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Small businesses being built on plastic

by Bob McClay/KTAR (February 10th, 2010 @ 7:02am)

PHOENIX -- Small business startups are on the rise -- in Arizona and elsewhere -- and with money tight, people are pulling out plastic for financing.

"The access to capital has really dried up," said Donna Davis with the Arizona Small Business Association. "Some credit lines have gone away or have been reduced dramatically and it's just a lot tougher to get loans these days."

Davis said small businesses in Arizona "had an 11 percent net growth in 2009 and we saw that mainly from people who were being laid off and starting their own business."

But, volatile interest rates and credit card limits make using them to start a business a shaky proposition, so entrepreneurs are taking things slow, said Davis.

"They're being more conservative, they're being more cautious," she said. "They're not growing possibly as quickly as they would or making as big a purchases or maybe not hiring as many employees."

Nearly 60 percent of small business owners said they have used a credit card for their business in the past year.

Bob McGee, president of Southwestern Business Financial Corp., cautioned that the use of credit cards can be risky.

"More and more credit card companies are keeping tabs on you," he said. "If you lose your job, they may cut off your credit. So if you quit your job to start a new business, you could see your cards going away."

There are alternatives, McGee said, suggesting financing through the federal Small Business Administration.

"I know the SBA has a very good loan program that makes micro-loans -- loans under \$35,000, which are a much better interest rate and a much better deal than using credit cards."