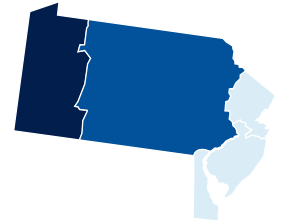


Small Business Credit Survey:

2025 Pennsylvania Insights

by Alaina Barca¹



Owners of small employer firms (firms with one to 499 employees) were surveyed in the fall of 2024 for the Small Business Credit Survey (SBCS).² This brief highlights key findings for 403 Pennsylvania small employer firms ("firms").³

Firm Conditions

More than 60 percent of Pennsylvania firms reported poor or fair financial conditions in 2024 — the highest share since 2020. Still, firms reported similar revenue trends compared to the previous year. More firms carried debt in 2024 than in 2023, and about one-third of firms applied for loans, lines of credit, or merchant cash advances. Among firms that applied for financing in 2024, more sought Small Business Administration (SBA) loans, auto/equipment loans, merchant cash advances, or home equity loans or lines of credit compared with those that applied in 2023, while fewer firms applied for lines of credit, business loans, mortgages, or personal loans.⁴

REVENUE CHANGE IN THE LAST 12 MONTHS



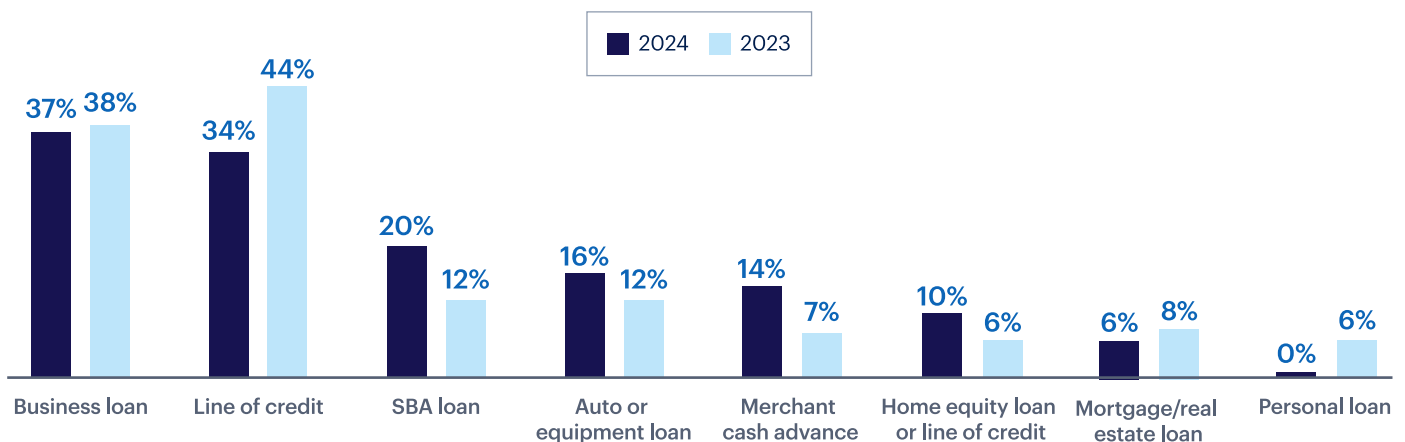
61%

Reported that 2024 financial conditions were **poor** or **fair**, compared with 55% in 2023

21%

Had **no** outstanding debt, compared with 27% in 2023

APPLICATION RATE BY TYPE OF LOAN, LINE OF CREDIT, OR MERCHANT CASH ADVANCE⁵



¹ The views expressed here are those of the author and do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

² The SBCS is a national sample of small businesses focused on firms' financing and debt needs and experiences. The national report and corresponding data used for this brief are available at www.fedsmallbusiness.org/survey.

³ See more demographic details on page 2. Note that data are weighted to be representative of all Pennsylvania small businesses and that not all yearly comparisons included are statistically significant, partly owing to sample size. Percentages may not sum to 100 because of rounding, and for some figures, respondents could select more than one option. Last year's Pennsylvania Insights brief is available at www.philadelphiafed.org/-/media/FRBP/Assets/Community-Development/Briefs/SBCS/2024/2024-sbcs-pa-brief.pdf.

⁴ Figure sample sizes vary based on survey responses. The sample size for revenue change is 389 firms in 2024 and 510 firms in 2023, poor or fair financial conditions is 403 firms in 2024 and 534 firms in 2023, outstanding debt is 396 firms in 2024 and 531 firms in 2023, and application rate is 133 firms in 2024 and 206 firms in 2023.

⁵ Among the 36 percent of firms that applied for loans, lines of credit, or merchant cash advances in 2023 and the 35 percent that applied in 2024.

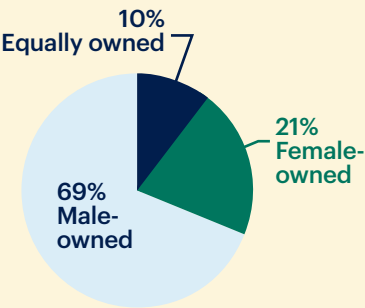
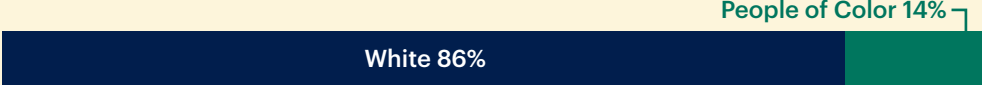
Challenges in 2024

The top operational challenge for Pennsylvania firms in 2024 was hiring or retaining qualified staff. Since 2023, the portion of firms that reported issues reaching customers or growing sales increased, while the portion that cited supply chain issues decreased.⁶ More firms faced financial challenges with increased costs, paying operating expenses, and uneven cash flows than in the previous year.⁷ More than half of firms with financial challenges responded by raising prices, using personal funds, or using cash reserves.⁸ Compared with 2023, the portion of firms that used personal funds or cash reserves increased, while the portion that raised prices decreased slightly.⁹



Firm Demographics¹⁰

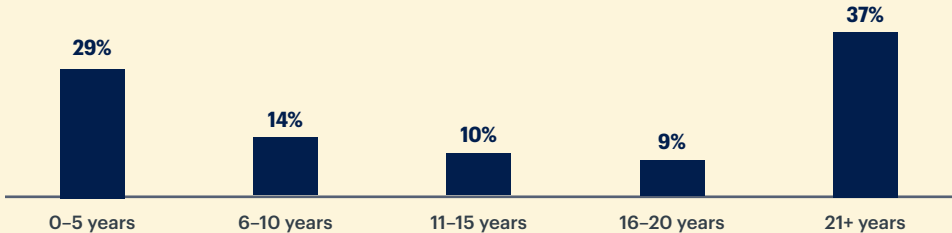
RACE/ETHNICITY OF OWNER(S)



INDUSTRY



AGE OF FIRM (YEARS)



⁶ Other operational challenges included utilizing technology (33 percent), complying with government regulations (22 percent), and ensuring the health and safety of customers or employees (7 percent).

⁷ Other financial challenges included weak sales (43 percent), making payments on debt/interest rates (41 percent), and credit availability (29 percent).

⁸ Other actions taken in response to financial challenges included obtaining funds that must be repaid (36 percent), cutting staff or hours or downsizing operations (34 percent), making a late payment or not making a payment (26 percent), and obtaining funds that do not have to be repaid (5 percent).

⁹ Figure sample sizes vary based on survey responses. The sample size is 400 firms for operational challenges; 401 firms for financial challenges; 378 firms for actions taken in response to financial challenges; 403 firms for gender, race, industry, number of employees, and age of firm; and 394 firms for annual revenues.

¹⁰ Age of firm, employment size, gender of owner(s), industry, and race and ethnicity of owner(s) are among the variables used to weight the SBCS. The demographic figures shown represent SBCS sample respondents weighted based on U.S. Census Bureau population data.