

SMALL BUSINESS CREDIT SURVEY

2022 REPORT ON EMPLOYER FIRMS

CAMEO MicroLenders Forum

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The views expressed in this presentation are those of the presenter and do not necessarily reflect the views of the Federal Reserve Bank of San Francisco, or the Federal Reserve System.



About the 2021 SBCS

- The Small Business Credit Survey (SBCS) has been administered nationally since 2016 through a collaboration of the Community Development Departments at all 12 Federal Reserve Banks.
- The SBCS was fielded from **September through November of 2021** and is the second SBCS conducted during the COVID-19 pandemic, gathering responses from **10,914** small businesses nationally. **744** of those responses came from California.
- The 2022 Survey is **live now**; please help us reach as many small businesses as possible! Small business owners can take the survey at:
https://frb.co1.qualtrics.com/jfe/form/SV_emJrBt1qbghCA3Y?reserve_bank=SF&orgid=SFfed

NATIONAL SURVEY RESULTS



Key 2021 SBCS national findings for employer firms

1

The pandemic continues to have a significant impact on small businesses, with 77% reporting negative effects at the time of the survey.

2

A majority of firms (59%) reported being in fair or poor financial condition. Firms of color, smaller firms, and leisure and hospitality firms were most likely to be in fair or poor financial condition.

3

The share of firms receiving pandemic-related assistance in 2021 was lower (66%) than the share of firms receiving pandemic-related financial assistance in 2020 (87%).

4

Firms owned by people of color were less likely to be approved for financing, regardless of their credit score or the source they applied at.

Nearly two-thirds of respondents reported that revenues were lower at the time of survey than in 2019

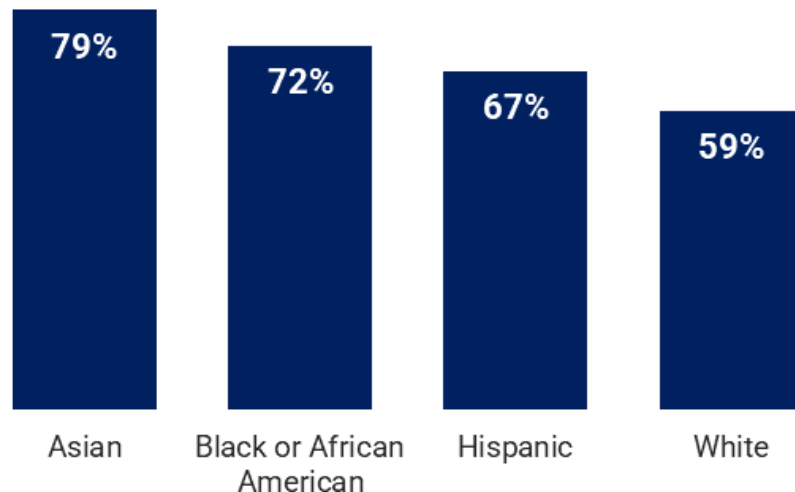
Revenue Change Since 2019

(% of employer firms open since 2019)



Share of Firms Reporting a Decline in Revenues Since 2019

(% of employer firms open since 2019)



Asian-owned firms were most likely to report that revenues had not yet reached pre-pandemic levels; white-owned firms were most likely to report that revenues had recovered or grown.

Firms owned by people of color and smaller firms were more likely to report they were in “poor” or “fair” financial condition

SHARE OF FIRMS IN FAIR OR POOR FINANCIAL CONDITION, *At Time of Survey* (% of employer firms)

By race/ethnicity of owner(s)

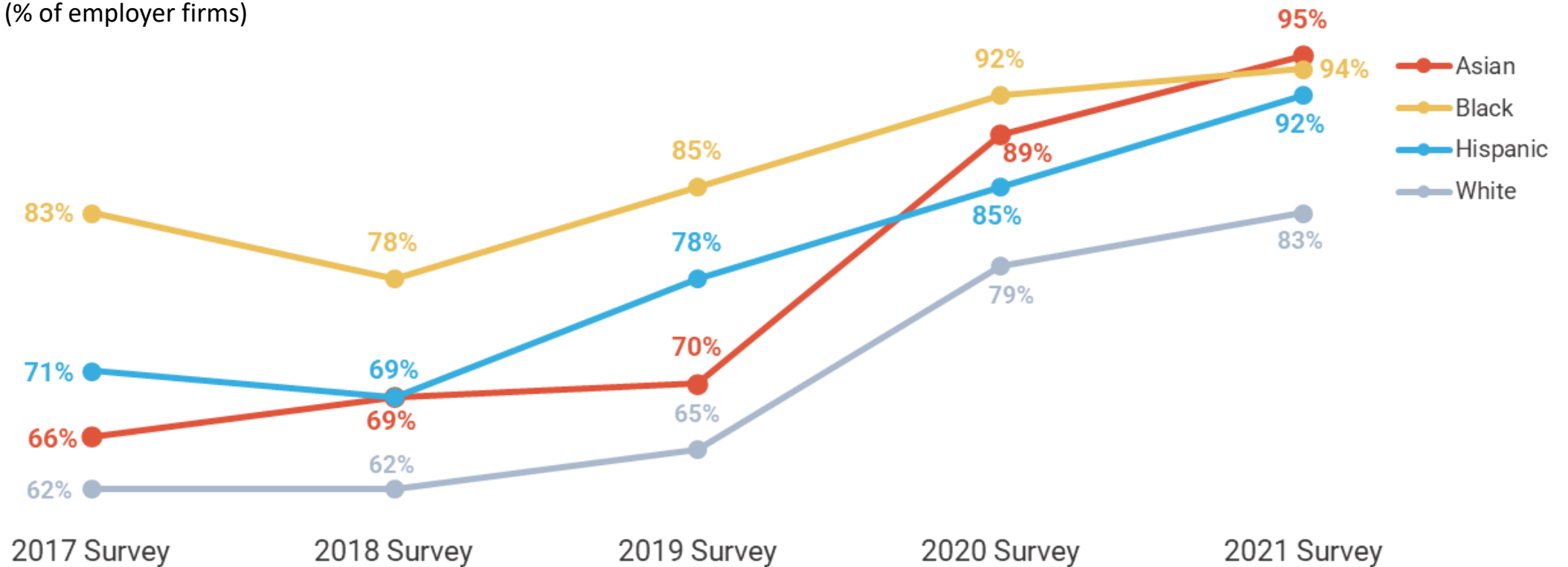


By number of employees



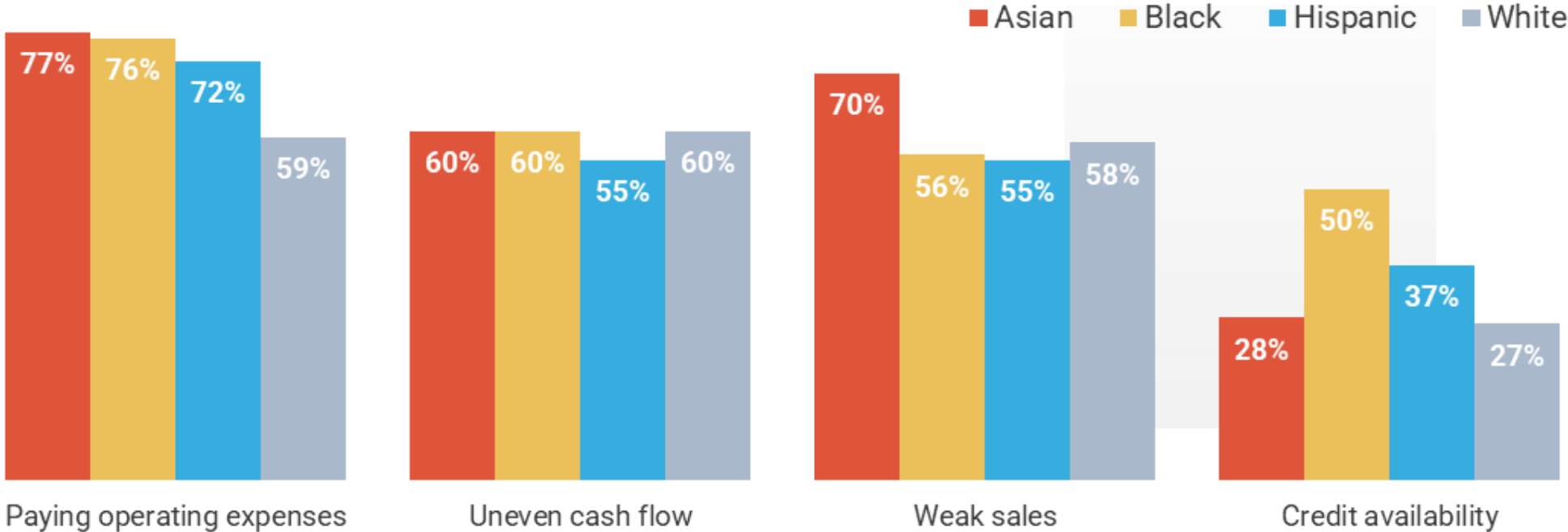
The share of all firms reporting a financial challenge has risen over time but remains higher among firms of color

Share of Firms Reporting Financial Challenges, Prior 12 Months
(% of employer firms)



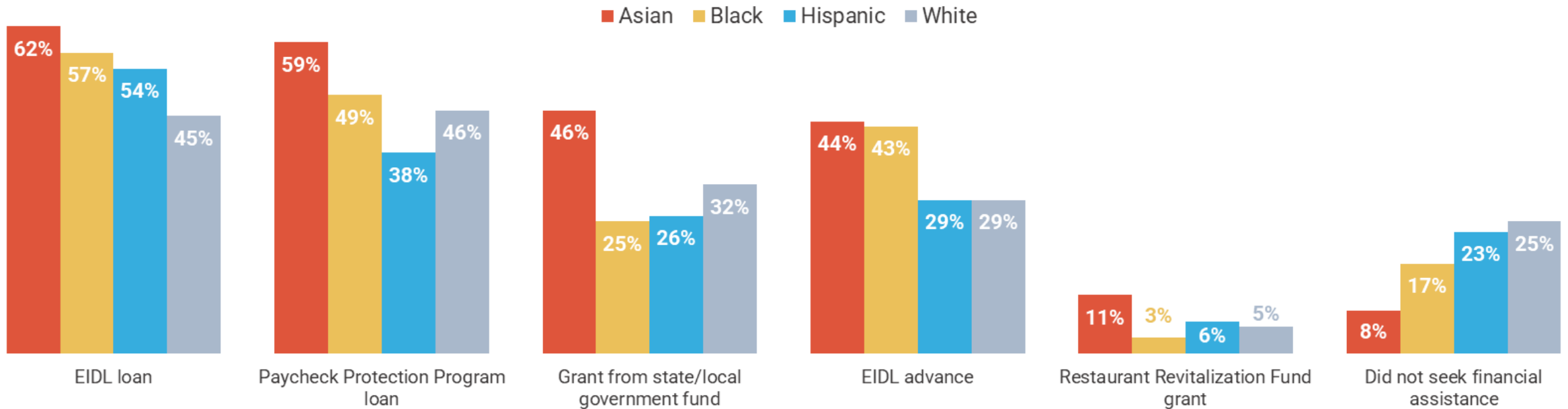
Firms owned by people of color were more likely than white-owned firms to report challenges paying operating expenses

Types of Financial Challenges, Prior 12 Months
(% of employer firms)



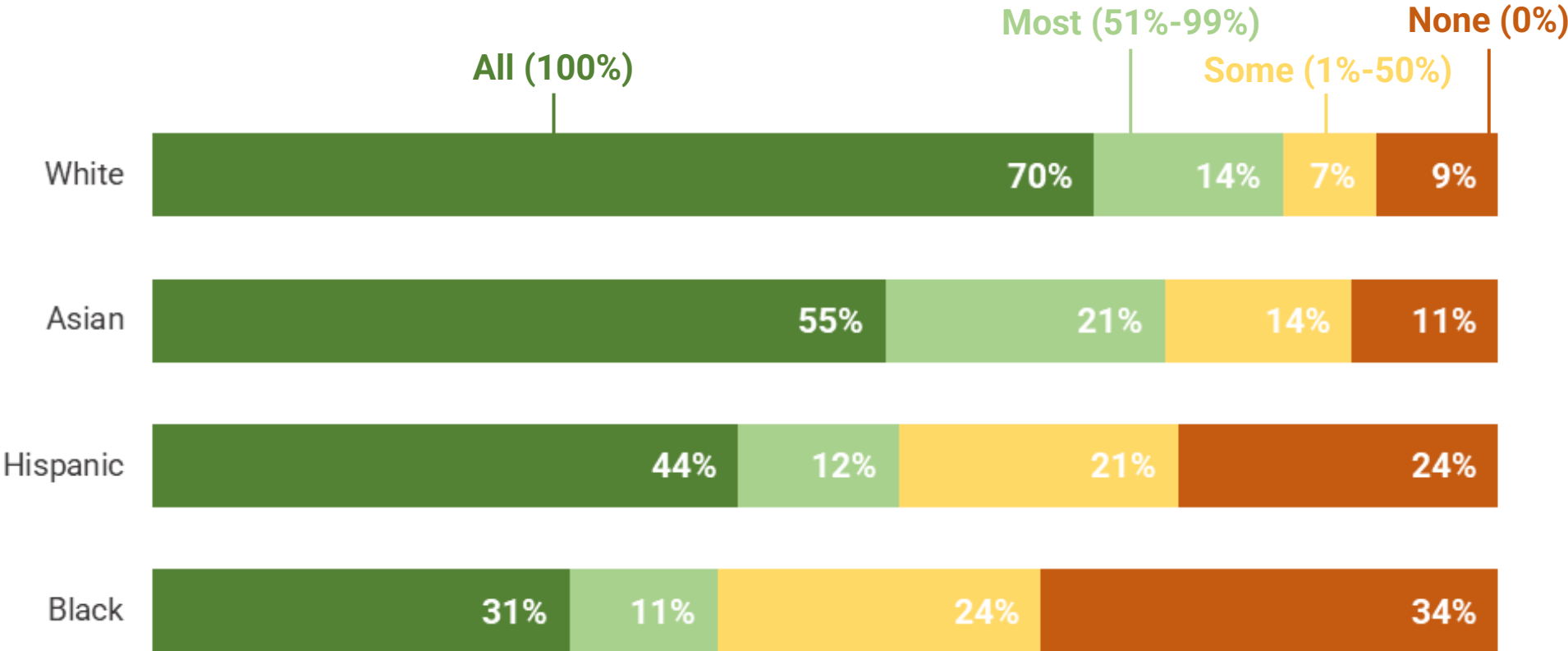
Of firms that sought pandemic-related financial assistance in 2021, firms of color most often applied for EIDL loans

Types of Financial Assistance Sought, Prior 12 Months
(% of employers that sought assistance)



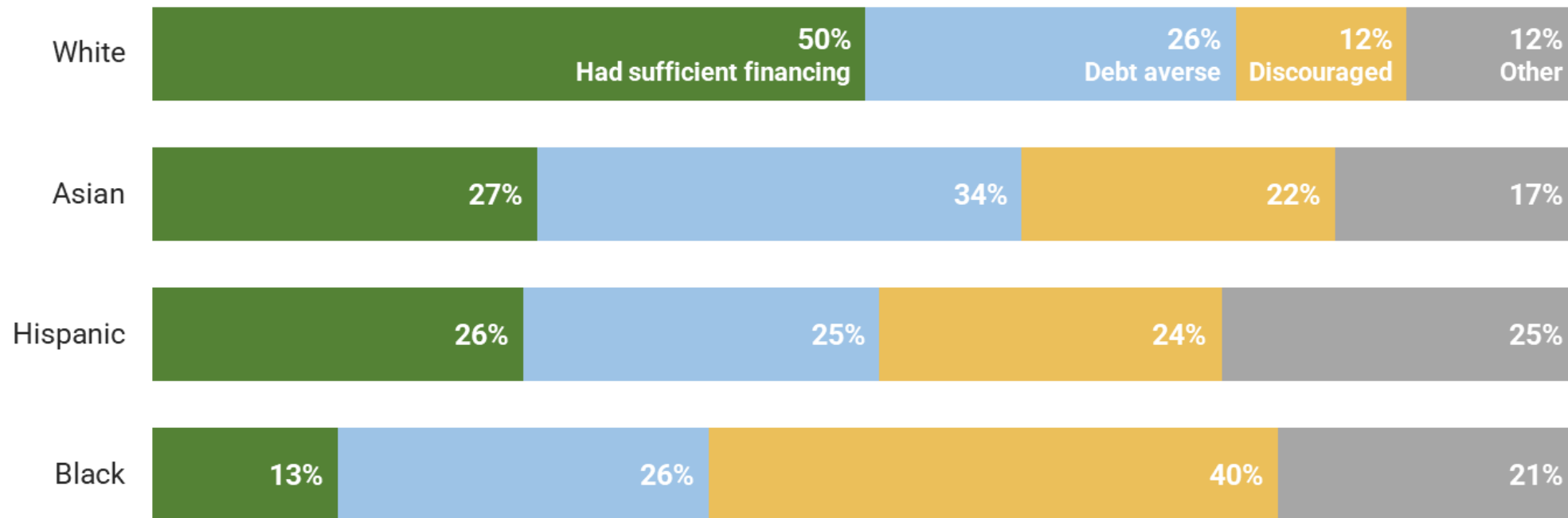
White-owned firms were more likely than firms owned by people of color to receive all the PPP funding they applied for

PPP Funding Received, As a Share of Amount Sought by Applicants, 2021 Survey
(% of PPP applicants)



Just 13% of Black-owned firms that did not apply for traditional financing declined to apply because they had sufficient financing

Reasons Firms Did Not Apply for Financing
(% of employer firms that did not apply for financing)



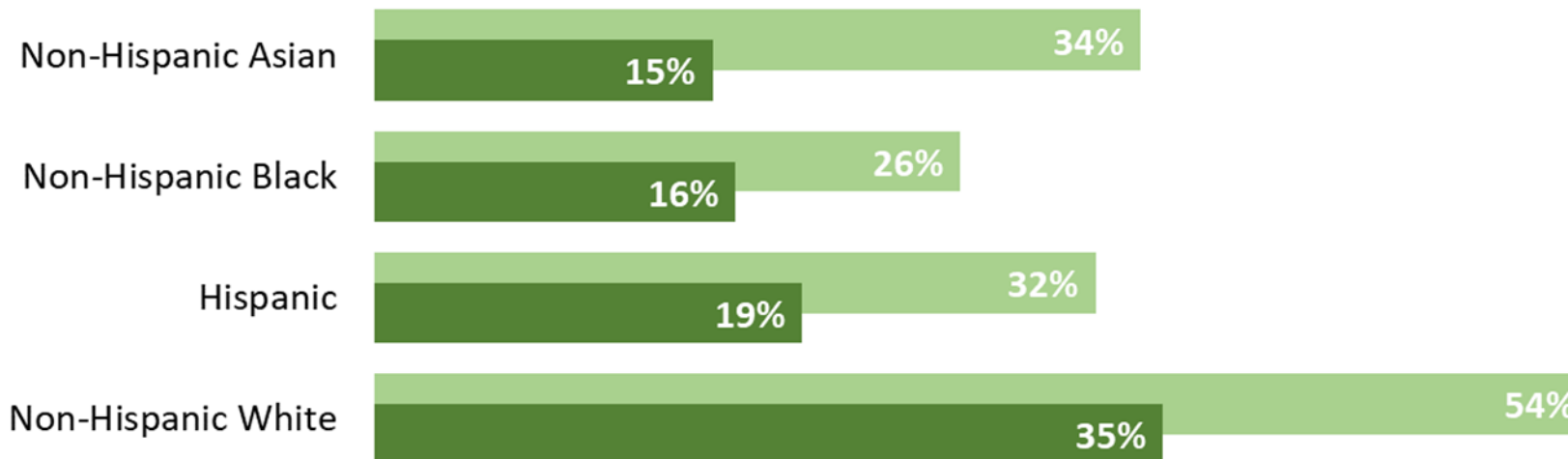
Four in 10 Black nonapplicants said they did not apply for financing because they were discouraged about the chance of their approval.

Firms owned by people of color were around half as likely as white-owned firms to receive all of the traditional financing they sought

Total Financing Received, By Year (% of applicants)



By race/ethnicity of owner(s)



CALIFORNIA EMPLOYER FIRMS



Key 2021 SBCS findings for California employer firms

1

The majority of California firms (86%) reported that the pandemic continues to have a negative effect on their business at the time of the survey.

2

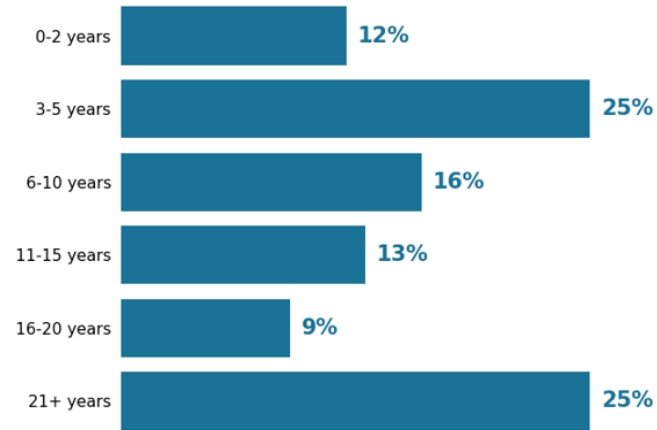
70% of California firms reported being in fair or poor financial condition at the time of the survey, compared with 61% that reported being in fair or poor financial condition at the time of the 2020 survey.

3

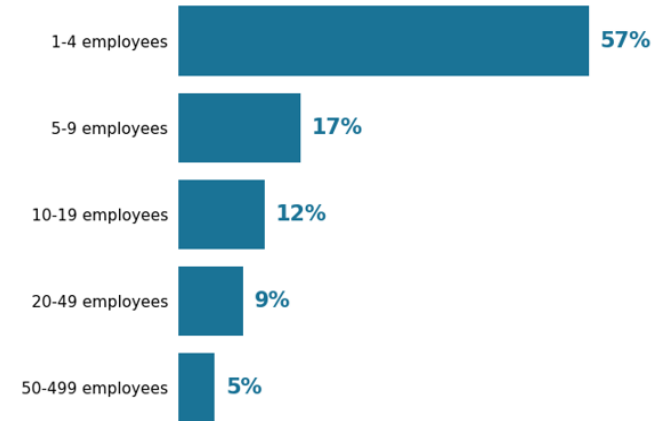
74% of California firms sought funds that do not have to be repaid (including grants and PPP loans) in 2021.

California employer firm demographics

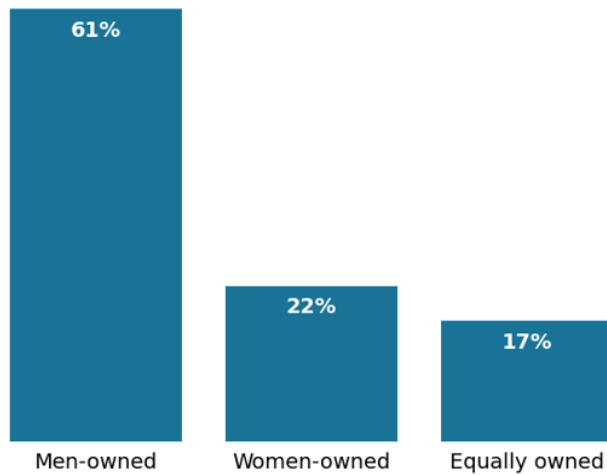
Age of firm



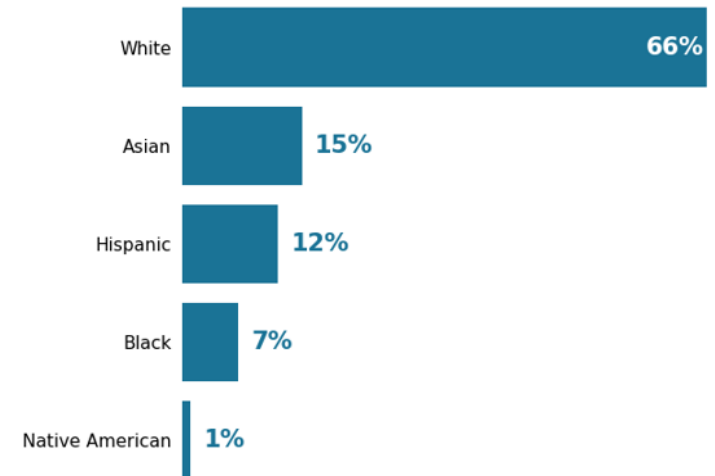
Number of employees



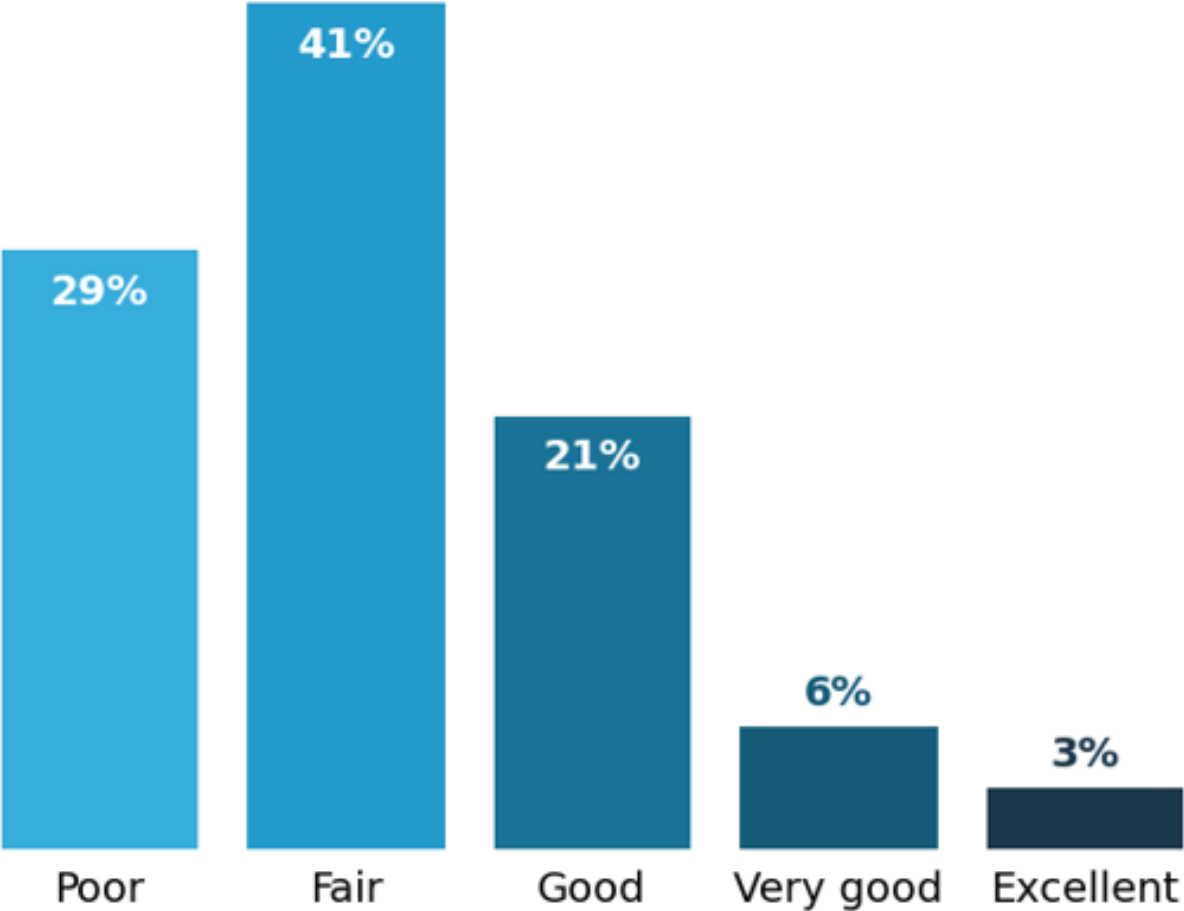
Gender of owner(s)



Race/ethnicity of firm owner(s)



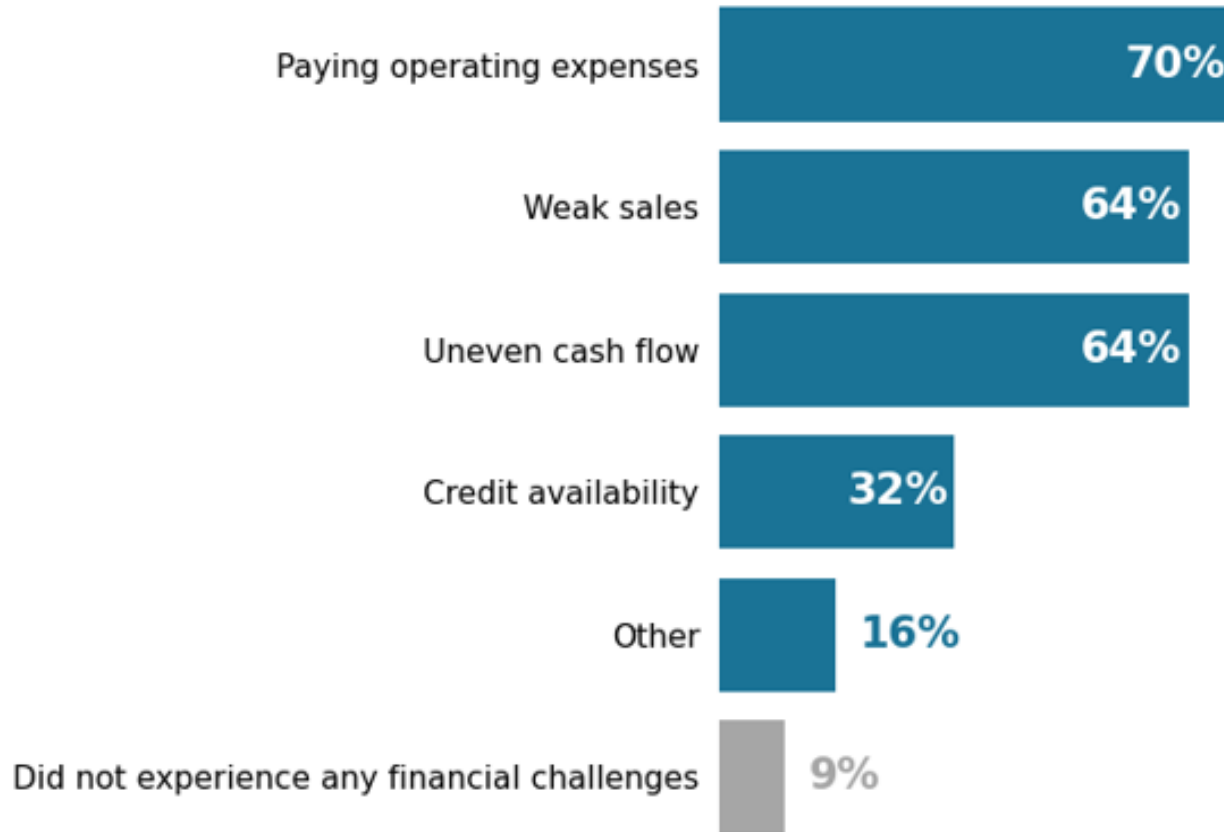
Financial condition of California firms, at time of survey



National SBCS employer firm findings

Nationally, **21%** of employer firms reported their business was in poor financial condition at the time of the survey; **38%** were in fair condition. In contrast, a combined **16%** reported their business was in very good or excellent condition.

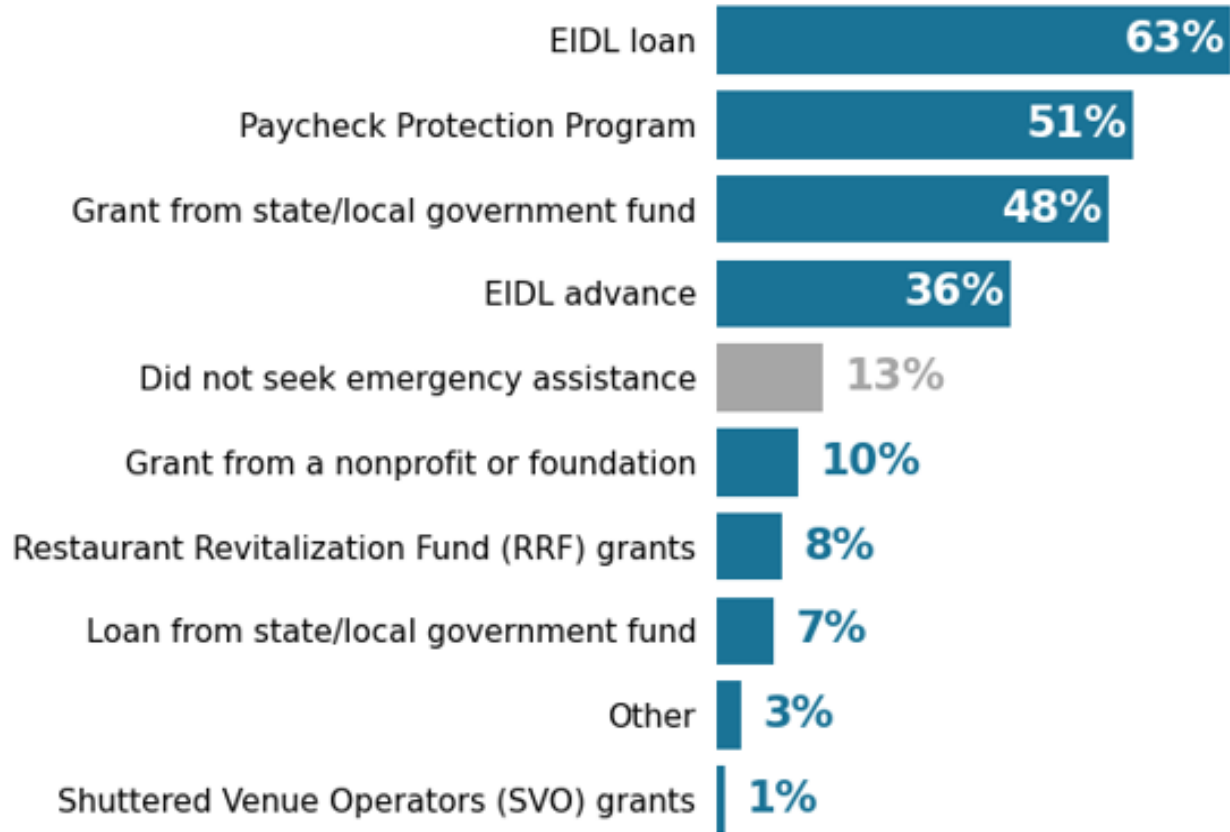
Financial challenges facing California firms, prior 12 months



National SBCS employer firm findings

Nationally, **85%** of employer firms reported experiencing one or more financial challenges in the prior 12 months.

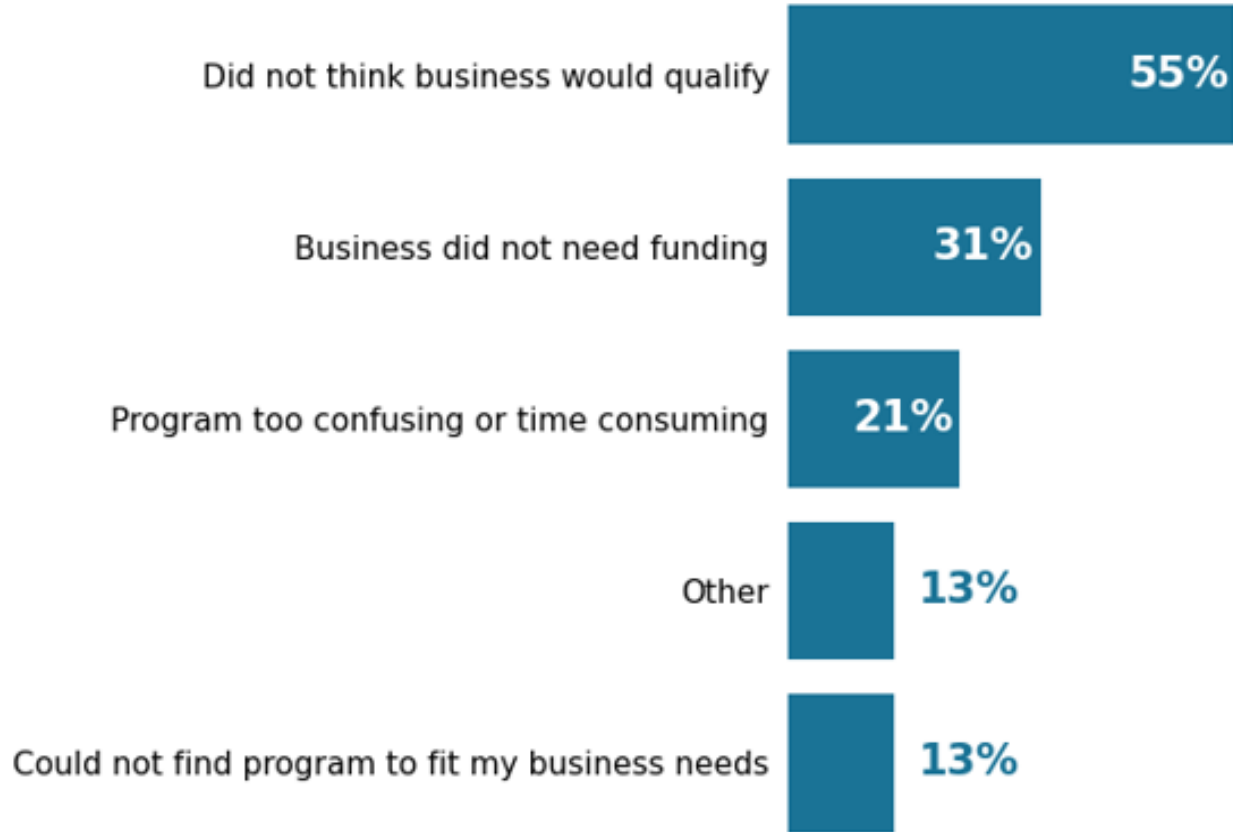
Applications for pandemic-related financial assistance



National SBCS employer firm findings

Nationally, **23%** of firms did not seek financial assistance; therefore, **77%** applied for some type of funding. The most common forms of financial assistance that firms sought were EIDL (**48%**) and PPP (**47%**).

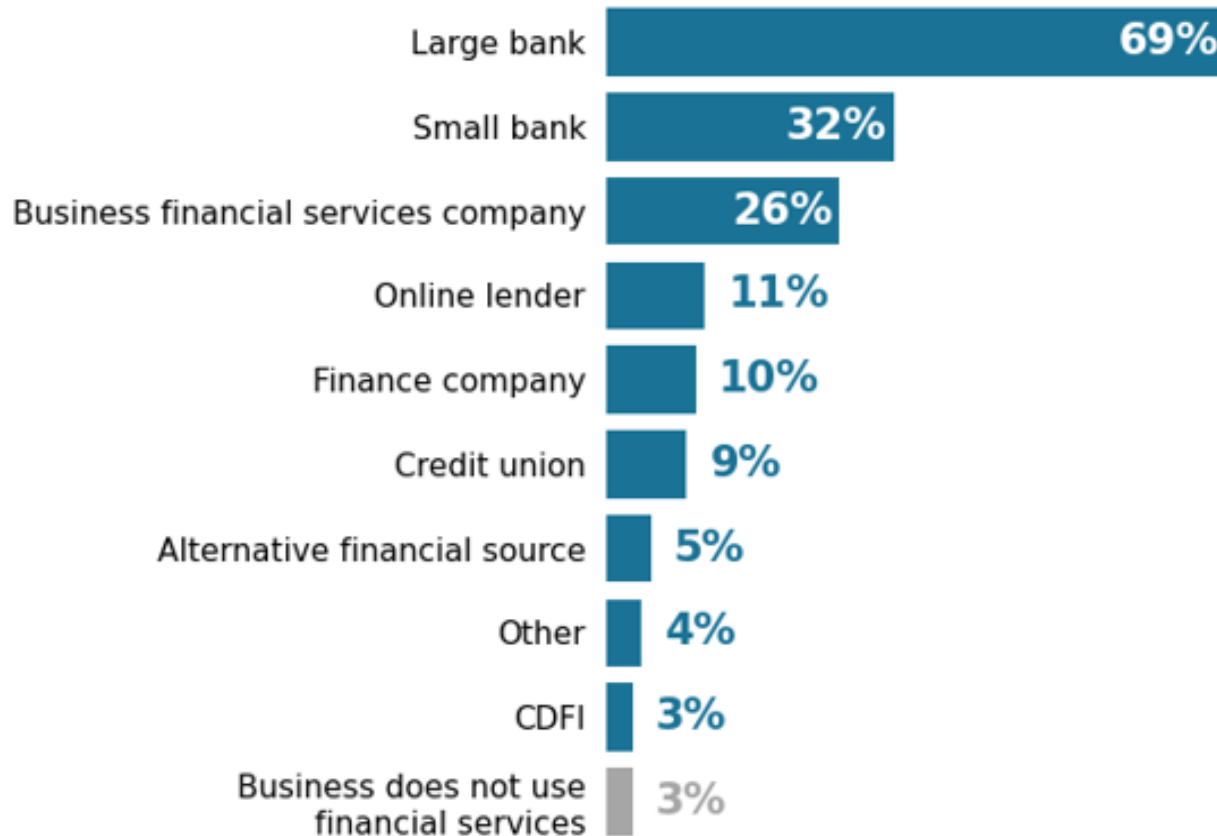
Reasons California firms did not seek pandemic-related financial assistance



National SBCS employer firm findings

Of firms in the national SBCS sample that did not seek financial assistance, **44%** said they did not expect their business would qualify; **36%** did not apply because their business did not need funding.

Use of financial services providers

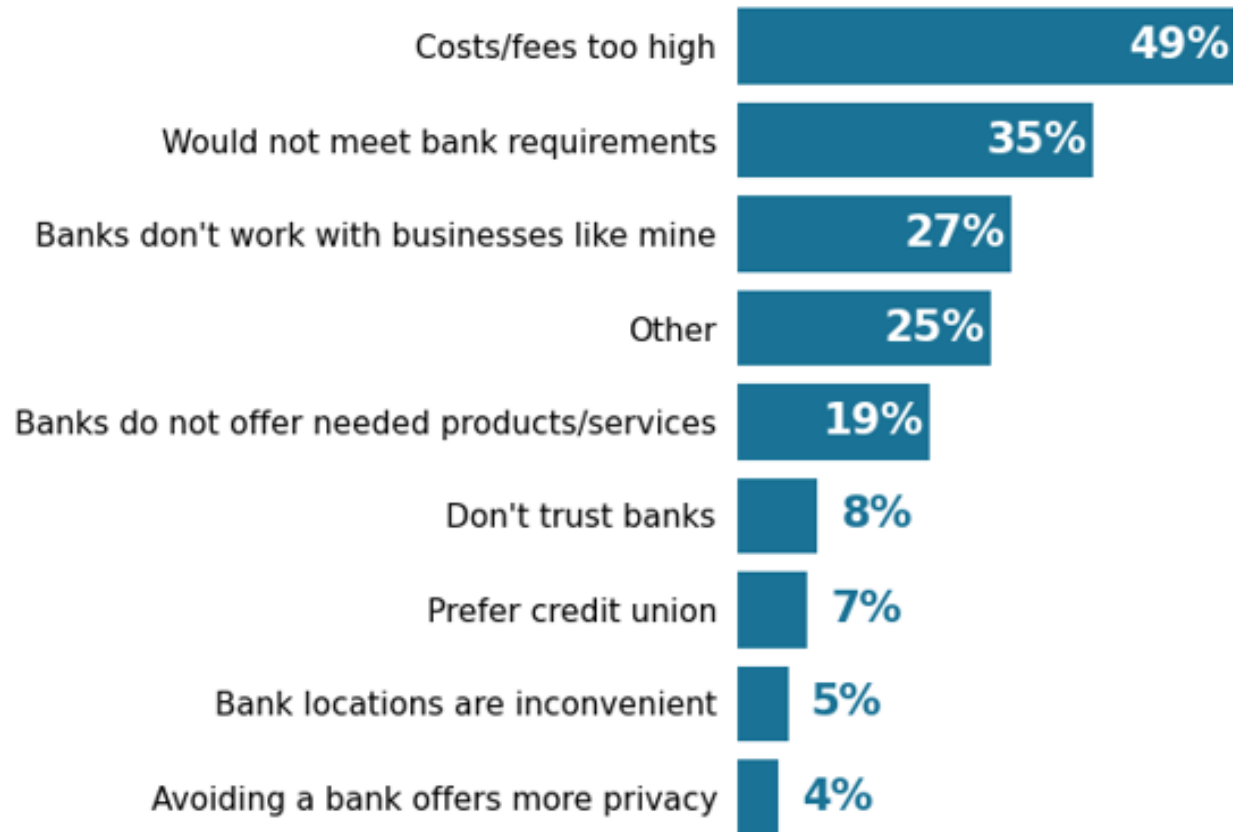


National SBCS employer firm findings

Nationally, the most common financial services providers used by employer firms are large banks (56%) and small banks (47%).

Notes: Financial services providers are those at which the firm has an account or uses other financial services, including loans and payments processing. Respondents could select multiple options. See the appendix for SBCS definitions related to financial services providers and lenders.

Reasons California firms do not use banks

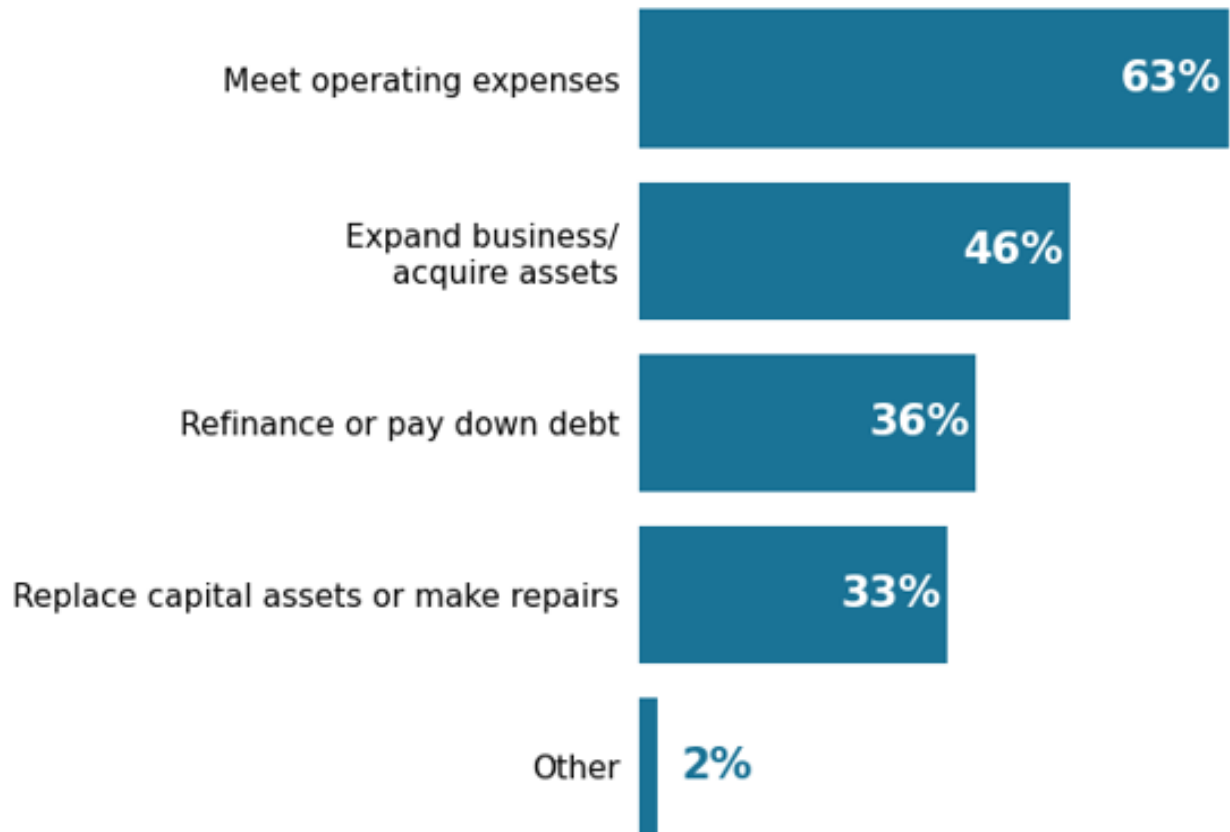


National SBCS employer firm findings

Among employer firms in the national SBCS sample that do not use banks, the most common reason is that they believe banks' costs and fees are too high (**45%**).

Notes: Respondents could select multiple options. "Would not meet bank requirements" includes requirements for minimum balance, documentation, etc. "Prefer credit union" was not a discrete answer choice in the questionnaire; however, it was cited frequently enough by respondents as a reason in "other" that it warranted a separate response line in the reporting.

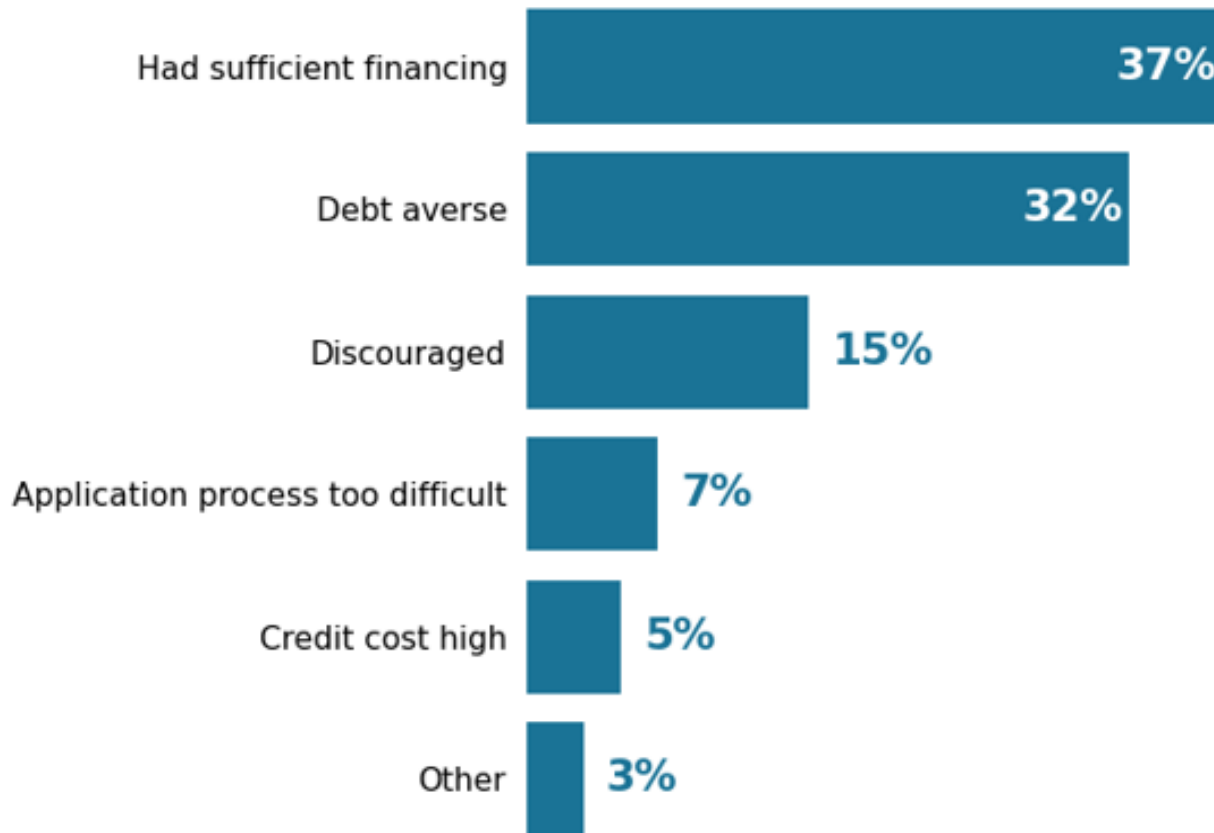
Reasons California firms applied for financing



National SBCS employer firm findings

Employer firms in the national SBCS sample that applied for financing most often did so to meet operating expenses (**62%**) and/or to expand their business (**41%**).

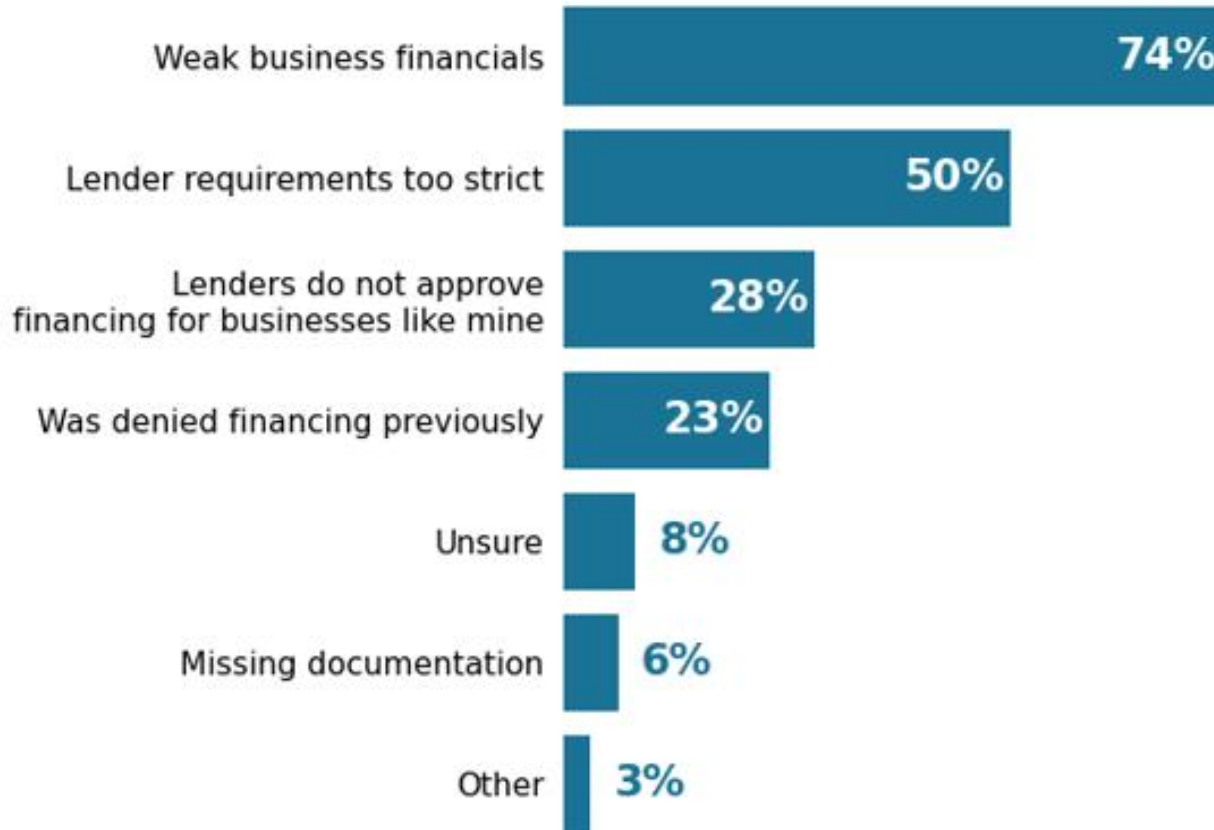
Reasons California firms did not apply for financing



National SBCS employer firm findings

Nationally, among firms that did not apply for financing in the prior 12 months, **54%** needed funds but chose not to apply because they were averse to taking on debt, were discouraged about their chance of approval, or had other reasons for not applying.

Reasons discouraged firms did not expect to be approved for financing

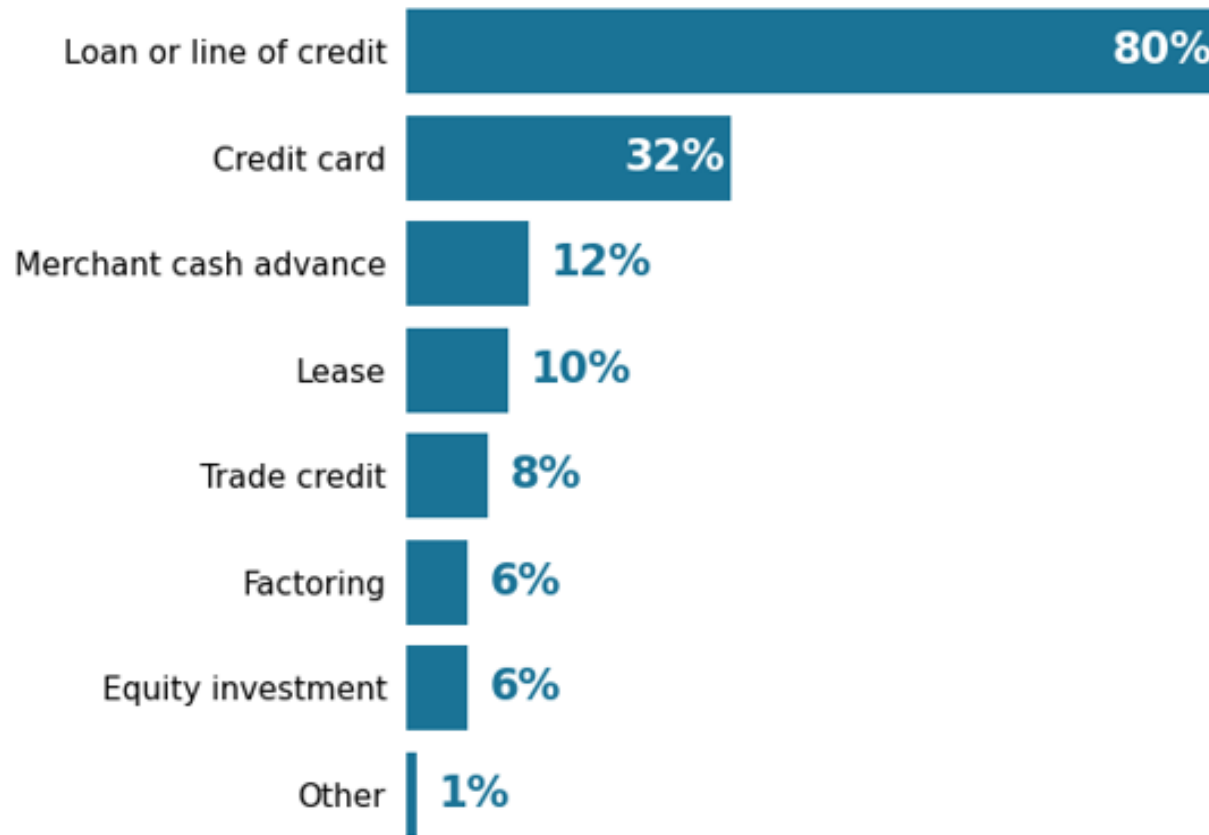


National SBCS employer firm findings

Nationally, employer firms that were discouraged most often cited weak business financials as a reason (**56%**).

Notes: Discouraged firms are those that did not apply for financing because they believed they would be turned down. Respondents could select multiple options. Respondents selecting "lenders do not approve financing for businesses like mine" had the option to explain further. In addition to the reasons noted above, respondents also cited irregular cash flow (for example, a seasonal business or a business with large contracts that pay infrequently) or a lack of assets suitable for collateral. Response option "other" includes "credit cost was too high," "application process was too difficult or confusing," and "other."

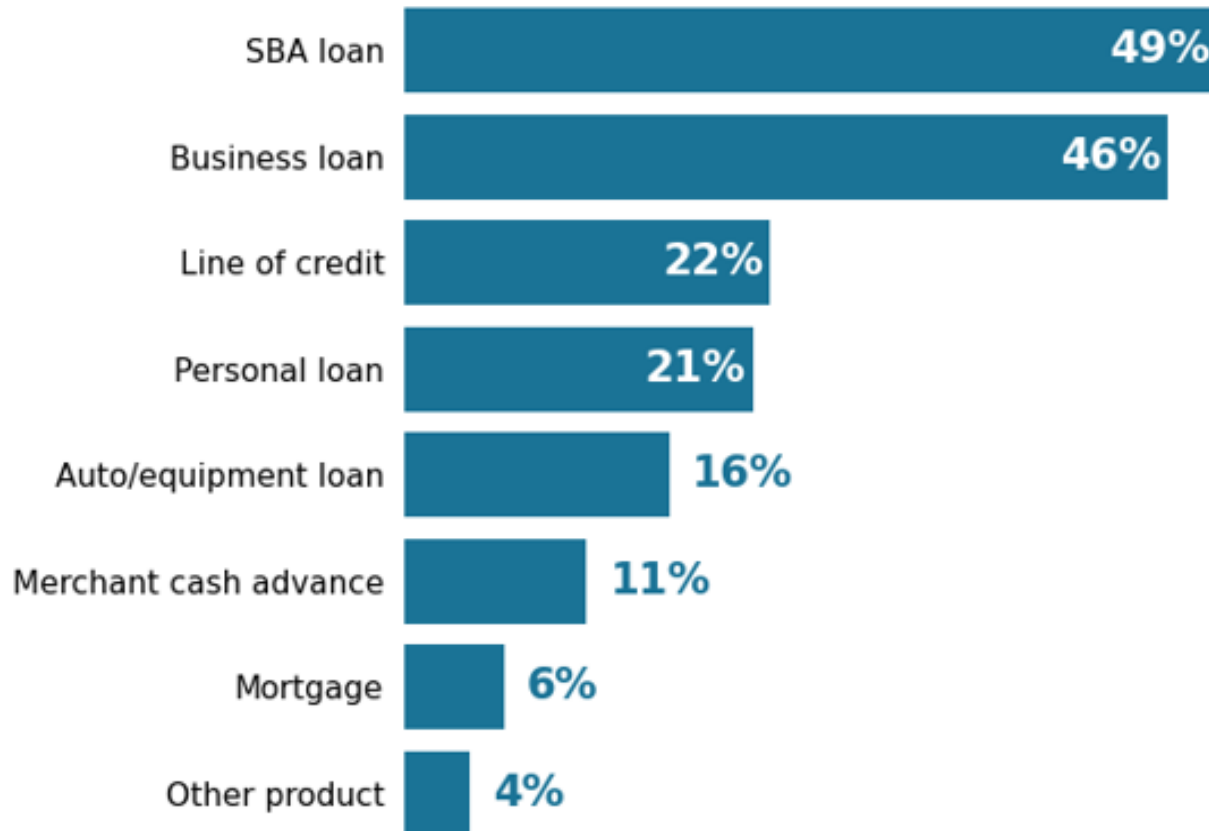
Financing and credit products sought by California firms



National SBCS employer firm findings

Nationally, **76%** of employer firms that applied for financing sought a loan or line of credit.

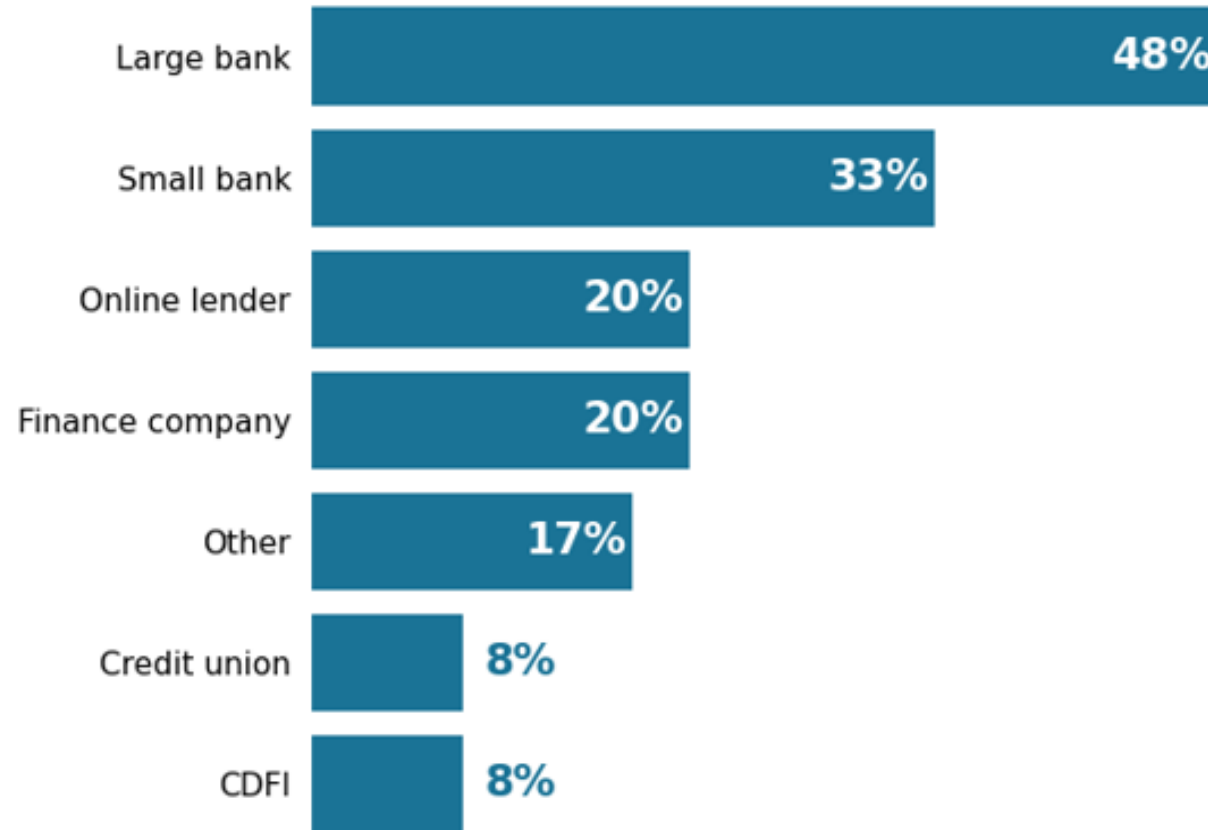
Application rate by type of loan or line of credit



National SBCS employer firm findings

Among employer firms in the national SBCS sample that sought loans or lines of credit, SBA loans, business loans, and business lines of credit were the most common products.

Sources applied to for loans, lines of credit, and cash advances



SBCS employer firm findings

Among employer firms in the national SBCS sample that sought loans, lines of credit, or cash advances, their most common sources were large banks (**43%**), small banks (**36%**), and online lenders (**23%**).

For more information

- The *Small Business Credit Survey 2022 Report on Employer Firms*, as well as detailed appendix data for firm demographics and the 2021 questionnaire are available at <https://www.fedsmallbusiness.org/survey>
 - Prior years' reports are also available
- Other reports from the 2021 SBCS include (available using the link above):
 - *Clicking for Credit: Experiences of Online Lender Applicants from the Small Business Credit Survey*
 - *2022 Report on Firms Owned by People of Color*
 - *2022 Report on Hiring and Worker Retention*
- State-specific reports from the 2021 SBCS for AZ, CA, HI, OR, WA can be found at: <https://www.frbsf.org/community-development/data/>



SMALL BUSINESS CREDIT SURVEY



FEDERAL RESERVE BANKS *of*

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New York • Philadelphia • Richmond • St. Louis • San Francisco

Know any small business leaders or owners?

Then let them know about the
Small Business Credit Survey.

All 12 Federal Reserve Banks, including ours, have begun collecting responses to this year's survey. The annual 10-minute survey is open to for-profit businesses currently in operation, those recently closed, and those about to launch.

By taking the survey, business owners and business leaders contribute to data that directly informs the Fed, service providers, and others—ultimately benefitting their business. The survey closes November 4, 2022.

Share this unique opportunity with them today:

https://frb.co1.qualtrics.com/jfe/form/SV_emJrBt1qbgghCA3Y?reserve_bank=SFF&orgid=SFFed

Questions? Please reach out

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