

Small Business Credit Survey

Pennsylvania Insights

by Alaina Barca¹

FEDERAL RESERVE BANK PHILADELPHIA
Economic Growth & Mobility Project

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 In this brief, we review the results for 384 Pennsylvania small employer firms³ 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 either poor or fair. A majority were still experiencing lower revenues compared with pre-pandemic levels.

Current Financial Condition N=384



Revenue Change Since 2019⁵

Change in Revenue from 2019 to 2021 N=196



Change in Revenue from 2019 to 2020 N=632



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 Misra, 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 all Pennsylvania small businesses.

⁴ Last year's Pennsylvania Insights brief is available at www.philadelphafed.org/community-development/credit-and-capital/small-business-credit-survey-pennsylvania-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 to 2020. A large majority of the firms that applied for PPP loans in 2020 have since received forgiveness. Aside from pandemic-related assistance, 34 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

Paycheck Protection Program



Economic Injury Disaster Loan (EIDL)



EIDL grant/advance



Loan from state/local government fund



Grant from state/local government fund



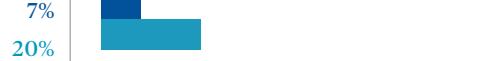
Grant from nonprofit or foundation



Other type of funding



Did not complete emergency assistance funding application



Main Street Lending Program loan (2020 only)



Restaurant Revitalization Fund (RRF) grants (2021 only)



Shuttered Venue Operators (SVO) grants (2021 only)



Forgiveness on 2020 PPP Loans

N=285

86%

Full forgiveness

6%

Pending

5%

Partial forgiveness

2%

Loan not forgiven

1%

Unsure

34%

Applied for nonemergency financing in the last 12 months

N=367

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

56%
2020 N=364

46%
2021 N=227

24%
2020 N=364

29%
2021 N=227

12%
2020 N=364

11%
2021 N=227

3%
2020 N=364

6%
2021 N=227

2%
2020 N=364

5%
2021 N=227

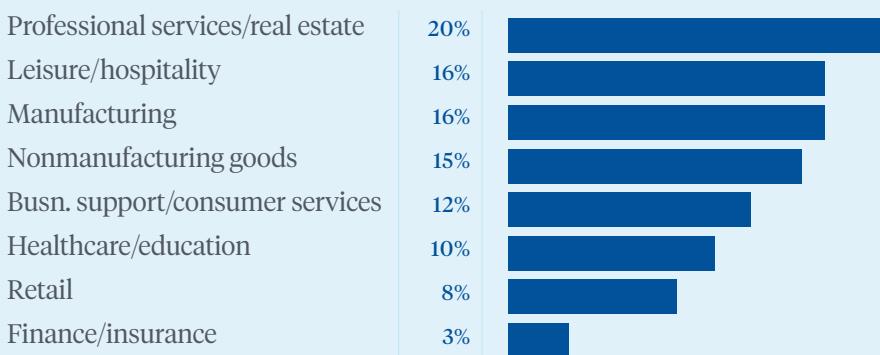
2%
2020 N=364

2%
2021 N=227

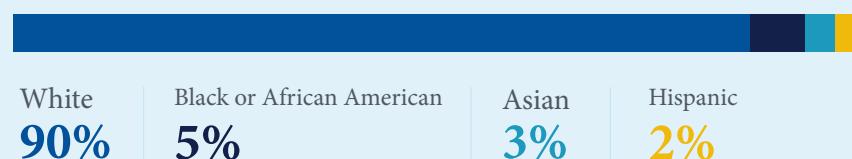
Firm Demographics



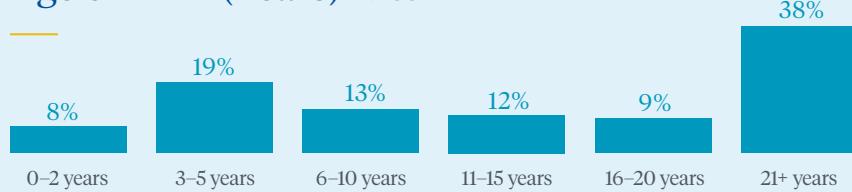
Industry N=384



Race/Ethnicity of Owner(s) N=384



Age of Firm (Years) N=384



Challenges in 2021

The most widely cited operational challenges among Pennsylvania small businesses were hiring or retaining qualified staff, supply chain issues, and reaching customers or growing sales. Other challenges included complying with government regulations (41 percent), ensuring the health and safety of customers or employees (36 percent), and utilizing technology (23 percent). While 24 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=381



Top Financial Challenges

N=383

