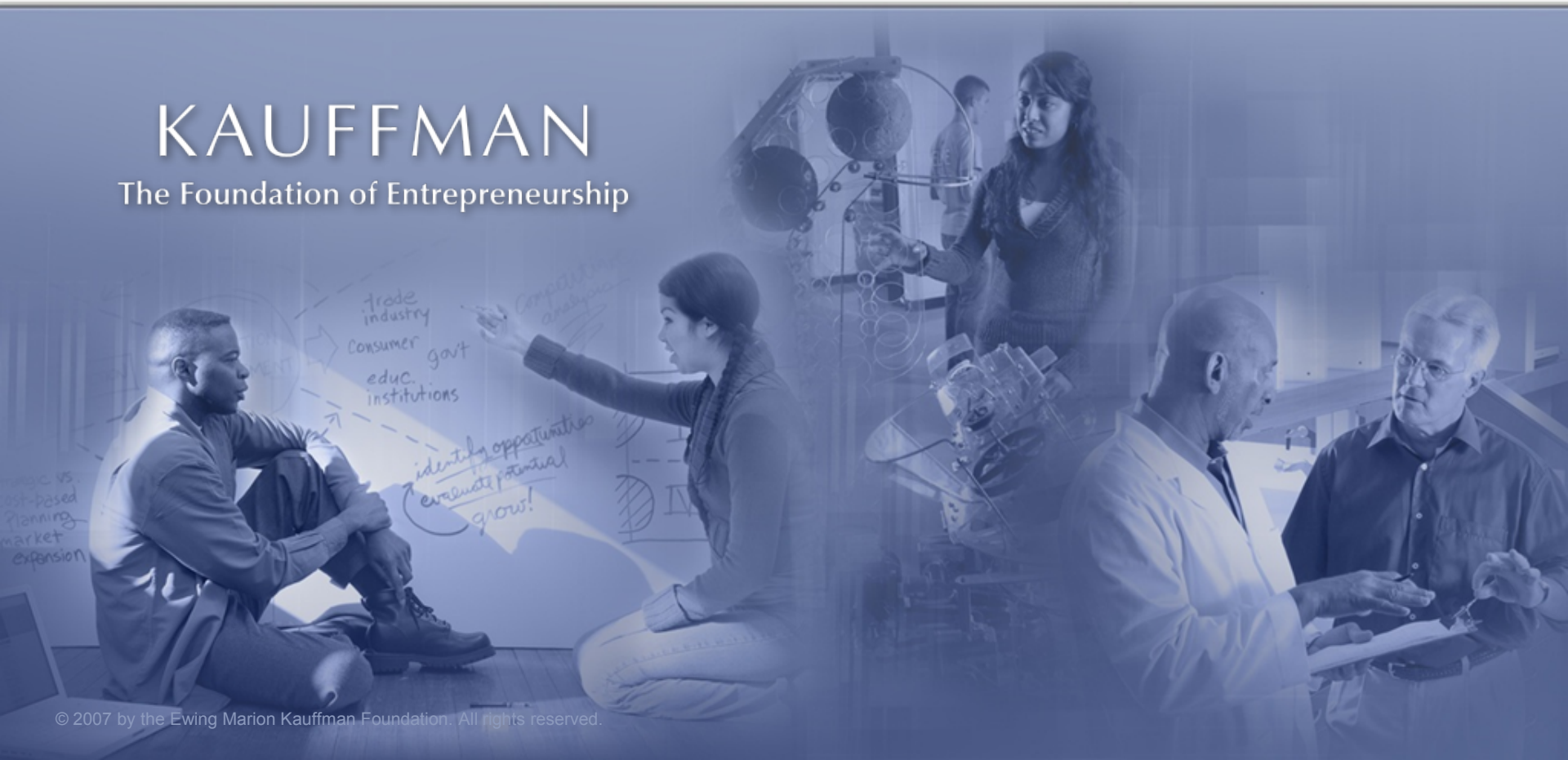
Alicia Robb, Kauffman Foundation

“Every individual that we can inspire, that we can guide, that we can help to start a new company, is vital to the future of our economic welfare.”

— Ewing Kauffman

KAUFFMAN

The Foundation of Entrepreneurship



About the Kauffman Foundation

- Based in Kansas City, Missouri, the Kauffman Foundation is among the thirty largest foundations in the United States with an asset base of ~\$2 billion.
- Established by late pharmaceutical entrepreneur and philanthropist Ewing Marion Kauffman.
- Vision is to foster “a society of economically independent individuals who are engaged citizens, contributing to the improvement of their communities.” One focus area of our grant making and operations is advancing entrepreneurship.
- One way we do this is by supporting data developments

What we know (and what we don't know) are very much related to DATA (and the lack of data)

■ *Kauffman supports:*

- *Original data collection and demonstration*
- *Data augmentation and matching*
- *Systematic improvement of data infrastructure*

Recent Data Development We Have Supported

- *Business Dynamics Series (Census)*
- *Duke/Georgia Tech National Innovation Survey*
- *Entrepreneurship Indicators (OECD and World Bank)*
- *General Social Survey*
- *Integrated Longitudinal Business Database (Census)*
- *Kauffman Firm Survey*
- *Kauffman Index of Entrepreneurial Activity*
- *National Bureau of Economic Research (NBER) National Repository of Chapter 11 Filings*
- *NBER Science and Technology Agents of Revolution*
- *Panel Study on Entrepreneurial Dynamics II*
- *Stanford Intellectual Property Litigation Clearinghouse*

The unemployment rate and job openings rate

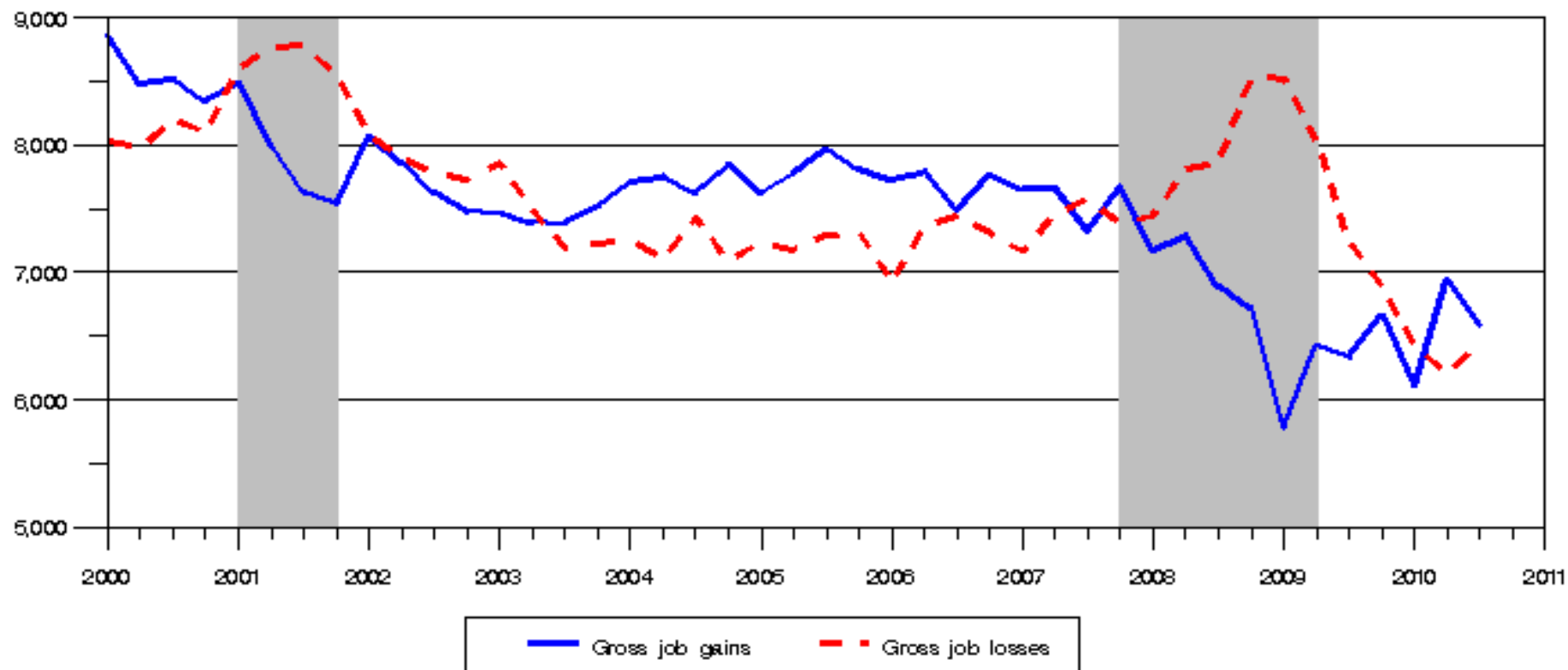
Seasonally adjusted



Source: JOLTS, Bureau of Labor Statistics

Private sector gross job gains and gross job losses, seasonally adjusted
March 2000 — September 2010
Total private

Thousands



Source: U.S. Bureau of Labor Statistics

Note: Shaded area represents NBER defined recession period.

U.S. Data on Small Business Financing

■ Supply Side

- Data collected by loan size. SME lending is proxied by loans of \$1 million or less

■ Demand Side

- Data had been collected every five years, but the survey was cancelled. No government surveys after 2003
- The lack of timely and accurate data on SME financing means we really don't know much! No government data. Some non-government data

What do we really know about Small Business Financing?

Small Bank

under \$250 M (69%)
under \$1 B
under \$10 B (99%)

Small Business Loan

- Business loan < \$1 M

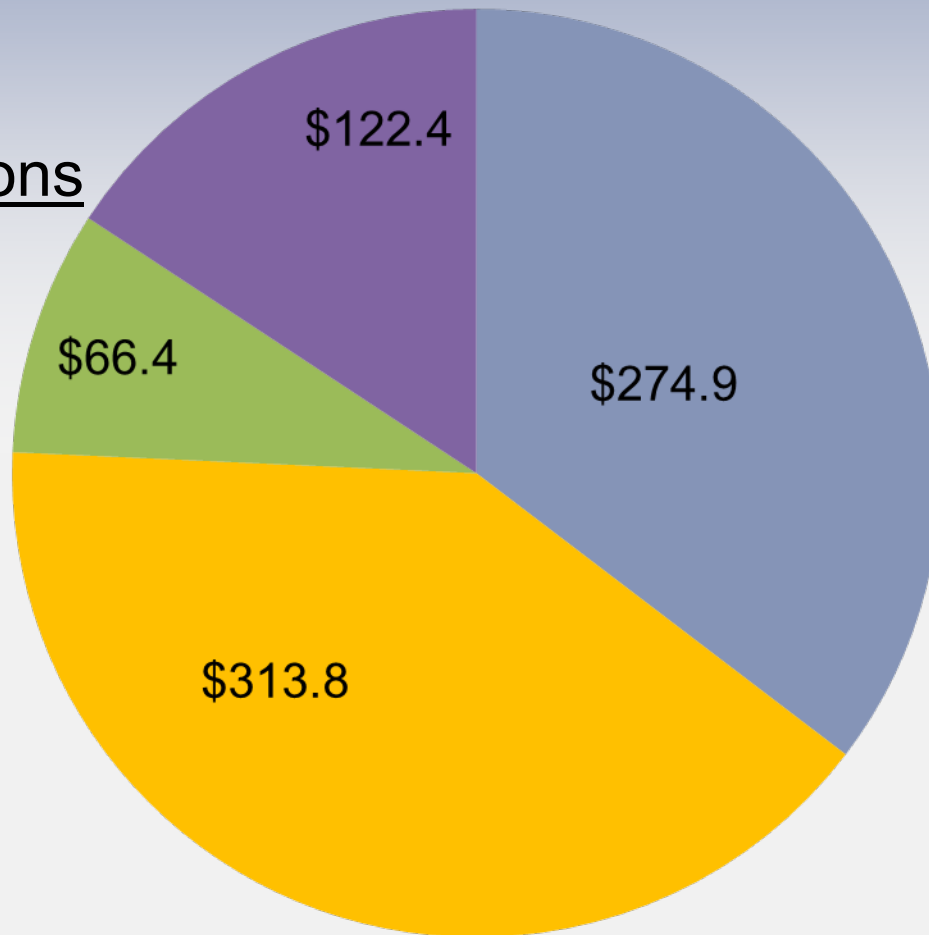
Small Business

1-4 employees (60%)
< 100 employees
< 250 employees
< 500 employees (99%)



Small Business Loans Take Different Forms

In \$
Billions



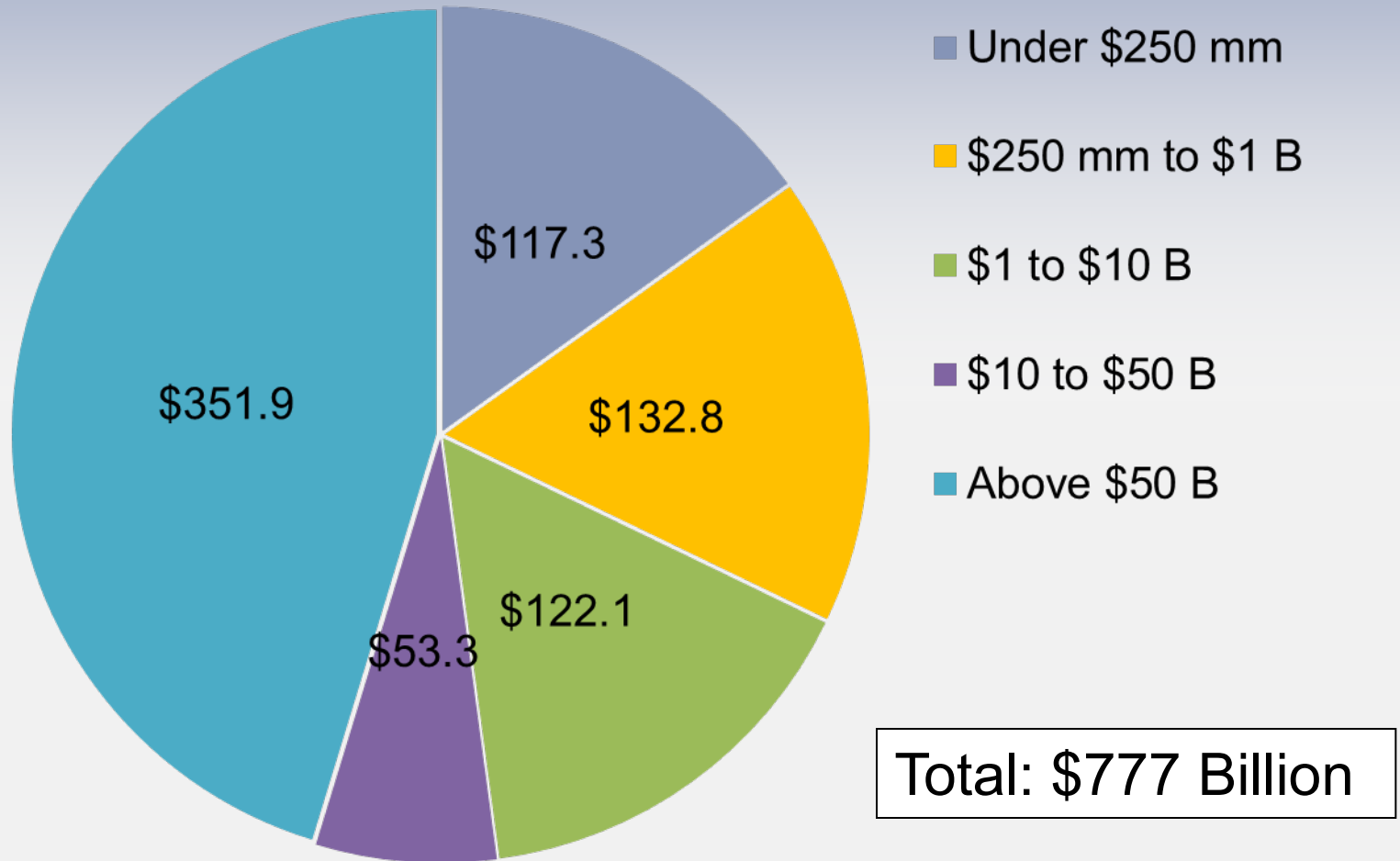
- C&I Loans < \$1 million
- CRE Loans < \$1 million
- Ag Loans < \$500 thousand
- Small Business Credit Cards

Total amount of small
business lending: \$777 B

Sources: Reports of Condition and Income, March 2010
The Nilson Report, June 2010

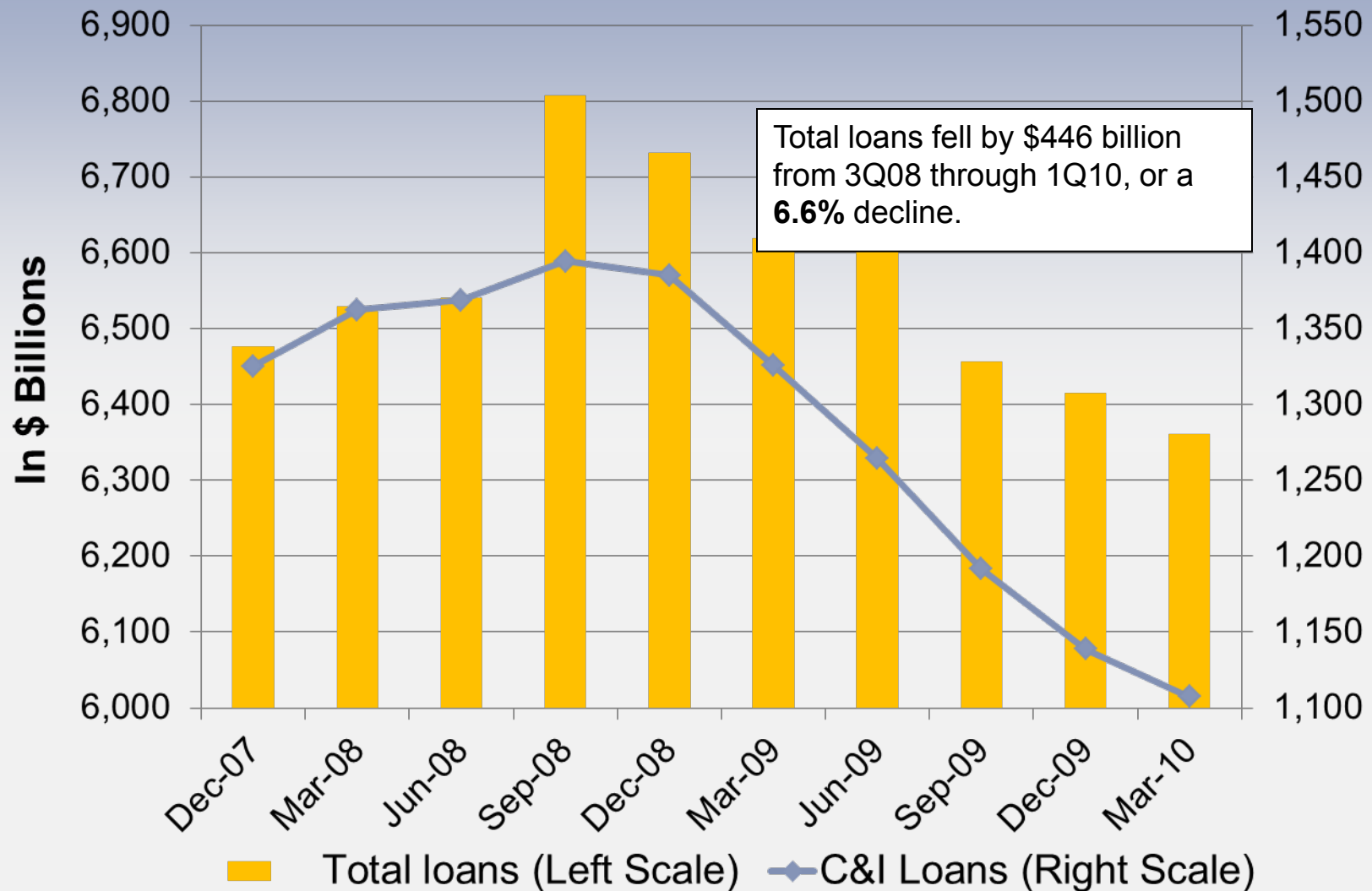
Large Banks Hold the Majority of SB Loans

In \$
Billions



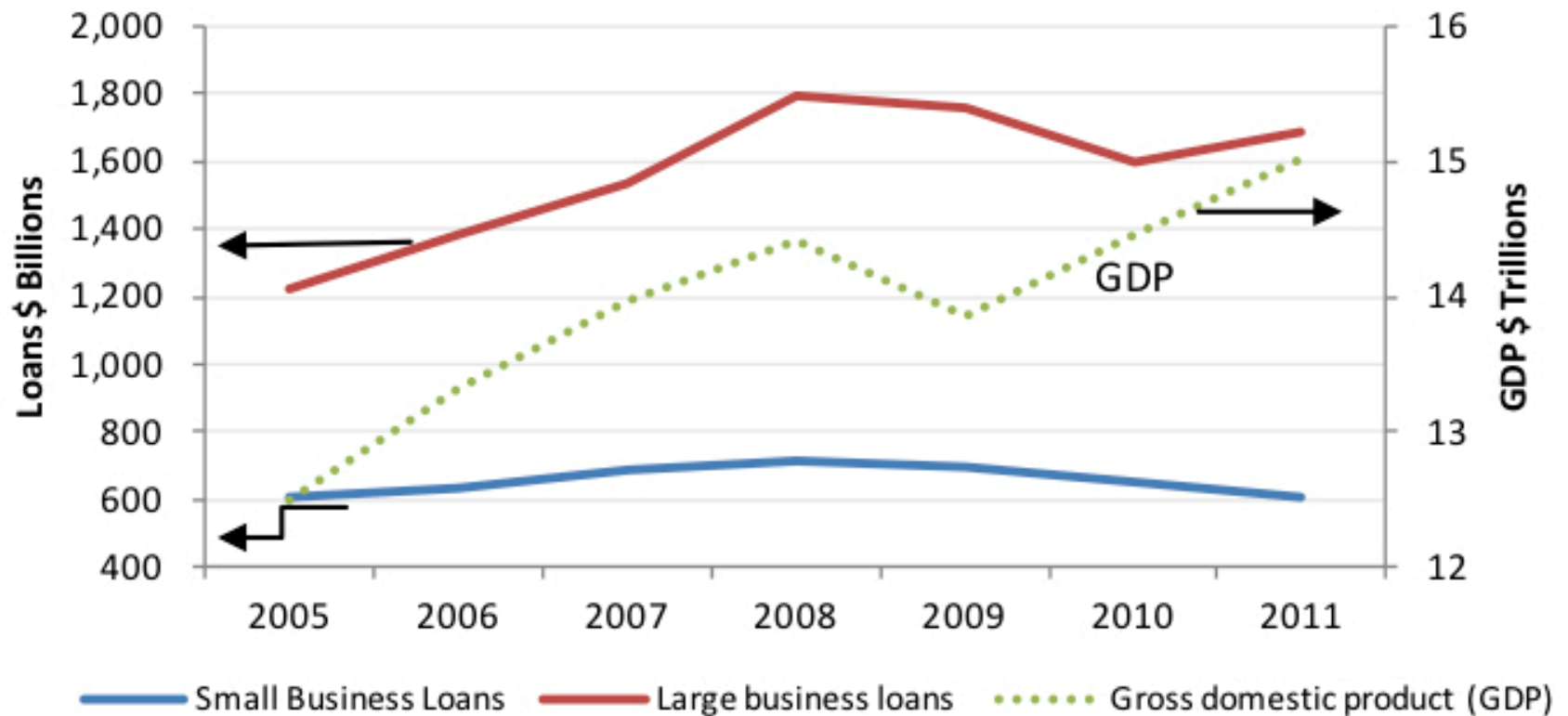
Credit Card data from The Nilson Report, June 2010
Small Loan data from Reports of Condition and Income, March 2010

Bank Lending



Source: Reports of Condition and Income, excludes impact from FAS 166/167 in 1Q10

Small Business Lending and Gross Domestic Product (Nominal), June 2005-June 2011



Source: U.S. Small Business Administration, Office of Advocacy, based on Call Reports from the Federal Deposit Insurance Corporation.

Demand Side Data from the Kauffman Firm Survey (Firms that began operations in 2004)

We used to get this information from the SSBF

	2007	2008	2009
Applied for New Loan	12.0%	12.5%	12.1%
Always Approved for Loan	70.7%	66.4%	60.9%
Did not apply out of Fear	15.6%	18.5%	21.0%

Main Policy Response to the “credit crisis” by the Current Administration was to:

- Increase small business access to credit by increasing the number and size of Small Business Administrative loans
 - Even though less than 5% of small business loans outstanding are backed by SBA guarantees

Better data will allow for better policy decisions!

Entrepreneurship Data Issues:

■ Financing

- Lack of timely data
- Lack of accurate supply side data by firm size (loan size is a poor proxy)
- No recent demand side data from government sources
- Across the board, data not available by firm size (bankruptcies, etc.)

■ Women and Minorities

- Lack of timely data (last data available are from 2007, which were recently released).
- Current budget cuts to the U.S. Census Bureau threaten the continuation of the Survey of Business Owners (SBO) for collecting 2012 data.

So, what now?

- Prioritize the collection of timely and relevant data on entrepreneurship, data on entrepreneurship by women and minorities, and data small business financing on both the supply side and the demand side.