

Small Business Credit Survey

Third District Insights

by Alaina Barca¹

Roughly two years into the COVID-19 pandemic, some small businesses continued to battle the pandemic's ongoing challenges, while others worked toward recovery. Owners of small employer firms (firms with 1–500 employees) were surveyed in the fall of 2021 for the Small Business Credit Survey.² The Federal Reserve's Third District includes eastern Pennsylvania, southern New Jersey, and Delaware (see Map). In this brief, we review the results for 1,869 small employer firms from Third District states³ — all of Pennsylvania, New Jersey, and Delaware — regarding current conditions, financing needs and outcomes, and ongoing challenges, drawing comparisons with conditions reported in 2020.⁴



Current Firm Conditions

While some of the firms made progress since the onset of the pandemic, most of the firms reported that 2021 financial conditions were still either poor or fair. A majority were also still experiencing lower revenues compared with pre-pandemic levels.

Current Financial Condition N=1,868

Very Good 8%
Excellent 3%



Revenue Change Since 2019⁵

Change in Revenue from 2019 to 2021 N=1,426



Change in Revenue from 2019 to 2020 N=1,542



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. Thanks to Kyle DeMaria for the helpful research support and the following for their feedback: Joe Budash, Lei Ding, Eileen Divringi, Shawn Futch, Sloane Kaiser, Lucas Misera, Samantha Porter, Theresa Singleton, Ashley Putnam, and Keith Wardrip.

² The Small Business Credit Survey 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 3. Note that data are weighted to be representative of each state's small businesses.

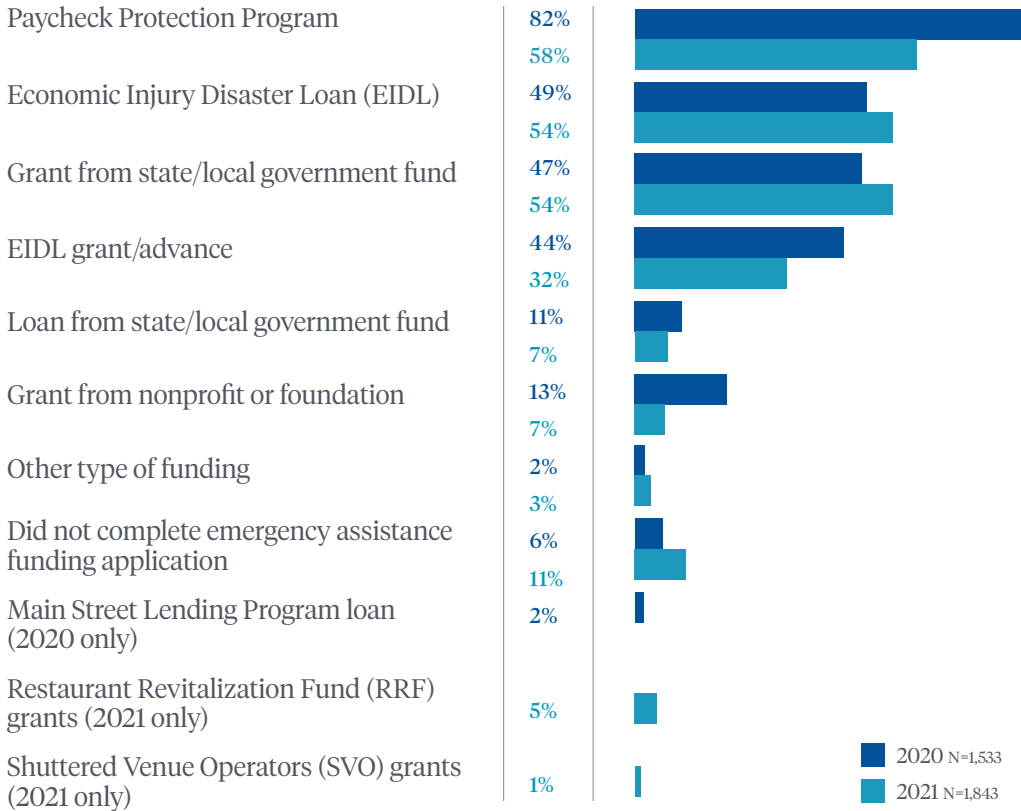
⁴ Last year's Third District Insights brief is available at www.philadelphiafed.org/community-development/credit-and-capital/small-business-credit-survey-third-district-insights. Note that not all yearly comparisons included are statistically significant partly owing to sample size.

⁵ In 2020, firms were asked how revenues changed in the past 12 months. In 2021, they were asked how current revenues compared with fall 2019.

Financing Needs and Outcomes

Firms continued to apply for emergency and nonemergency financing. In terms of emergency financing, fewer firms applied for Paycheck Protection Program (PPP) loans and more firms did not apply for any emergency assistance programs compared with 2020. A large majority of the firms that applied for PPP loans in 2020 have since received forgiveness. Aside from pandemic-related assistance, 32 percent of the firms applied for nonemergency financing. Among the firms that did not apply for nonemergency financing, less than half cited sufficient financing as the reason.

Applications for Emergency Assistance Funds



Forgiveness on 2020 PPP Loans

N=1,393

86%

Full forgiveness

5%

Partial forgiveness

5%

Pending

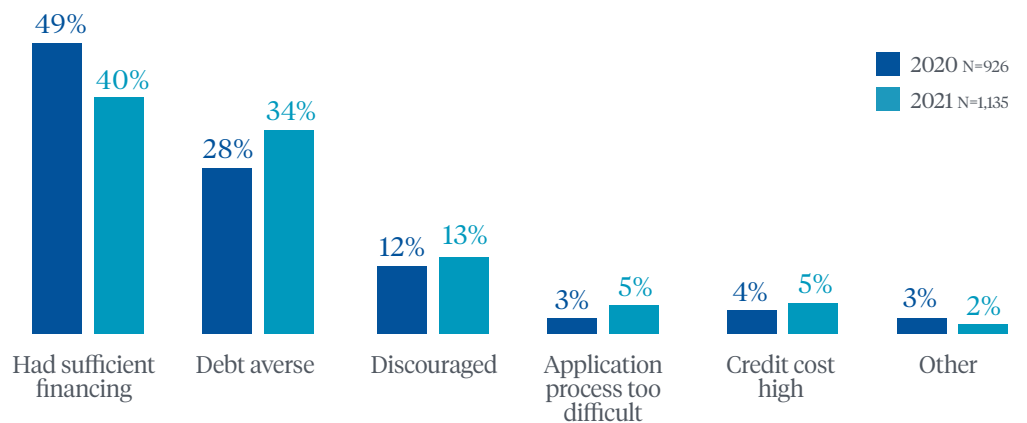
2%

Unsure

1%

Loan not forgiven

Primary Reason for Not Applying for Nonemergency Financing in Last 12 Months



32%

Applied for nonemergency financing in the last 12 months

N=1,777

Firm Demographics

64%



Male-owned

20%



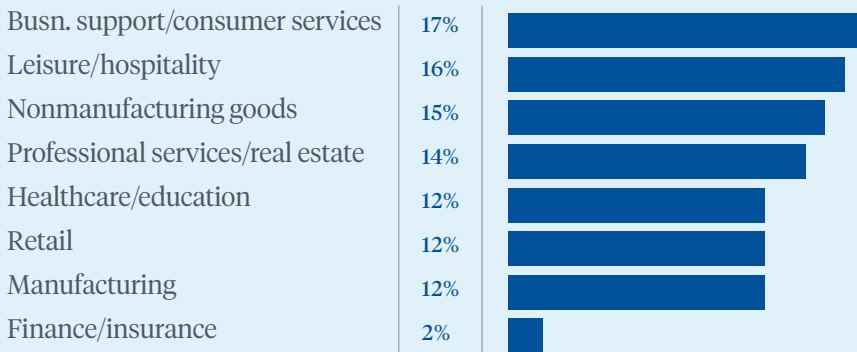
Female-owned

15%

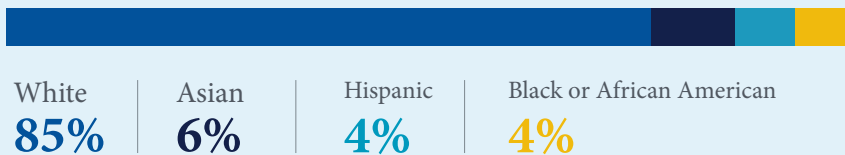
Equally owned

N=1,869

Industry N=1,863



Race/Ethnicity of Owner(s) N=1,863



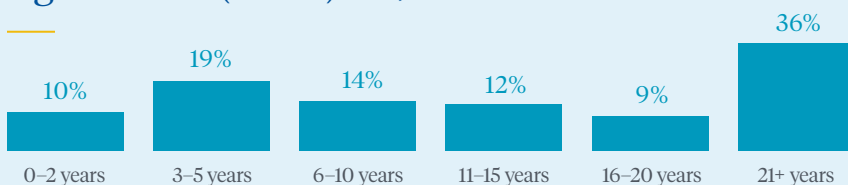
53%

Have 1-4 employees
N=1,869

59%

Earn <\$500K in annual revenues
N=1,808

Age of Firm (Years) N=1,863



Challenges in 2021

The most widely cited operational challenges among small businesses in Third District states were supply chain issues, hiring or retaining qualified staff, and reaching customers or growing sales. Other challenges included complying with government regulations (39 percent), ensuring the health and safety of customers or employees (35 percent), and utilizing technology (22 percent). While 25 percent of the firms reported challenges of credit availability, the most common financial challenges experienced were paying operating expenses, weak sales, and an uneven cash flow.

Top Operational Challenges

N=1,860



62%

Supply chain issues



60%

Hiring or retaining qualified staff



54%

Reaching customers/growing sales

Top Financial Challenges

N=1,859



69%

Paying operating expenses



65%

Weak sales



60%

Uneven cash flow