

Connecting Communities



Enduring a Global Pandemic:

The Stats and the Story Behind Small Businesses' Journey through COVID-19

October 7, 2021

Organized by the Federal Reserve Bank of Cleveland

Welcome



Maria Thompson
Federal Reserve Bank of
Cleveland



Emily Wavering Corcoran
Federal Reserve Bank of
Cleveland



Joshua Miller
Accion Opportunity Fund



Matuschka Lindo Briggs
Federal Reserve Bank of
St. Louis
(Moderator)

Agenda for this webinar

*Small Business
Credit Survey (SBCS)
Introduction*



*Findings from the
2020 SBCS*



Accion Opportunity Fund

Join

- Call-in number: **888-625-5230**
- Conference code: **647 638 72#**
- Webinar link: <https://www.webcaster4.com/Webcast/Page/584/42600>

Questions

- Email us at: communities@stls.frb.org.
- Type your question into the chat box of the webinar.

Website

- Please visit <https://bsr.stlouisfed.org/connectingCommunities>.

The **Connecting Communities**[®] audio conference series is a Federal Reserve System initiative intended to provide timely information on emerging and important community and economic development topics with a national audience. The audio conference series complements existing Federal Reserve Community Development outreach initiatives that are conducted through our regional Reserve Bank offices and at the Federal Reserve Board of Governors in Washington, D.C.

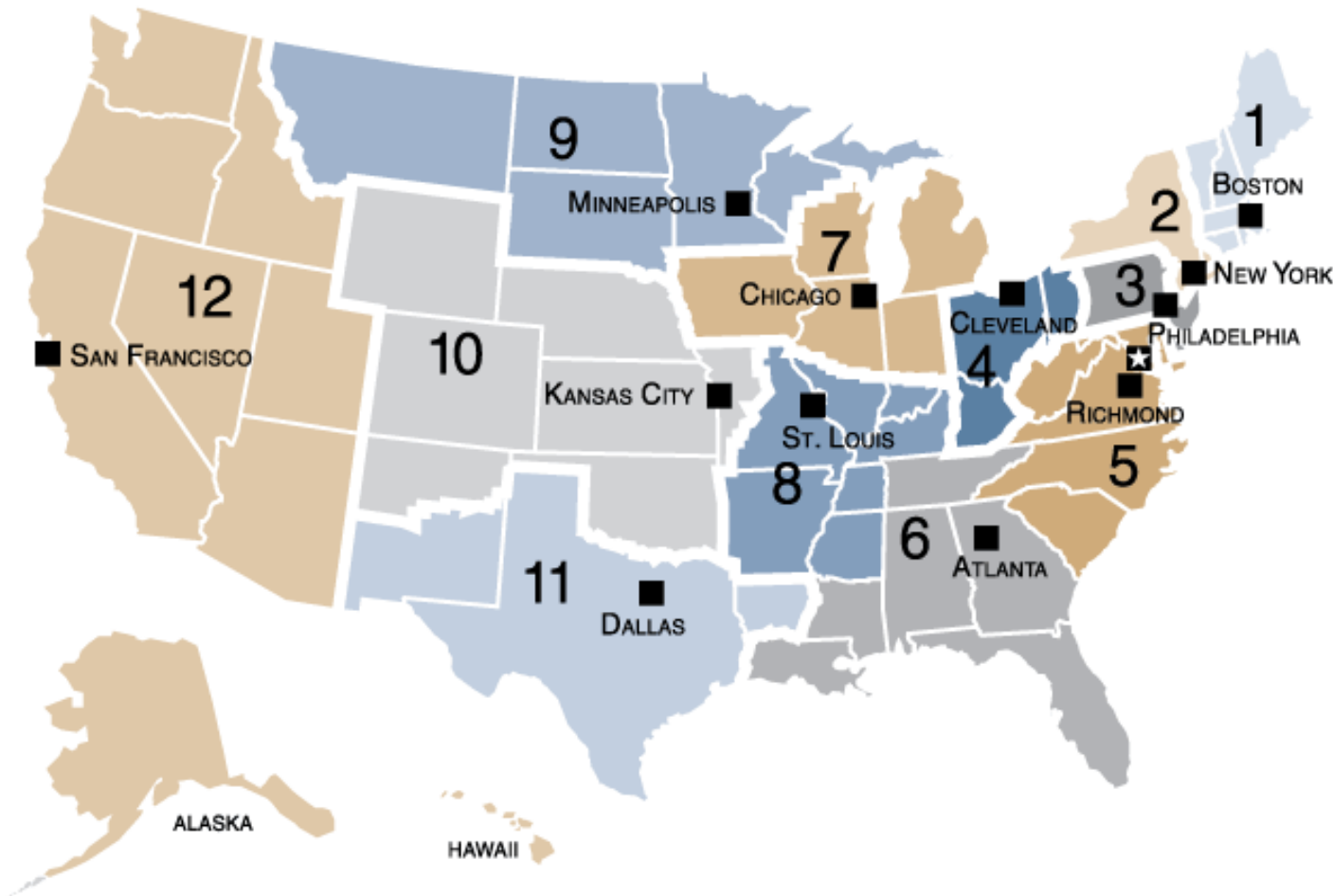
Legal Notices and Disclaimer



The information, analyses, and conclusion set forth are those of the presenters and do not necessarily indicate concurrence by the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, or members of their staffs.

Community Development

The mission of the Federal Reserve's community development function is to promote the economic resilience and mobility of low- to moderate-income and underserved individuals and communities.



SBCS Introduction



Maria Thompson
Outreach Manager
SBCS

FEDERAL RESERVE BANK *of* CLEVELAND

About the SBCS

- The SBCS has been administered nationally since 2016 through a collaboration of the Community Development Departments at all 12 Federal Reserve Banks.
- The 2020 SBCS questionnaire included annual questions on business performance and financing experiences, plus new questions on the impact of the coronavirus pandemic and access to emergency funding programs.
- The 2020 survey was administered from September 9 to October 31, gathering responses from more than 15,000 small businesses.

Findings from the 2020 SBCS



Emily Wavering Corcoran

Program Manager

SBCS

FEDERAL RESERVE BANK *of* CLEVELAND

Key 2020 SBCS Findings

1

A majority of small businesses experienced sharp declines in revenues, employment, and business conditions.

2

While firms were less successful at obtaining financing compared to previous years, many turned to pandemic-related financial assistance.

3

Firms owned by people of color more often faced challenges than White-owned firms, and they often had less access to capital to deal with those challenges.

Key 2020 SBCS Findings (continued)

1

A majority of small businesses experienced sharp declines in revenues, employment, and business conditions.

2

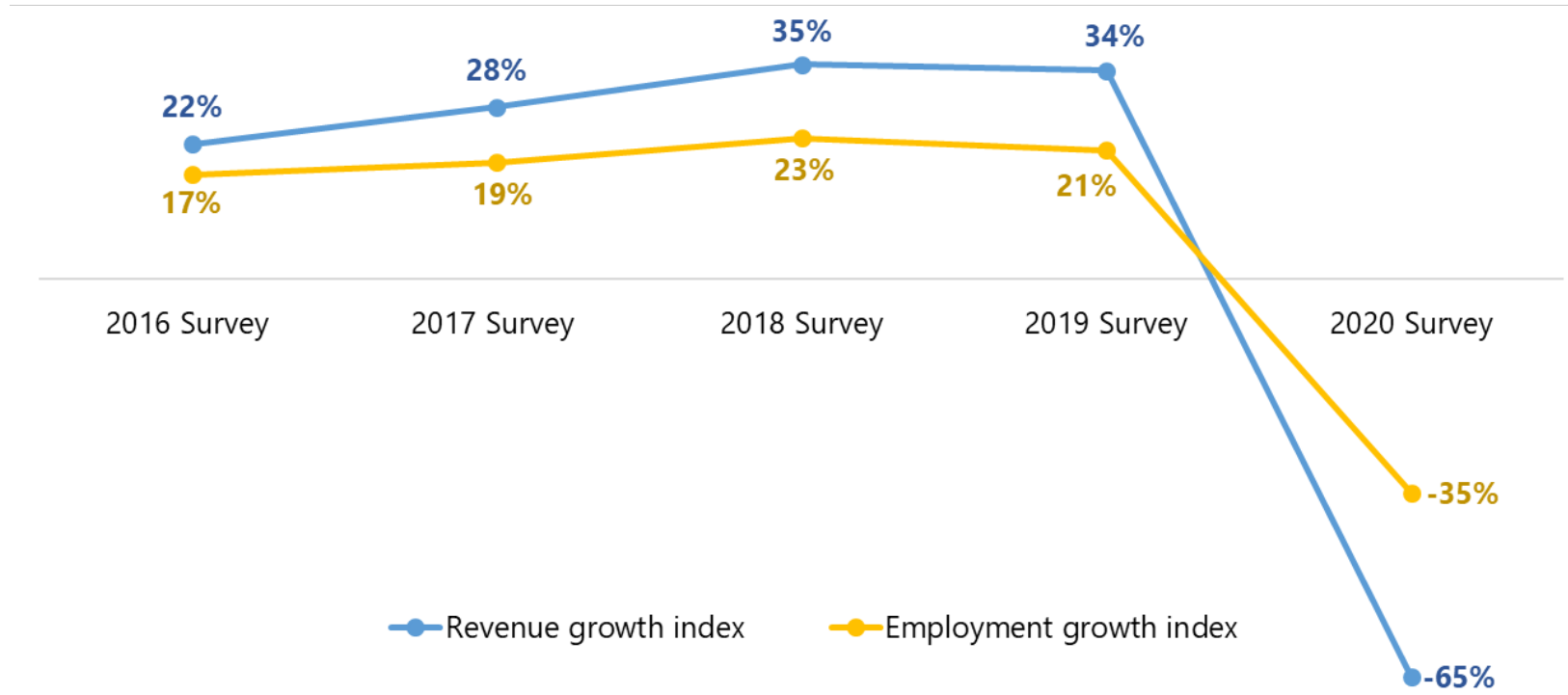
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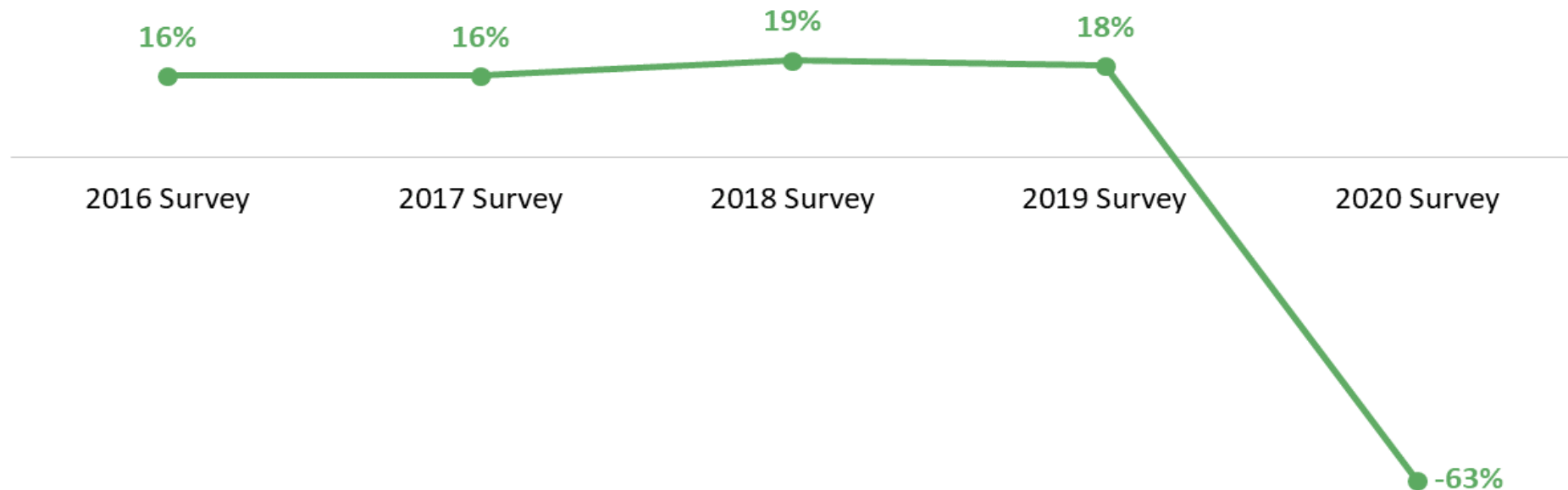
The Net Share of Small Businesses with Employees Who Reported Revenue and Employment Growth Declined Sharply in 2020

Employer Firm Performance Index, *prior 12 months* (% of employer firms)



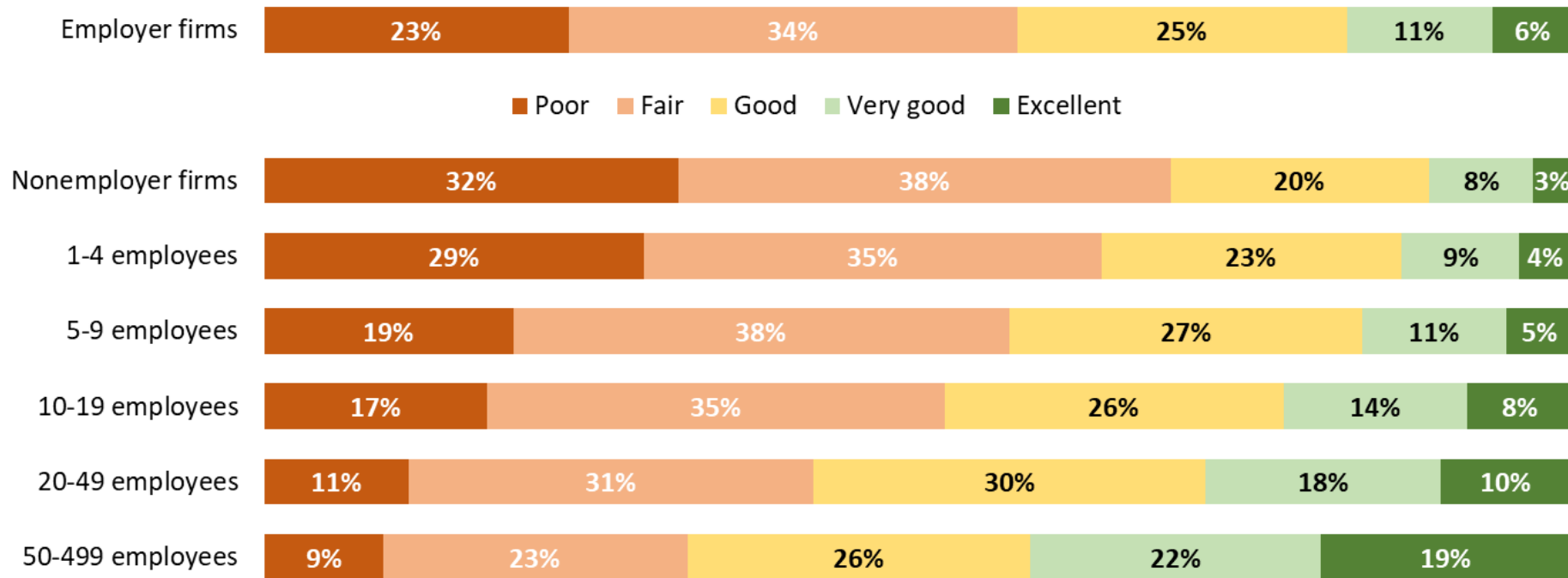
Similarly, a Majority of Small Businesses with No Employees Other than the Owner Reported Revenue Decreases in the Prior 12 Months

Nonemployer Firm Revenue Performance Index, *prior 12 months* (% of nonemployer firms)



Smaller Firms Are in Weaker Financial Condition than Larger Firms

Financial Condition by Firm Size *at time of survey* (% of employer and nonemployer firms)



SBCS 2021 Report on Employer Firms and 2021 Report on Nonemployer Firms

Key 2020 SBCS Findings

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2

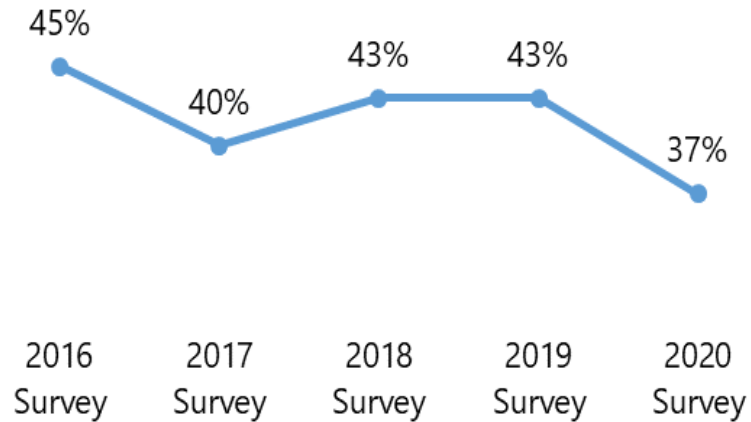
While firms were less successful at obtaining financing compared to previous years, many turned to pandemic-related financial assistance.

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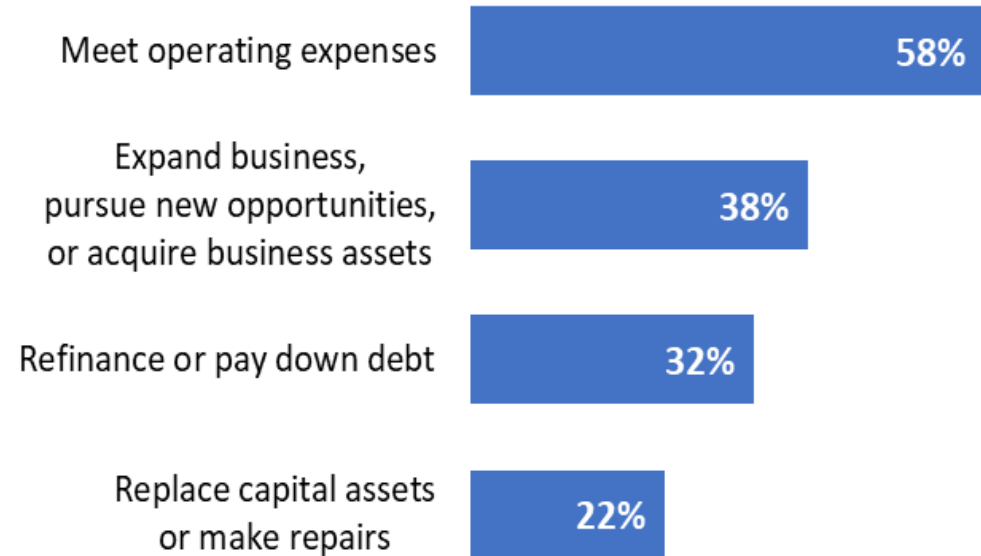
Firms owned by people of color more often faced challenges than White-owned firms, and they often had less access to capital to deal with those challenges.

Demand for Traditional Financing Declined in 2020, and Most Businesses that Applied Were Trying to Meet Operating Expenses

Share that Applied for Financing, prior 12 months (% of employer firms)



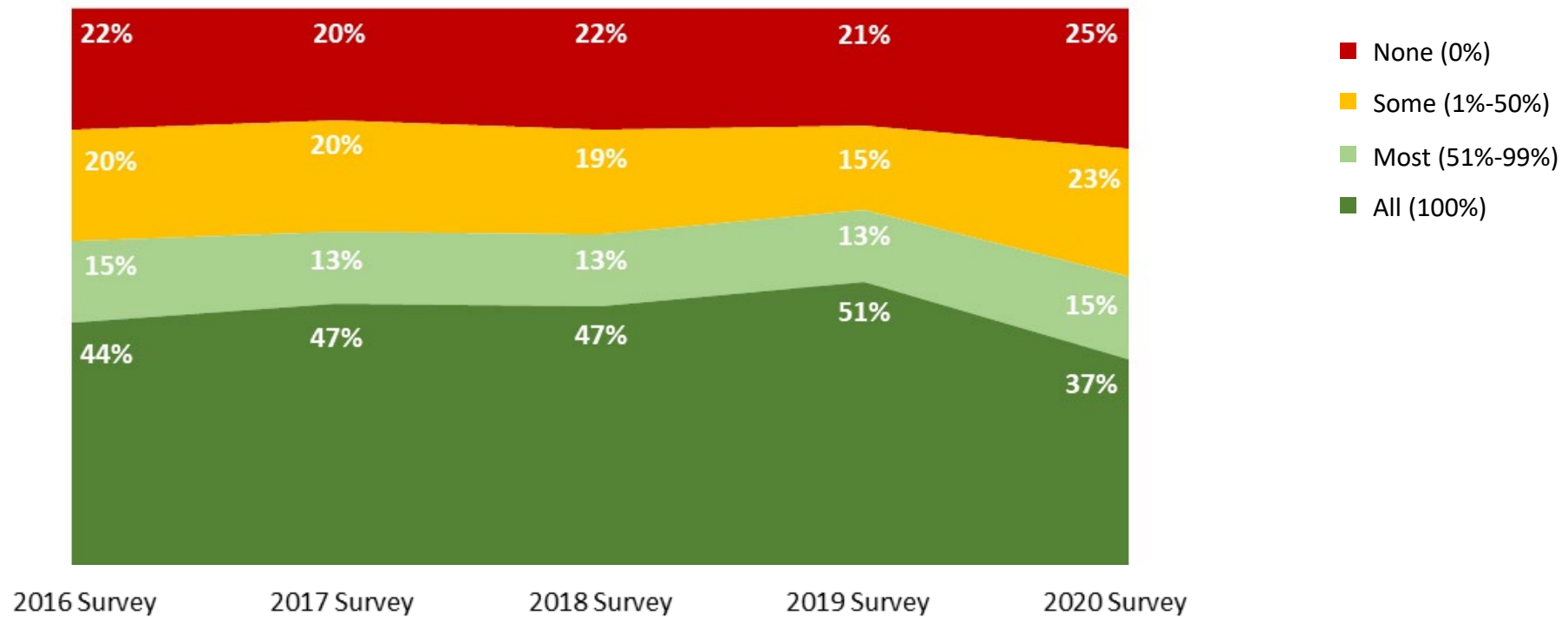
Reasons for Applying (% of employer firm applicants)



Note: Applications shown exclude Paycheck Protection Program (PPP) and other pandemic-related emergency funding applications.

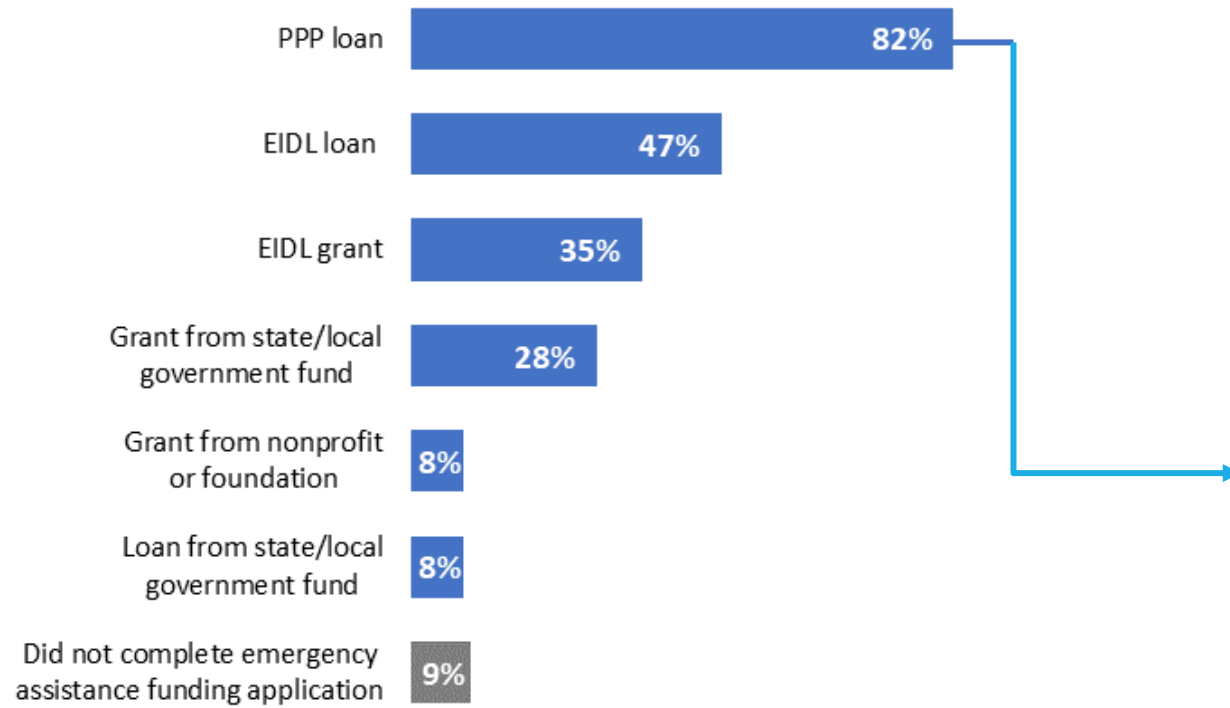
Businesses that Sought Financing in 2020 Reported Worse Outcomes than Businesses that Applied in Previous Years

Total Financing Received (percent of employer firm applicants)

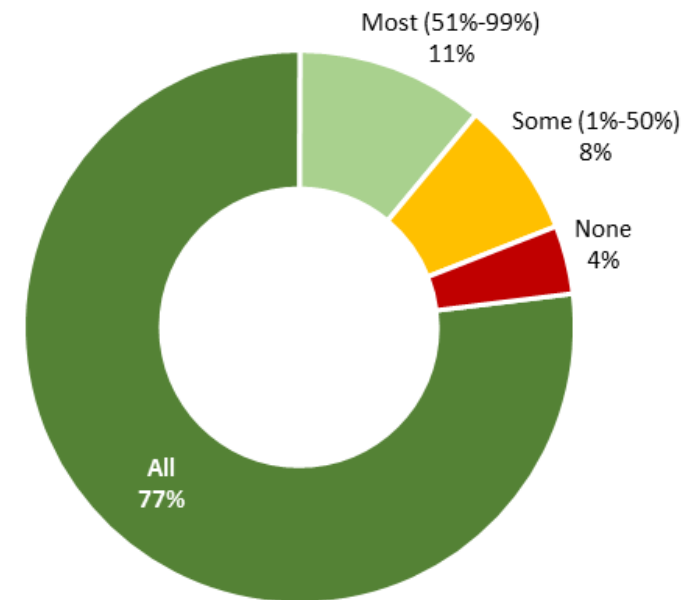


About Nine in Ten Firms with Employees Sought Emergency Assistance Funding; Most Turned to the PPP

Applications for Emergency Assistance Funds
(% of employer firms)



PPP Funding Received, as Share of Amount Sought
(% of employer firm PPP applicants)



Key 2020 SBCS Findings

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A majority of small businesses experienced sharp declines in revenues, employment, and business conditions.

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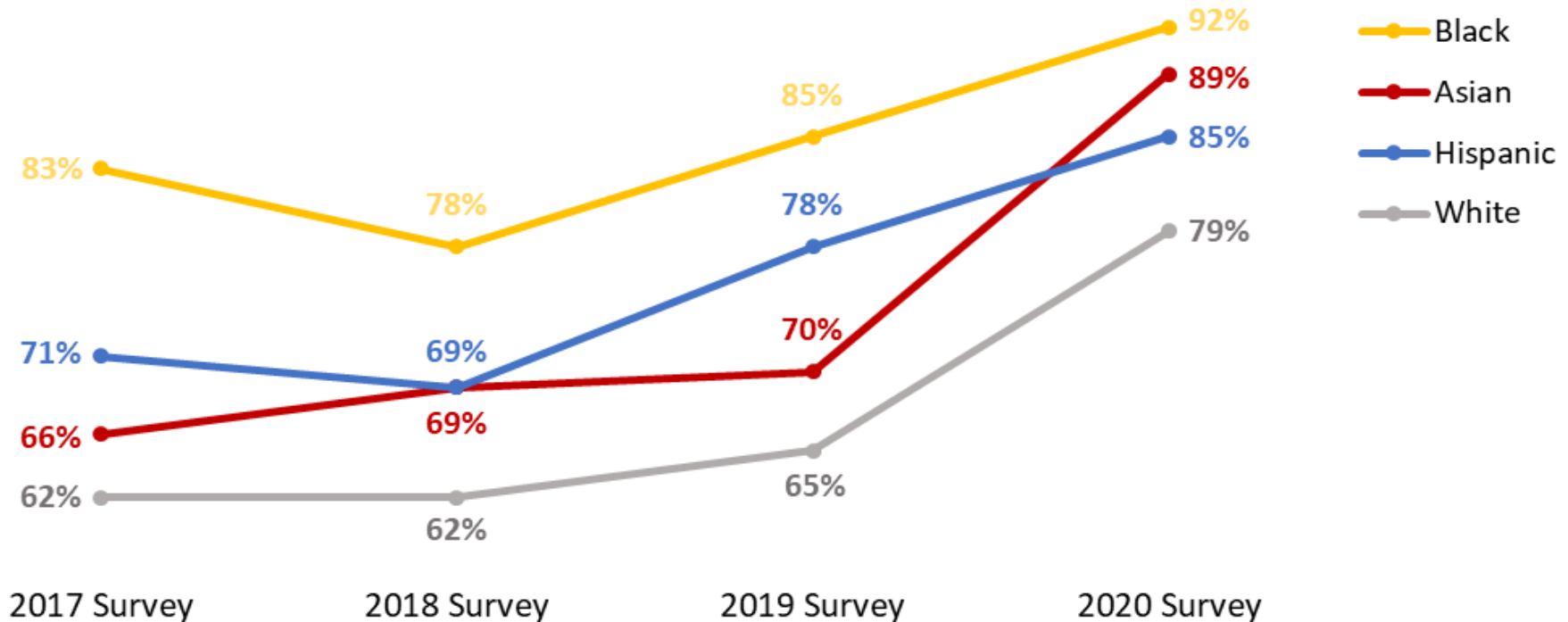
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Firms owned by people of color more often faced challenges than White-owned firms, and they often had less access to capital to deal with those challenges.

Firms Owned by People of Color Reported More Financial Challenges than White-owned Firms

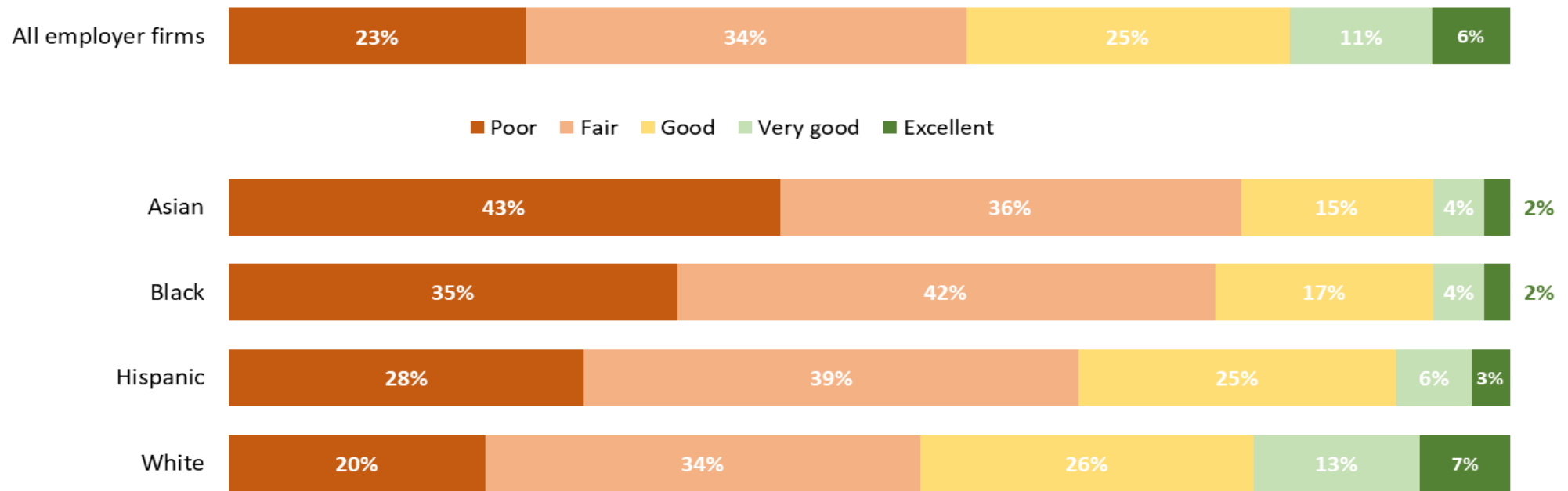
Financial Challenges *by race/ethnicity of owner(s), prior 12 months*
(% of employer firms)



SBCS 2021 Report on Firms Owned by People of Color

Firms Owned by People of Color Were in Weaker Financial Condition than White-owned Firms at the Time of Survey

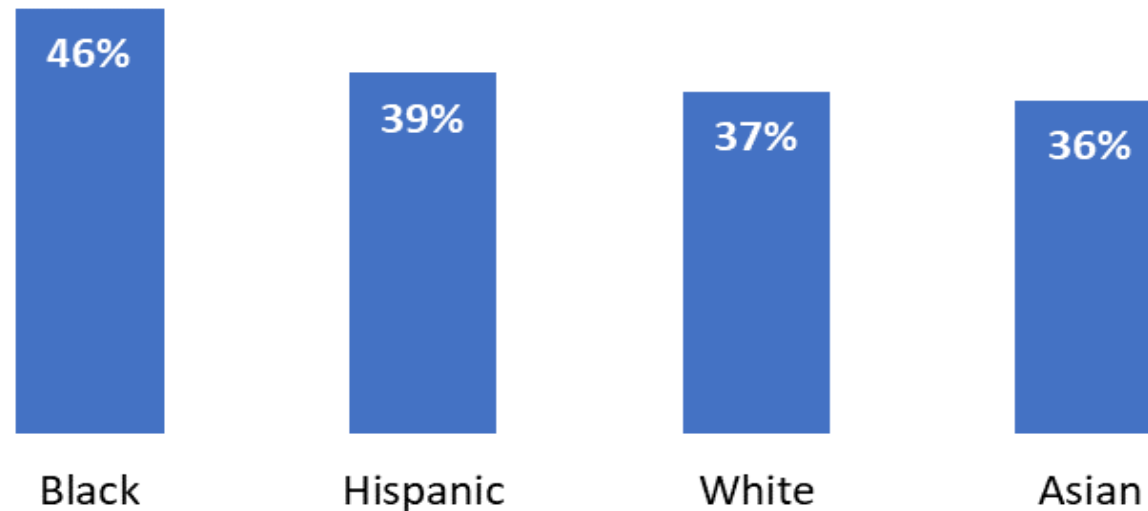
Financial Condition *by race and ethnicity of owner(s) at time of survey* (% of employer firms)



SBCS 2021 Report on Firms Owned by People of Color

Black-owned Firms Were Most Likely to Seek Financing

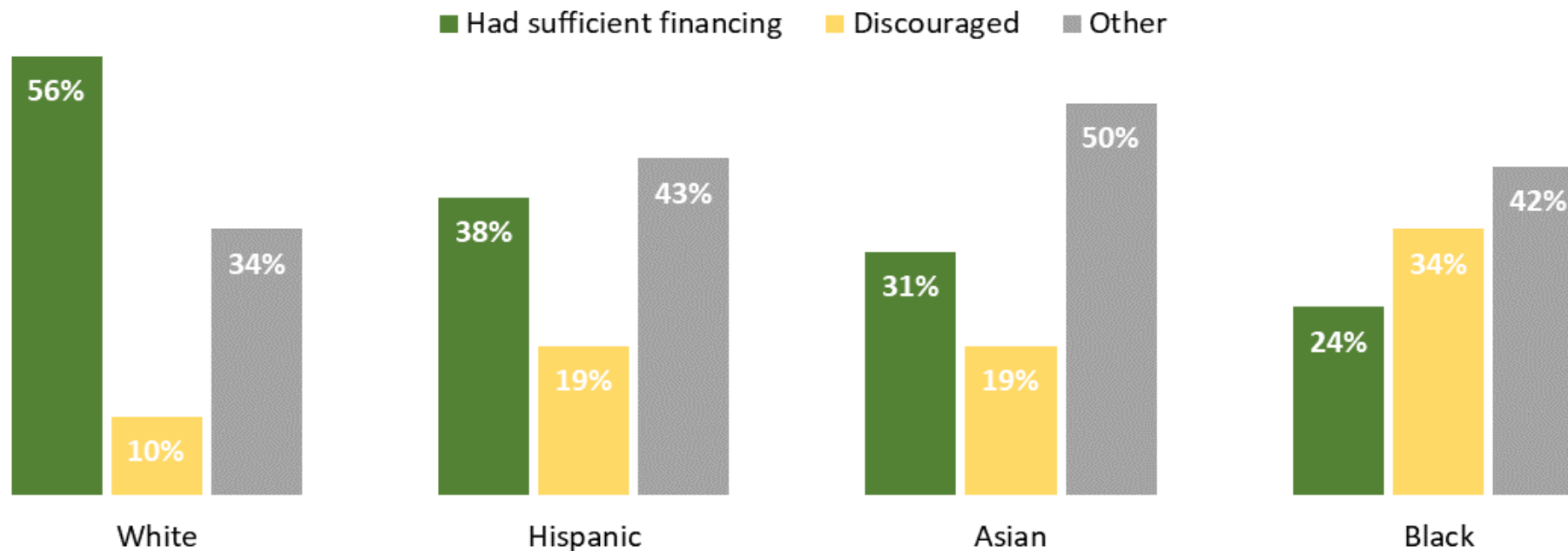
Share that Applied for Financing *by race/ethnicity of firm ownership* (% of employer firms)



Note: Applications shown exclude PPP and other pandemic-related emergency funding applications.

Firms of Color Often Chose Not to Apply for Financing Despite Needing It

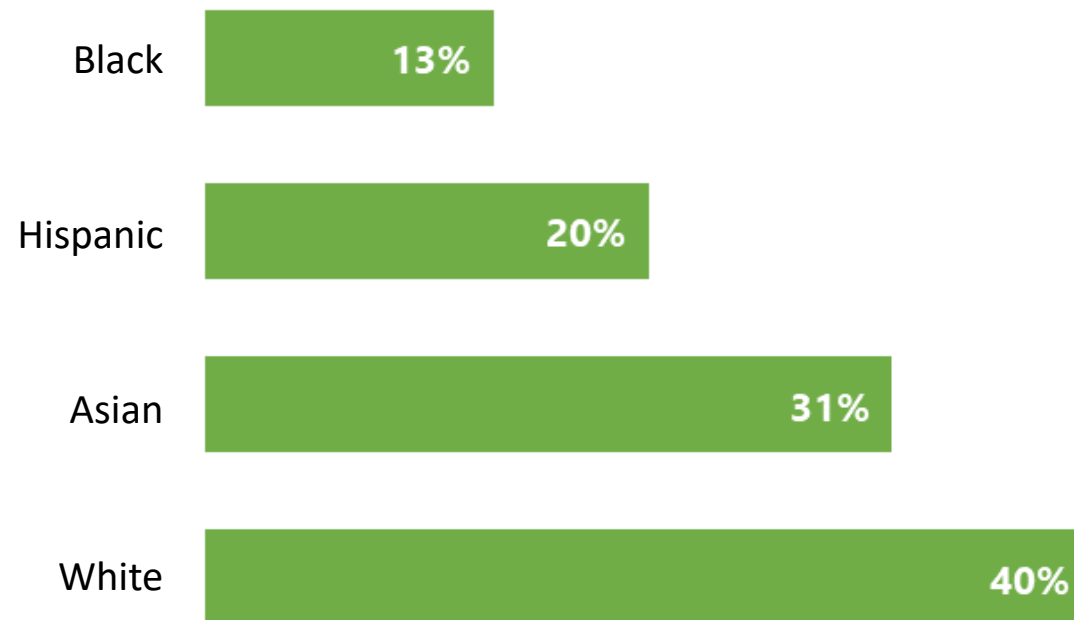
Reasons Firms Did Not Apply for Financing *by race/ethnicity of firm ownership*
(% of nonapplicants)



SBCS 2021 Report on Firms Owned by People of Color

Firms Owned by People of Color Were Less Likely than White-owned Firms to Receive All of the Financing They Sought

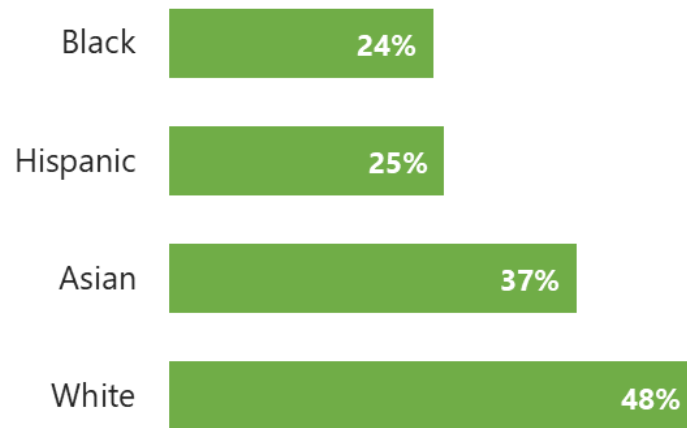
Share Receiving All Financing Sought *by race/ethnicity of firm ownership* (% of applicants; excludes emergency funding)



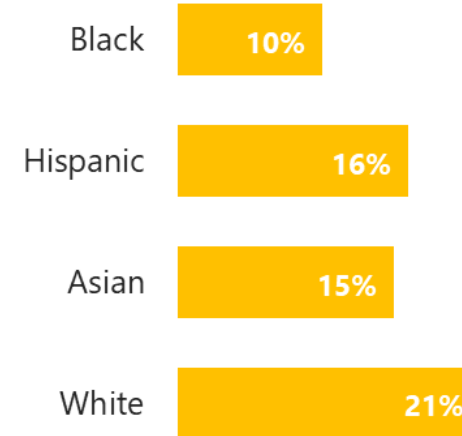
Firms Owned by People of Color Were Less Likely than White-owned Firms to Receive All of the Financing They Sought (continued)

Share Receiving All Financing Sought by credit risk and race/ethnicity of firm ownership
(% of employer firm applicants)

Low Credit Risk



Medium/High Credit Risk

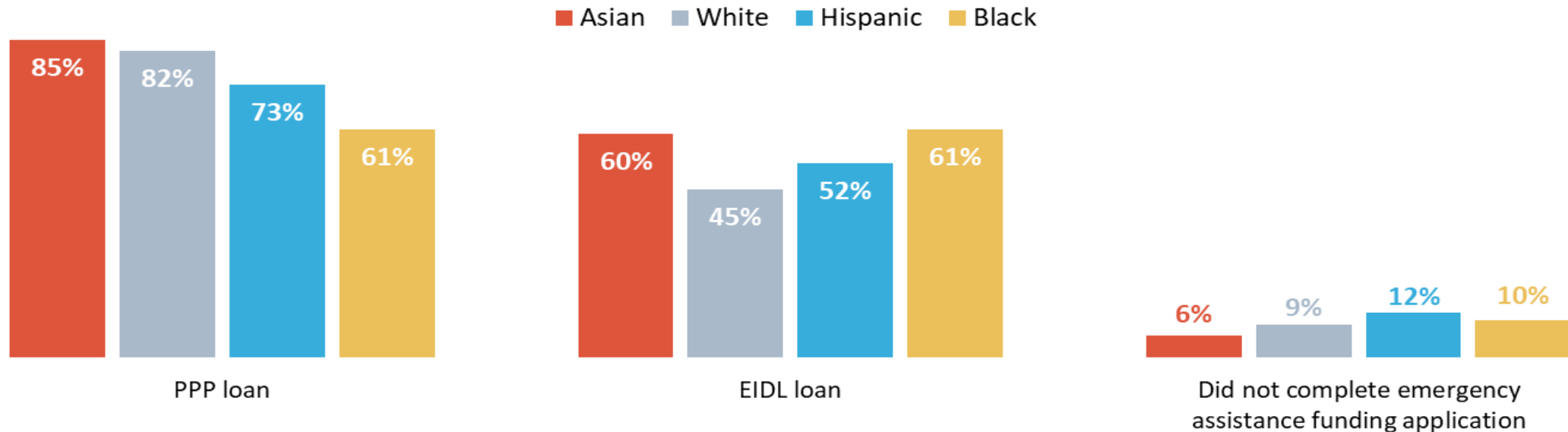


Note: Credit risk is determined by the self-reported business credit score or personal credit score, depending on which is used for the business: “low credit risk” (80–100 business score or 720+ personal score); “medium credit risk” (50–79 business score or 620–719 personal score); or “high credit risk” (1–49 business score or <620 personal score)

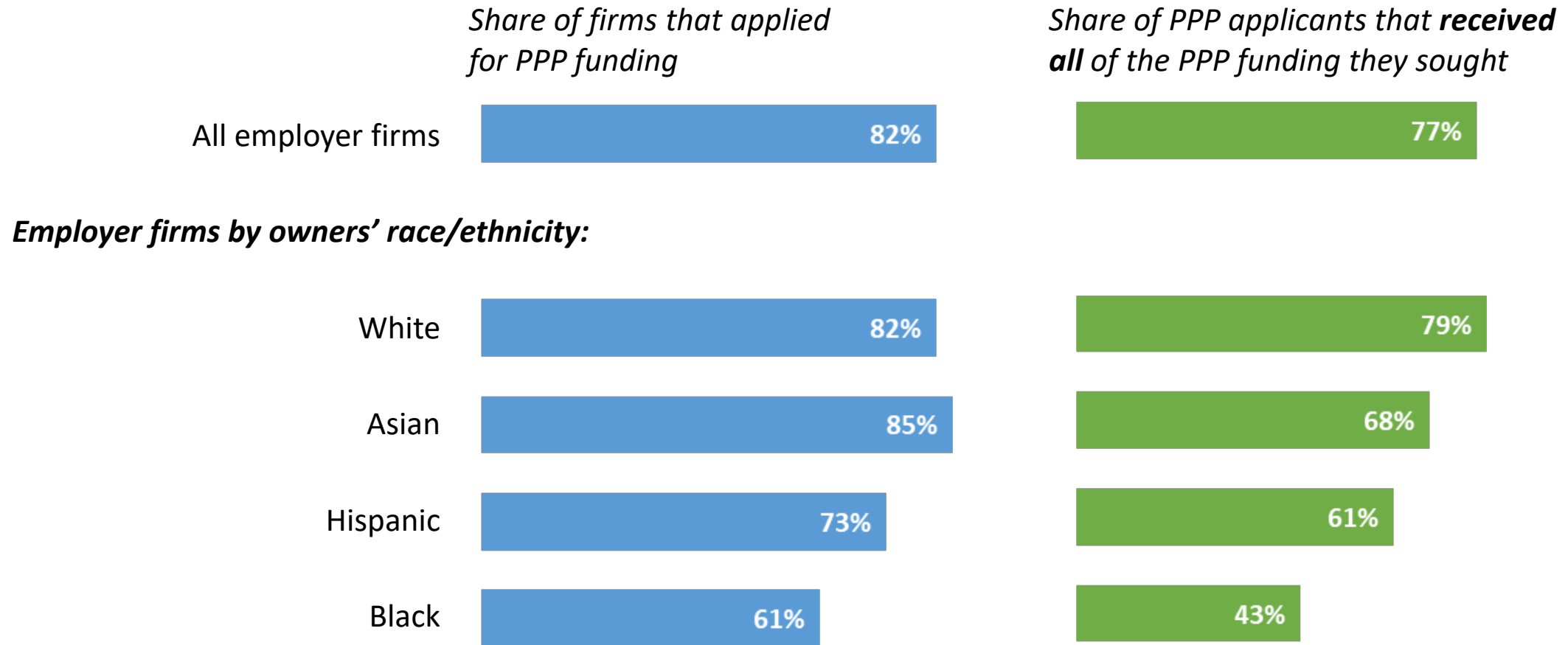
SBCS 2021 Report on Firms Owned by People of Color

Hispanic- and Black-owned Firms Were Less Likely than White- and Asian-owned Businesses to Apply for a PPP Loan

Applications for Emergency Assistance Funds *by race/ethnicity of the owner(s)*
(% of employer firm applicants)



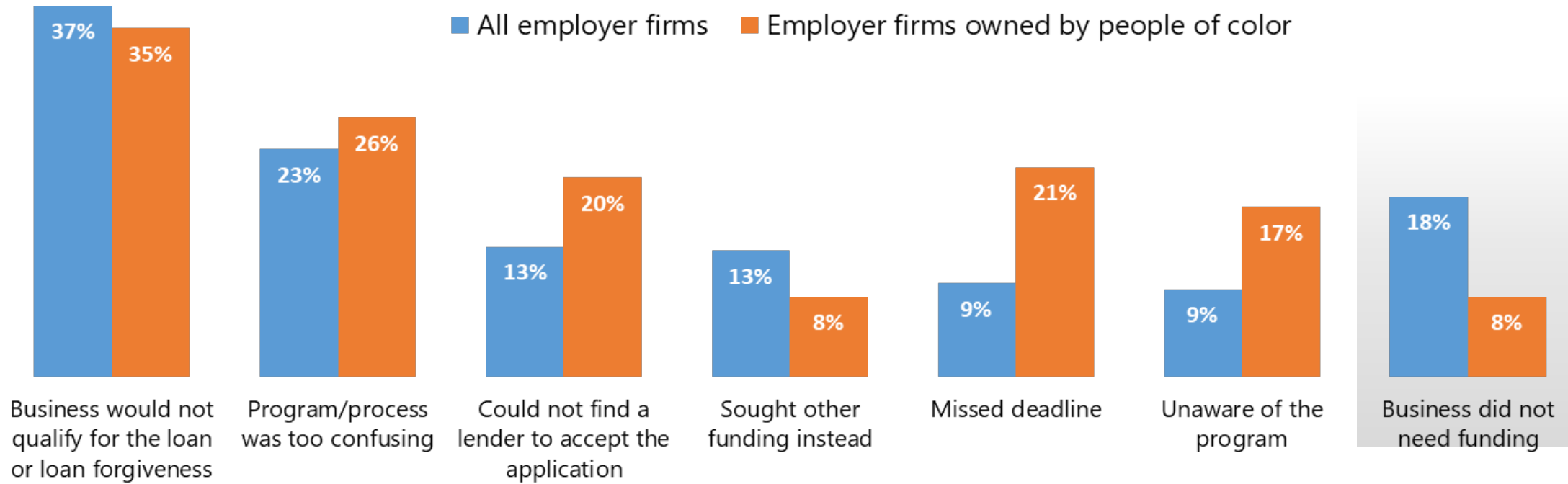
PPP Application Rates and Outcomes Varied by Firm Owners' Race and Ethnicity



SBCS 2021 Report on Firms Owned by People of Color

Firms that Did Not Seek PPP Loans Most Often Cited Concerns about Qualifying for the Loan or Loan Forgiveness

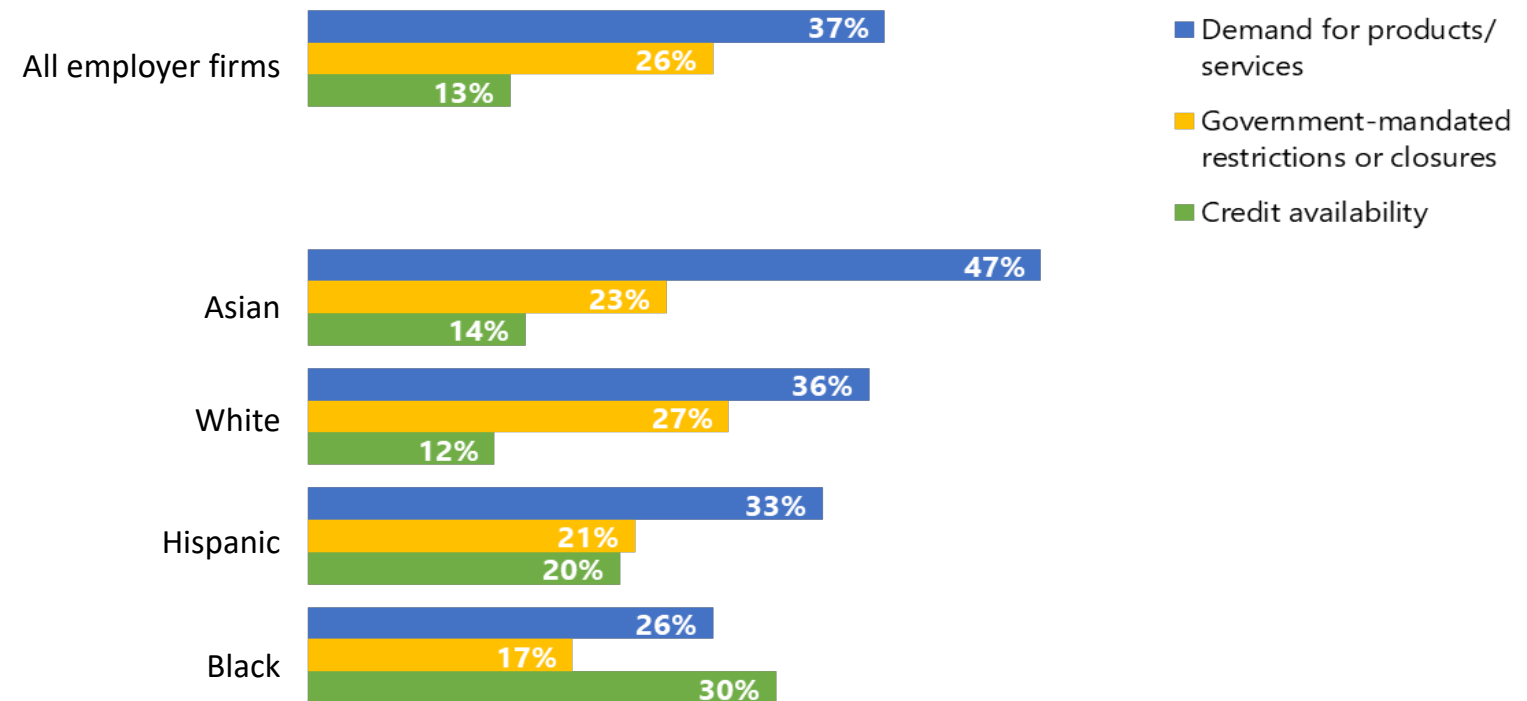
Reasons Firms Did Not Apply for a PPP Loan, *top reasons*
(% of employer firm PPP nonapplicants)



SBCS 2021 Report on Firms Owned by People of Color

Firms Were Most Concerned about Demand, but the Top Expected Challenge Varied by Owner's Race or Ethnicity

Single Most Important Challenge Firms Expect to Face as a Result of the Pandemic *by race/ethnicity of owner(s), next 12 months* (% of employer firms that expected a challenge due to the pandemic)



SBCS 2021 Report on Firms Owned by People of Color

What Will We Learn from the 2021 SBCS?

The 2021 SBCS questionnaire includes:

- Core questions on business performance and financing experiences; these are annual questions that enable us to track trends over time.
- Questions on the impact of the COVID-19 pandemic and access to emergency funding programs
- Optional “module” questions on the impact of natural disasters and workforce/networks (about 80 percent of respondents replied to the module questions)

SMALL BUSINESS CREDIT SURVEY



Small business owners help inform decisions that will impact the future of for-profit small businesses like yours.

- Did your business seek financing such as loans or lines of credit in the last 12 months?
- How would you rate the financial condition of your business?
- What effect is the COVID-19 pandemic currently having on your business?

[Take the Federal Reserve's 10-minute survey now – click here or use the QR code.](#)



The annual survey is open to all for-profit businesses with fewer than 500 employees. The survey closes November 19, 2021.

Learn more: fedsmallbusiness.org



FEDERAL RESERVE BANKS

Atlanta • Boston • Chicago • Cleveland • Dallas • Kansas City • Minneapolis
New York • Philadelphia • Richmond • St. Louis • San Francisco

For More Information

- More information on the SBCS is available at www.fedsmallbusiness.org.
 - Web content includes reports from 2016 through the present, as well as the questionnaires and aggregated data files.
- Three reports from the 2020 SBCS have been released:
 - [Small Business Credit Survey 2021 Report on Employer Firms](#) (February 2021)
 - [Small Business Credit Survey 2021 Report on Firms Owned by People of Color](#) (April 2021)
 - [Small Business Credit Survey 2021 Report on Nonemployer Firms](#) (August 2021)

Join the San Francisco Fed on October 14 to explore ways to make our financial system more inclusive and the role the Federal Reserve can play in expanding access to small business credit for low-income communities and communities of color: <https://www.frbsfevents.org/zPVd2M>.

Accion Opportunity Fund



Joshua Miller
Vice President of Policy and Research





How We Support Small Business Owners

FINANCING



BUSINESS ADVISING



ADVOCACY





The Problem

Small businesses lack access to affordable capital.

- Seventy percent of all firms apply for less than \$100,000 in financing.
- Every day, banks decline 8,000 small dollar loan applications, creating an

\$87 billion gap

in responsible capital for small businesses.



The Problem (continued)

Inequality drives worse financial outcomes for women and people of color.

Half

Half of Latinx entrepreneurs rely solely on personal capital, including credit cards, to finance their businesses.

23%

Only 23 percent of Black-owned firms receive bank financing, compared with 46 percent of White-owned firms.

Credit

Due to a lack of credit history, immigrant entrepreneurs face significant barriers accessing working capital.

4%

Women receive only 4 percent of the total dollar value of all small business loans.



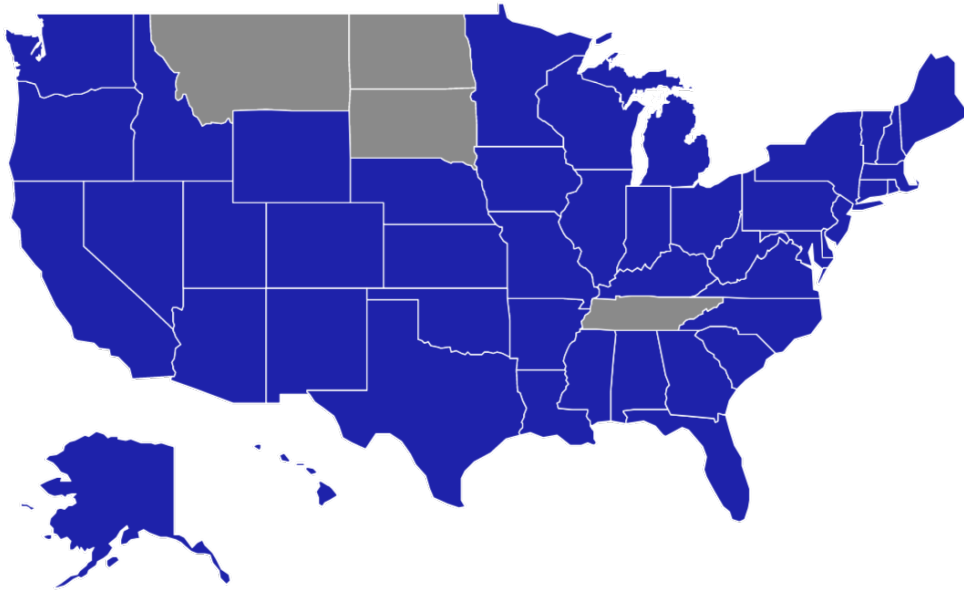
Our Solution

Nearly 90 percent of our clients are women, people of color, and immigrants.

When they thrive, we advance justice for all.



Where We Lend



Our Borrowers



● Women (37%) ● Men (63%)



● Hispanic/Latinx (43%) ● White (26%)
● Asian, Middle Eastern, or Pacific Islander (21%)
● Black (8%)
● Native American, Alaska Native, or Other (3%)

SMALL BUSINESS CREDIT SURVEY

2021 REPORT ON
NONEMPLOYER FIRMS

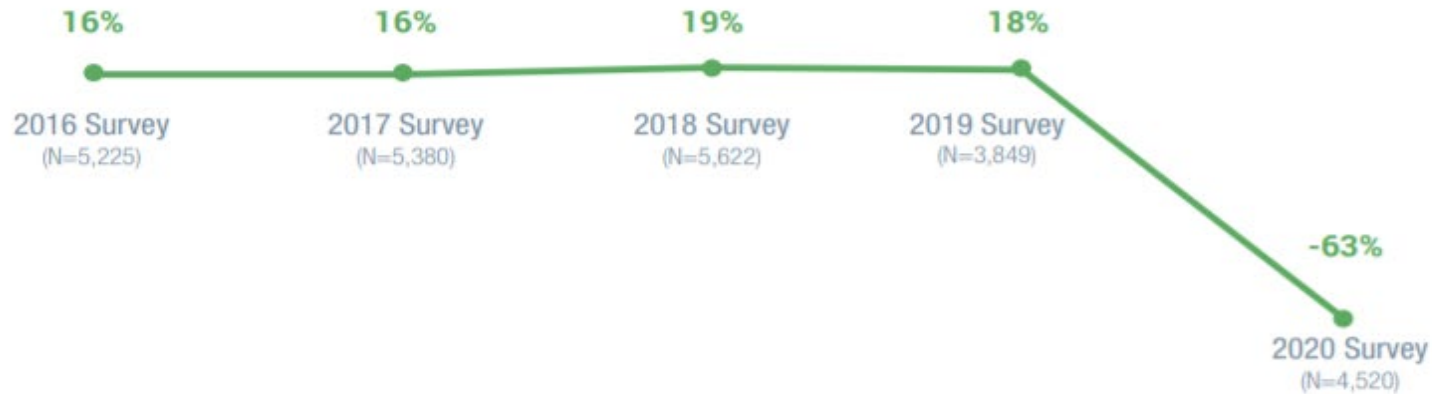


PERFORMANCE & CHALLENGES

Revenue Change and Financial Condition

A majority of nonemployer firms experienced declines in revenues during the prior 12 months.

NONEMPLOYER FIRM REVENUE PERFORMANCE INDEX, Prior 12 Months^{1,2} (% of nonemployer firms)



36% of smaller nonemployers and 23% of larger nonemployers were in poor financial condition at the time of the survey. Overall, 32% of nonemployers reported that their firm was in poor financial condition.

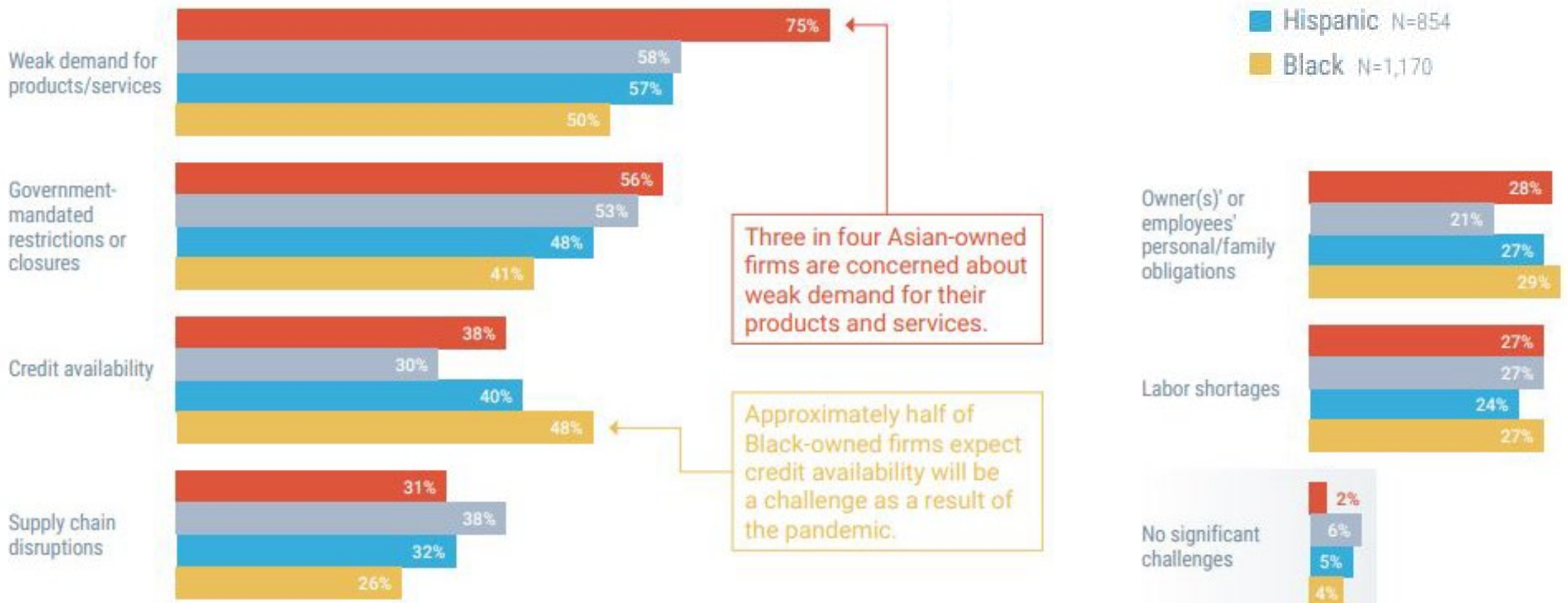
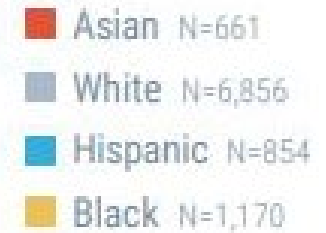
SMALL BUSINESS CREDIT SURVEY

2021 REPORT ON
FIRMS OWNED BY
PEOPLE OF COLOR



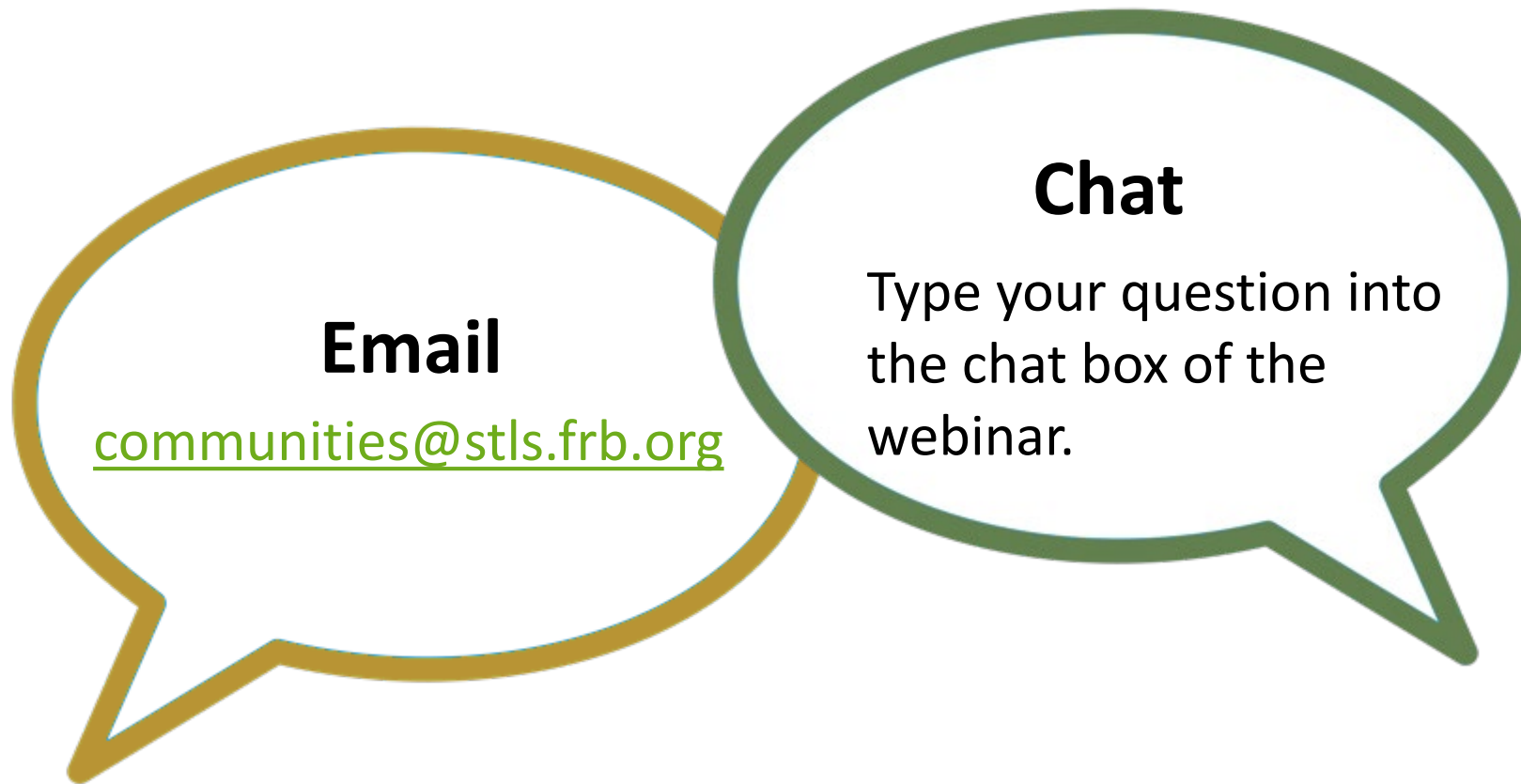
Challenges Firms Expect to Face as a Result of the Pandemic, Next 12 Months

(% of employer firms)





Questions



Next Steps

- All session materials are available on our website, and in the next few days, we will post an audio file of today's session.
- If you have topical suggestions for future sessions, or any questions about this program, please feel free to contact us at communities@stls.frb.org.
- Information about future sessions will be posted on our website, along with archived materials from past sessions: <https://bsr.stlouisfed.org/connectingcommunities>.