

Title:

Business Owners' Views of Business Credit Cards

Word Count:

530

Summary:

There are quite a number of reasons why business owners choose to obtain business credit cards, but recent studies confirm that business credit cards are viewed most useful for keeping business and personal finances separate. Business owners say that their primary reason for using business credit cards is to avoid their business expenses from getting mixed up with their personal expenses: Using business credit cards separates the two, thereby contributing towards maintaining the integrity of their accounting records.

Keywords:

about credit cards, all credit cards, bank credit cards,

Article Body:

There are quite a number of reasons why business owners choose to obtain business credit cards, but recent studies confirm that business credit cards are viewed most useful for keeping business and personal finances separate. Business owners say that their primary reason for using business credit cards is to avoid their business expenses from getting mixed up with their personal expenses: Using business credit cards separates the two, thereby contributing towards maintaining the integrity of their accounting records.

90% of all small business owners use business credit cards purely to make business related purchases, with more than 90% indicating that the primary need for business credit cards is business travel. They believe that airline flights, car rentals and hotel stays would be cumbersome without business credit cards.

Perhaps because of this close association between business travel and business credit cards, you won't be surprised to hear that almost a third of the business owners consider cash back rewards as the most attractive feature, while one-fifth values the frequent flyer mile rewards most. To a lesser degree, the ready acceptance of business credit cards by vendors and suppliers was deemed to be an important consideration. Business owners are also happy with the 'no annual fee' feature offered by most business credit card issuers.

Business owners tend to use their business credit cards with very specific

purposes in mind and are more conscious about settling business credit card balances in full. According to recent surveys, 63% of all small business owners execute their credit card payments in this manner to avoid finance charges. By comparison, only 40% of all individual Americans pay their full outstanding balances every month. This means that small business owners are less likely than their individual counterparts to accumulate interest fees on their business credit cards - a fact that issuing banks may not like since they earn their profits from interest charges. Business owners would advise you to pay your business credit cards in full or don't use them.

Interestingly, nearly half (46%) of business owners thought that interest rates and related terms were their most important considerations when they applied for business credit cards. They indicated an appreciation for the temporary cash flow assistance that business credit cards provide, but expressed a dislike for paying interest fees and for debt accumulation. This concern for interest rates and their diligence in paying off business credit card bills to avoid fees implies that credit card companies do not make much money from small business owners.

Most business owners find one - or at most, two - business credit cards sufficient for their purposes. Compared to the average American who holds four to eight personal credit cards, the survey found that the average small business owner only has one or two business credit cards at most.

In fact, 86% of small business owners believe their business credit card spending limit was high enough for their needs and that too many business credit cards would tempt them to spend more than is really necessary. This attitude towards credit limits and multiple credit cards may be because small businesses, unlike ordinary individuals, do have access to alternate sources of debt financing - something that the ordinary individual does not.