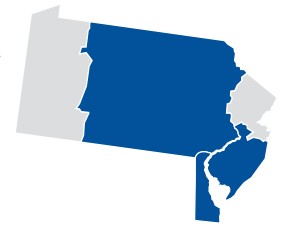


Small Business Credit Survey:

2024 Third District Insights

by Alaina Barca¹



Owners of small employer firms (firms with one to 499 employees) were surveyed in the fall of 2023 for the Small Business Credit Survey (SBCS).² The Federal Reserve’s Third District is a region that includes eastern Pennsylvania, southern New Jersey, and Delaware (see map). This brief highlights key findings for 828 small employer firms (“firms”) from Third District states — all of Pennsylvania, New Jersey, and Delaware.³

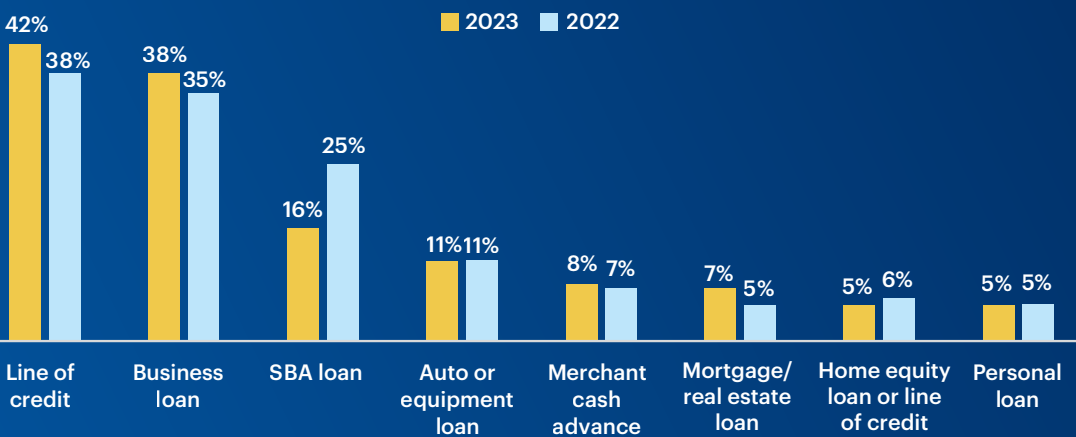
Firm Conditions

For the third year in a row, more than half of the firms in Third District states reported poor or fair financial conditions. More firms said they experienced no change in their revenues between 2022 and 2023 than did between 2021 and 2022, while fewer said revenues increased or decreased. Fewer firms carried debt, although about the same number of firms applied for loans, lines of credit, or merchant cash advances compared with the previous year. Among the firms that did apply in 2023, more sought lines of credit and business loans than those that applied in 2022, and fewer sought Small Business Administration (SBA) loans.⁴

Revenue Change in the Last 12 Months



Application Rate by Type of Loan, Line of Credit, or Merchant Cash Advance⁵



58%

Reported that 2023 financial conditions were poor or fair

25%

Had no outstanding debt, compared with 22% in 2022

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.fedsmbusiness.org/survey.

³ See more demographic details on page 2. Note that data are weighted to be representative of all small businesses in Third District states 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 Third District Insights Brief is available at www.philadelphiafed.org/-/media/frbp/assets/community-development/briefs/2023-sbcs-third-district-insights-brief.pdf.

⁴ Figure sample sizes vary based on survey responses. The sample size for revenue change is 793 firms in 2023 and 1,244 firms in 2022, poor or fair financial conditions is 828 firms, outstanding debt is 822 firms in 2023 and 1,253 firms in 2022, and application rate is 319 firms in 2023 and 464 firms in 2022.

⁵ Among the 36 percent of firms that applied for loans, lines of credit, or merchant cash advances in 2022 and the 35 percent that applied in 2023.

Challenges in 2023

In 2023, the most commonly reported challenges of firms in Third District states were similar to those in 2022, although most were reported less frequently in 2023. The most widely cited operational challenges were hiring or retaining qualified staff, reaching customers or growing sales, and supply chain issues. Other operational challenges included utilizing technology (26 percent), complying with government regulations (23 percent), and ensuring the health and safety of customers or employees (8 percent). The most common financial challenges were increased costs of goods, services, and/or wages; paying operating expenses; and uneven cash flow. Other financial challenges included weak sales (45 percent), making payments on debt/interest rates (36 percent), and credit availability (25 percent).⁶



Top Operational Challenges

56%

Hiring or retaining qualified staff

51%

Reaching customers/ growing sales

43%

Supply chain issues



Top Financial Challenges

79%

Increased costs of goods, services, and/or wages

52%

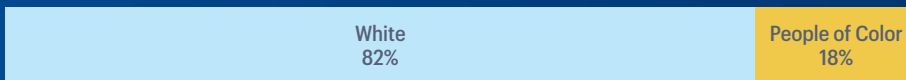
Paying operating expenses

46%

Uneven cash flow

Firm Demographics⁷

Race/Ethnicity of Owner(s)



Industry



56%

Have 1-4 employees



55%

Earn <\$500K in annual revenues

66%

Male-owned

21%

Female-owned

13%

Equally owned

Age of Firm (Years)



⁶ Figure sample sizes vary based on survey responses. The sample size is 818 firms for operational challenges; 828 firms for financial challenges, gender, race, industry, number of employees, and age of firm; and 811 firms for annual revenues.

⁷ 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. Some figure categories are broader than they were in previous years because of sample size limitations.