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credit cards for operational and growth expenses.

Isaac M. O'Bannon • Oct. 11, 2023



Many areas of the economy have rebounded or thrived since the pandemic ebbed, but amid inflation and high interest rates, small businesses are increasingly turning to credit cards for operational and growth expenses. That's according to a new report from [Intuit](#), the makers of small business and individual tax and finance tools, in conjunction with leading global economist [Professor Ufuk Akcigit](#) and his co-authors at the University of Chicago.

Additionally, the report notes that, while overall employment in the U.S., Canada

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thrive. We remain focused on working across the industry to create new and innovative ways to serve our customers and help solve their most pressing challenges.”

Additional findings included:

- With elevated inflation and high-interest rates, small businesses have increasingly depended on their credit cards, with the current spending being 20% higher, on average, than they were before the pandemic. At the same time, their monthly credit card payments, which include interest charges, are up by 26% on average.
- These pressures are affecting jobs: small business employment rates declined in the first five months of 2023 in the U.S. and in seven of the first eight months of 2023 in Canada. Similarly, in the UK, small business job vacancy growth rates declined in all of the first eight months of 2023.
- The rise of the solopreneur (non-employer businesses) shows entrepreneurship is stronger than ever; however, in the U.S. and Canada fewer new businesses are creating jobs, a concerning trend because in the U.S., more than a third of all jobs are with small businesses while in Canada and the UK it's more than two in five.
- Access to funding is essential for small business growth, but roughly half of small businesses in the U.S., Canada, and the UK are self-funded by the owner. New businesses and businesses owned by women or members of underrepresented racial groups often face greater funding challenges.
- Despite inflation declining over the past year, small businesses in the U.S., Canada, and the UK say rising costs are still the number-one challenge they face.

“The paramount concern for small business owners is the prevailing high inflationary environment,” said Akcigit. “Adding to the challenge, interest rates have reached unprecedented heights. These adverse conditions have compelled business owners to tap into their savings and rely heavily on credit cards, where monthly

credit card spending has surged by an average of 20% compared to pre-pandemic

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million as of September 2023 (source: [Intuit QuickBooks Small Business Index](#)).

- **Small business contributions to the economy:** 98% of all U.S businesses are small businesses; 36% of all U.S. workers are employed by small businesses; new businesses create jobs 1.6 times faster than the national average.
- **Rise of the solopreneur (non-employer businesses):** In 2005, there were 2.1 million applications for new businesses in the U.S.; in 2020, there were 4.3 million applications. Over the same period, the number of new businesses with employees fell from 10% in 2005 to roughly 8% in 2020, which could potentially weaken the pipeline for future job creation.
- **Small business finances:** Monthly small business credit card spending is currently 20% higher, on average, than before the pandemic, equivalent to \$3,000 per business. At the same time, monthly repayments against credit card account balances are 29% higher, equivalent to \$4,000 per business.
- **Small business access to funding:** While 58% of small business owners surveyed have used their own savings to fund their business, only 22% report *ever* getting funding from a commercial lender. Small businesses owned by underrepresented racial groups are twice as likely to say “getting funding” is their number one challenge. New small businesses (0-5 years old) are 7 times more likely to say “getting funding” is their number one challenge compared to older small businesses (21+ years).
- **Higher use of digital tools and technology:** Among small businesses using digital tools (such as software, apps, social media, and e-commerce) to manage 8 or more different areas of their business, 55% report revenue growth and 20% report workforce growth while, among those only managing up to two areas with digital tools, this drops to 31% and 7%, respectively.

Based on the research and insights from the report, Intuit has developed a set of recommendations for [policymakers](#), [accountants](#) advising their small business clients, and [entrepreneurs](#) starting and running small businesses. These concrete,

actionable recommendations can help policymakers foster an environment

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