



Survey Summary of Iowa Bankers on Entrepreneurial Finance

May 2007

Iowa Bankers Association in collaboration with Community Vitality Center, the Leopold Center, the Center for International Agricultural Finance and members of the CDFI steering committee.

Purpose of the survey: identify gaps that may exist with loan products and services that would meet the needs of Iowa small entrepreneurs and business startups.

The Iowa Bankers Association
Iowa Community Vitality Center
Leopold Center for Sustainable Agriculture
Center for International Agricultural Finance

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Page: Survey of Iowa Bankers on Small Business Entrepreneurial Capital, Finance, and Technical Assistance

In your community and given your experience, what percentage of local new business startups use bank financing to finance their new ventures?

	Response Percent	Response Count
0-25%	11.5%	7
26%-50%	11.5%	7
51%-75%	31.2%	19
76%-100%	45.9%	28
answered question		61
skipped question		0

How many loan requests/inquiries for start-up businesses, new enterprises, or expansions from existing customers has your institution received during the past year?

	Response Percent	Response Count
None	1.6%	1
1	3.3%	2
2-5	41.0%	25
6-10	11.5%	7
11-15	9.8%	6
16-25	13.1%	8
More than 25	19.7%	12
answered question		61
skipped question		0

How many loan requests/inquiries for start-up businesses, new enterprises, or expansions from NEW customers has your institution received in the past year?

	Response Percent	Response Count
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None	6.6%	4
1	6.6%	4
2-5	31.2%	19
6-10	23.0%	14
11-15	13.1%	8
16-25	11.5%	7
More than 25	8.2%	5
answered question		61
skipped question		0

What is the average loan request amount for a typical small business start-up in your community?

	Response Percent	Response Count
\$0 - \$25,000	4.9%	3
\$25,001-\$50,000	27.9%	17
\$50,001-\$100,000	32.8%	20
\$100,001-\$150,000	21.3%	13
More than \$150,00	13.1%	8
answered question		61
skipped question		0

Please rank which capital type is typically in greatest need for local start-up businesses. (Please rank with 1 being most needed and 4 being least needed.)

	1	2	3	4	Rating Average	Response Count
Real Estate Loan	11.9% (7)	10.2% (6)	23.7% (14)	54.2% (32)	3.20	59
Operating Loan	29.3% (17)	41.4% (24)	22.4% (13)	6.9% (4)	2.07	58
Equipment Loan	19.0% (11)	31.0% (18)	39.7% (23)	10.3% (6)	2.41	58
Equity Capital	42.4% (25)	18.6% (11)	13.6% (8)	25.4% (15)	2.22	59
answered question						60
skipped question						1

If an entrepreneurial client had one or more weaknesses in the business plans and financial statements presented to the bank for financing consideration, what would you most likely do?

	Almost Always	Frequently	About Half Time	Sometimes	Never	Rating Average	Response Count
Reject their loan request	3.4% (2)	13.6% (8)	15.3% (9)	55.9% (33)	11.9% (7)	3.59	59
Recommend that they obtain technical assistance	26.7% (16)	55.0% (33)	6.7% (4)	11.7% (7)	0.0% (0)	2.03	60
Provide them with a list of technical assistance resources	28.8% (17)	47.5% (28)	6.8% (4)	15.3% (9)	1.7% (1)	2.14	59
Approve the loan request subject to a loan guarantee	0.0% (0)	15.8% (9)	24.6% (14)	52.6% (30)	7.0% (4)	3.51	57
Approve the loan request subject to a subordinated participation with a regional nonprofit or revolving loan entity	0.0% (0)	5.4% (3)	10.7% (6)	48.2% (27)	35.7% (20)	4.14	56
Grant their loan request	0.0% (0)	1.8% (1)	7.1% (4)	62.5% (35)	28.6% (16)	4.18	56
						<i>answered question</i>	61
						<i>skipped question</i>	0

Please indicate how frequently entrepreneurial clients requesting small business loans at your bank possess the following characteristics.

	Almost Always	Frequently	About Half Time	Sometimes	Never	Rating Average	Response Count
Has had previous business start up experience	1.7% (1)	10.2% (6)	18.6% (11)	62.7% (37)	6.8% (4)	3.63	59
Has an existing business that is starting a new service, a new product line, or new market territory	1.7% (1)	17.2% (10)	19.0% (11)	53.4% (31)	8.6% (5)	3.50	58
Has never started a commercial business before	8.2% (5)	42.6% (26)	9.8% (6)	36.1% (22)	3.3% (2)	2.84	61
Has not researched the business resources and industry networks available to him/her in Iowa	15.3% (9)	42.4% (25)	18.6% (11)	22.0% (13)	1.7% (1)	2.53	59

Has contacted an SBDC office or another technical assistance provider and received some assistance	3.3% (2)	1.7% (1)	13.3% (8)	50.0% (30)	31.7% (19)	4.05	60
Has financed the business startup to this point using their own capital resources and possible credit card debt	1.7% (1)	17.2% (10)	25.9% (15)	55.2% (32)	0.0% (0)	3.34	58
						answered question	61
						skipped question	0

Please indicate how frequently an entrepreneurial client has weaknesses in the following areas.

	Almost Always	Frequently	About Half Time	Sometimes	Never	Rating Average	Response Count
Product Knowledge	1.6% (1)	18.0% (11)	23.0% (14)	54.1% (33)	3.3% (2)	3.39	61
Managing a small business	15.0% (9)	61.7% (37)	13.3% (8)	10.0% (6)	0.0% (0)	2.18	60
Marketing and customer service	9.8% (6)	63.9% (39)	13.1% (8)	13.1% (8)	0.0% (0)	2.30	61
Cash & Financial (AP/AR/INV)	26.2% (16)	54.1% (33)	11.5% (7)	8.2% (5)	0.0% (0)	2.02	61
Access to business decision making coaches	21.7% (13)	35.0% (21)	10.0% (6)	26.7% (16)	6.7% (4)	2.62	60
Market contracts to support a portion of projected sales	19.7% (12)	36.1% (22)	11.5% (7)	27.9% (17)	4.9% (3)	2.62	61
Team quality, experience, and capacity to perform	10.0% (6)	35.0% (21)	28.3% (17)	25.0% (15)	1.7% (1)	2.73	60
						answered question	61
						skipped question	0

Who provides technical assistance for new startup entrepreneurs in your community? (Check if available.)

	Response Percent	Response Count
Successful local entrepreneurs and business people	45.9%	28
Attorneys and Accountants	68.9%	42

Bankers and Insurance Agents	86.9%	53
Local entrepreneur network	14.8%	9
Development Corporation	63.9%	39
Chamber of Commerce	34.4%	21
Local or regional utility service	29.5%	18
County Extension Education Director	36.1%	22
Area Extension Business Management Specialists	14.8%	9
Resource Conservation and Development District	3.3%	2
Service Corp of Retired Executives (SCORE)	44.3%	27
K-12 Entrepreneurship Programs and Vocational Instructors	6.6%	4
Community College Programs	55.7%	34
Regional Small Business Development Center (SBDC)	72.1%	44
Center for Industrial Research and Service (CIRAS)	6.6%	4
Value Added Agriculture & Agricultural Marketing Resource Center	6.6%	4
Regional Council of Governments	8.2%	5
Faith-based entrepreneurial development networks	0.0%	0
Local or regional non-profit agencies and micro-enterprise support entities	16.4%	10
<input type="button" value="view"/> Other (please specify)	4.9%	3
	answered question	61
	skipped question	0

How would you describe the access/availability to entrepreneurial technical assistance in your community

	Response Percent	Response Count
Very Uncoordinated	11.5%	7
Somewhat Uncoordinated	44.3%	27
Not sure	8.2%	5
Somewhat Coordinated	29.5%	18
Very Coordinated	6.6%	4
	answered question	61
	skipped question	0

What capital resources are made available in your community for entrepreneurial small business startups? (Check if available.)

	Response Percent	Response Count
Revolving loan funds	68.3%	41
Community seed and venture capital funds	36.7%	22
SBA or USDA loan guarantee programs	98.3%	59
Endowments to support entrepreneurship and economic development initiatives	11.7%	7
Economic development grants and loans by local government	48.3%	29
Awards for local business plan competition winners and aspiring entrepreneurs	5.0%	3
Regional nonprofit entrepreneurial loan entity for subordinated debt participation.	13.3%	8
State economic development grants and loan assistance.	61.7%	37
Youth entrepreneurship development programs	8.3%	5
Other (please specify)	0.0%	0

answered question 60
skipped question 1

What percentage of local entrepreneurial small business startups do you believe are financed by unsecured balances on their credit cards?

	Response Percent	Response Count
0 %	0.0%	0
>0 but less than 10 %	26.2%	16
>10% but less than 25 %	32.8%	20
> 25%	41.0%	25
<i>answered question</i>		61
<i>skipped question</i>		0

If a regional or state micro-loan pool entity was willing to provide entrepreneurial technical assistance, networking, and financial monitoring on a fee for service basis, would your bank make any entrepreneurial client referrals to the entity

	Response Percent	Response Count
Very Likely	23.3%	14
Likely	56.7%	34
Not Sure	13.3%	8
Unlikely	6.7%	4
Very Unlikely	0.0%	0
<i>answered question</i>		60
<i>skipped question</i>		1

Recently Iowa ranked 50th in new business start ups nationally. In your opinion, what do you think are the main reasons for this low national ranking?

	Response Count
view	47
<i>answered question</i>	47

skipped question 14

A working group has been formed to attempt to improve Iowa's national ranking and financial performance of entrepreneurs. What are the one, two, or three suggestions do have for accomplishing this goal?

	Response Count
view	32
<i>answered question</i>	32
<i>skipped question</i>	29

Which Iowa Bank Group are you a member of?

	Response Percent	Response Count
1	16.1%	9
2	7.1%	4
3	10.7%	6
4	5.4%	3
5	10.7%	6
6	10.7%	6
7	10.7%	6
8	8.9%	5
11	8.9%	5
12	10.7%	6
<i>answered question</i>		56
<i>skipped question</i>		5

Does your bank primarily serve entrepreneurial customers in a metro area with more than 50,000 population or non-metro area with less than 50,000 population?

	Response Percent	Response Count
Primarily Metropolitan	13.3%	8
Primarily Non-Metropolitan	73.3%	44

About evenly mixed	8.3%	5
Bank does not serve entrepreneurs	5.0%	3
	answered question	60
	skipped question	1

What is your institution's size in Assets (in millions)?

	Response Percent	Response Count
0-25	6.6%	4
25-75	23.0%	14
76-125	24.6%	15
126-200	14.8%	9
> 200	31.2%	19
	answered question	61
	skipped question	0

What is your position at the local bank?

	Response Percent	Response Count
Board Member	42.6%	26
President & CEO	80.3%	49
Commercial Loan Officer	24.6%	15
Agriculture Loan Officer	14.8%	9
<input type="button" value="view"/> Other (please specify)	6.6%	4
	answered question	61
	skipped question	0

What number of your loan officers spend over 25% of there time dedicated to start-up and expansion loans?

	Response Percent	Response Count
0	58.3%	35

1	28.3%	17
2	11.7%	7
3	0.0%	0
4	0.0%	0
5 or more	1.7%	1
answered question		60
skipped question		1

Would your bank be interested in learning more about an opportunity to participate in a regional pilot project that seeks to provide a higher level of entrepreneurial financial support, monitoring, and technical assistance for entrepreneurs in your area?

	Response Percent	Response Count
Yes	68.4%	39
No	31.6%	18
answered question		57
skipped question		4

If you answered "Yes" to questions 21, please list contact person, email, and phone number.

	Response Count
view	37
answered question	37
skipped question	24

Survey of Iowa Bankers

Business Start Up Survey Response summary (open-response questions)

Question 1

Recently Iowa ranked 50th in new business start up nationally. In your opinion, what you think are the main reasons for this low national ranking?

Responses Support

Entrepreneurial

- Lack of start up assistance-no incubation facilities and organizations or support system
- Few people willing to take risks
- Lack of imagination-people are not "thinking outside the box"
- Lack of business spirit

Financial

- Taxes are too high
- Business incentive programs are not effective
- Access to capital –lack of angel investors and venture capital
- Required starting wage is too high for some businesses

Social

- Decline in available workers-low unemployment
- No market for new businesses
- Inability to attract and keep people in the state-students graduate and leave the state, lack of recreation
- No encouragement to start a business in school or from parents early in life
- Demographics-the state's population is aging

Knowledge

- Lack of knowledge to start and run a business

Policy

- Taxes are too high
- Legislation is seen as anti-business
-

Infrastructure

- Location-climate not favorable
- Transportation issues-lack of competitive rail service, few 4-lane freeways
- No place for new businesses to locate-no low-rent option

Question 2

A working group has been formed to attempt to improve Iowa's national ranking and financial performance of entrepreneurs. What are three suggestions you have for accomplishing this goal?

Responses

Financial

- Increase access to funds-establish venture fund, public/private partnership for angel capital, Vision Iowa funds in small communities
- Taxes-add grants and incentives, reductions
- Improve Iowa Department of Economics
- Low rent options
- Grassroots investigation of possibly successful entrepreneurial endeavors

Political

- Legislation should embrace business start ups
- Review current resources and look for overlaps-avoid redundancy

Knowledge

- Use marketing
- Increase access to information and advice-personnel and management coaches, coordinate pool of advisors, develop a contact list for resources
- Educate and train-finances, basic management, etc.
- Coordinate and embrace the efforts of organizations already trying to foster economic development

Social

- Increase population
- Improve quality of life in Iowa
- Encourage
- Use census information to assess markets
- Focus on local communities and the state