

Amplifying Small Business Voices: New Findings from the Small Business Credit Survey

April 13, 2023
3:00 to 4:00 PM ET



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They do not necessarily represent the views of
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Today's Moderator



Emily Wavering Corcoran, SBCS Program Manager
Federal Reserve Bank of Cleveland



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About the SBCS

- The Small Business Credit Survey (SBCS) is an annual online survey administered through a collaboration of the 12 Reserve Banks
- The 2022 survey was administered from **September 8** to **November 18**, gathering responses from nearly 14,000 small businesses across the country
- Nearly 8,000 employer firms responded to the 2022 survey
- Today's presentation shares findings from the [2023 Report on Employer Firms: Findings from the 2022 Small Business Credit Survey](#)



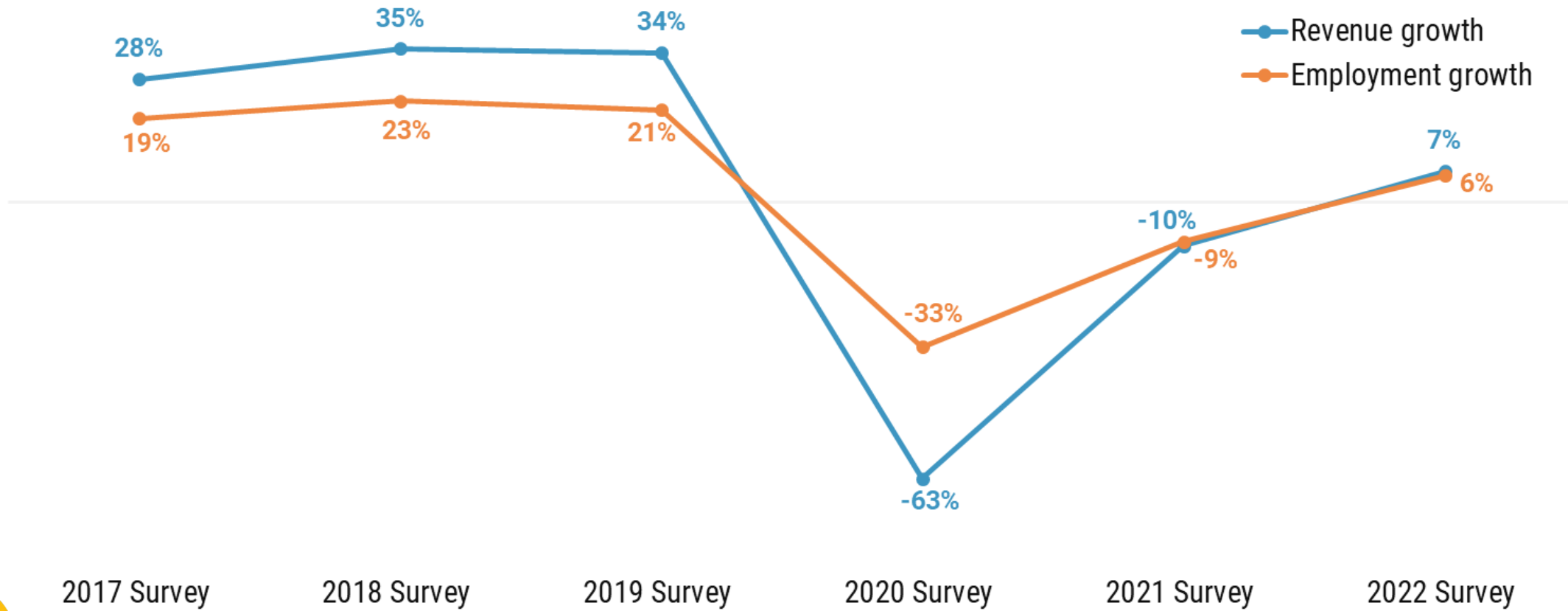
Key findings for employer firms

- Revenue, employment, and profitability each improved from 2021, but expectations worsened year-over-year
- Almost every firm in the survey experienced at least one operational or financial challenge in the prior 12 months.
- When asked about funding sources used over the past five years, firms were more likely to use personal and government sources than funding from financial institutions.
- The application rate for traditional financing rebounded to pre-pandemic levels. The share of firms fully approved increased from 2021 but remains lower than in 2019



Firm performance improved in 2022, but revenue and employment growth remain below prepandemic levels

EMPLOYER FIRM PERFORMANCE INDEX, Prior 12 Months (% of employer firms)



Firm profitability improved year-over-year across firm size categories

SHARE OF FIRMS OPERATING PROFITABLY, By Survey Year

(% of employer firms)

- 2021 Survey (profitability at the end of 2020)
- 2022 Survey (profitability at the end of 2021)

All employer firms

35% → 45%

By firm revenue size

≤\$100K

13% → 21%

\$100K–\$1M

34% → 44%

\$1M–\$10M

52% → 63%

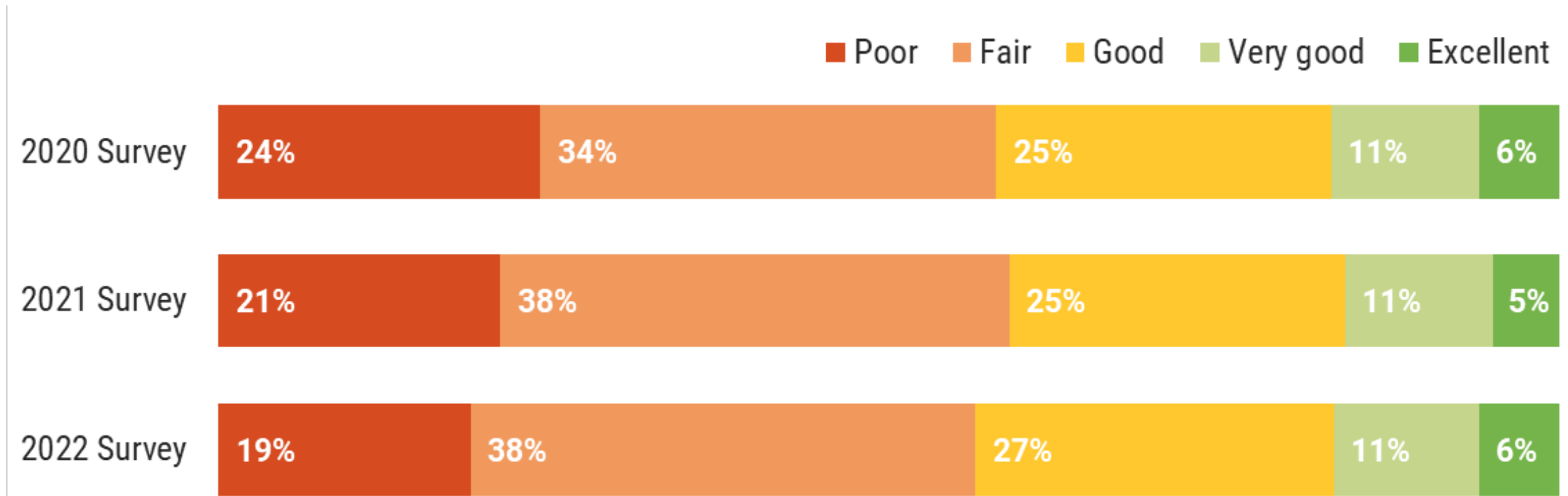
>\$10M

77% → 83%



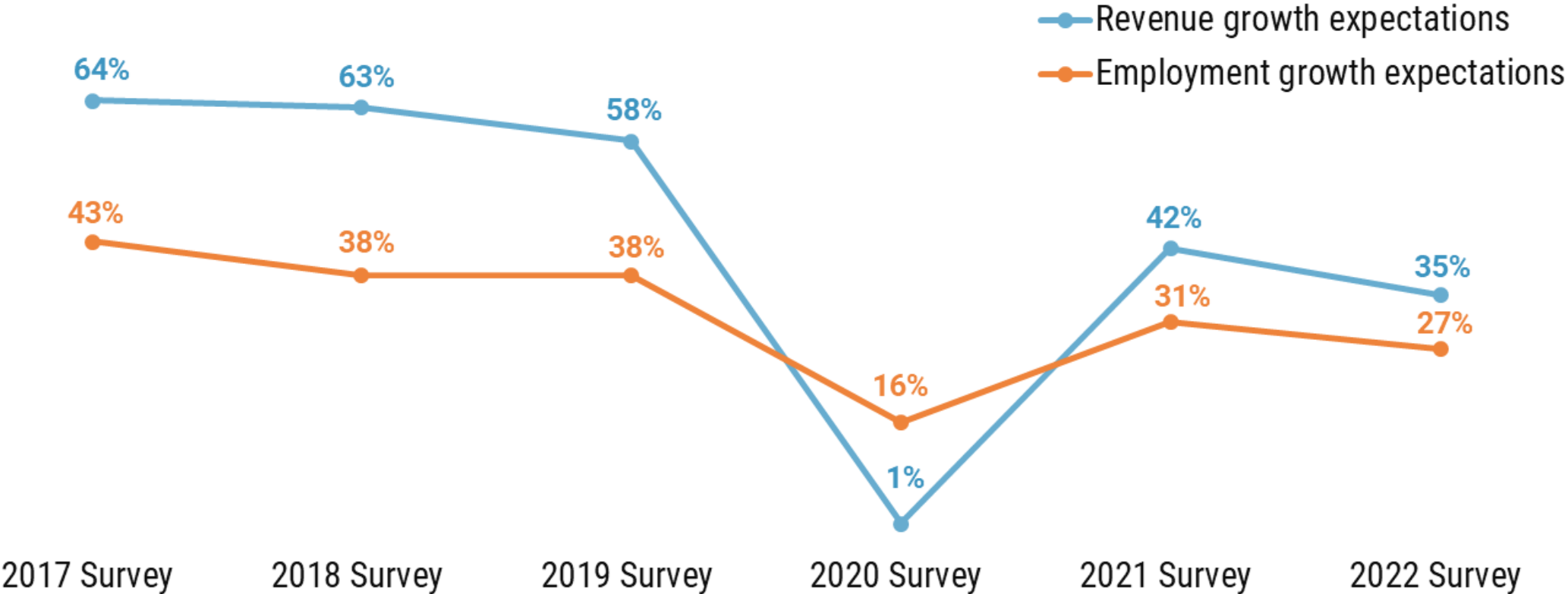
Firms' self-reported financial condition remains little-changed

FINANCIAL CONDITION, At Time of Survey (% of employer firms)



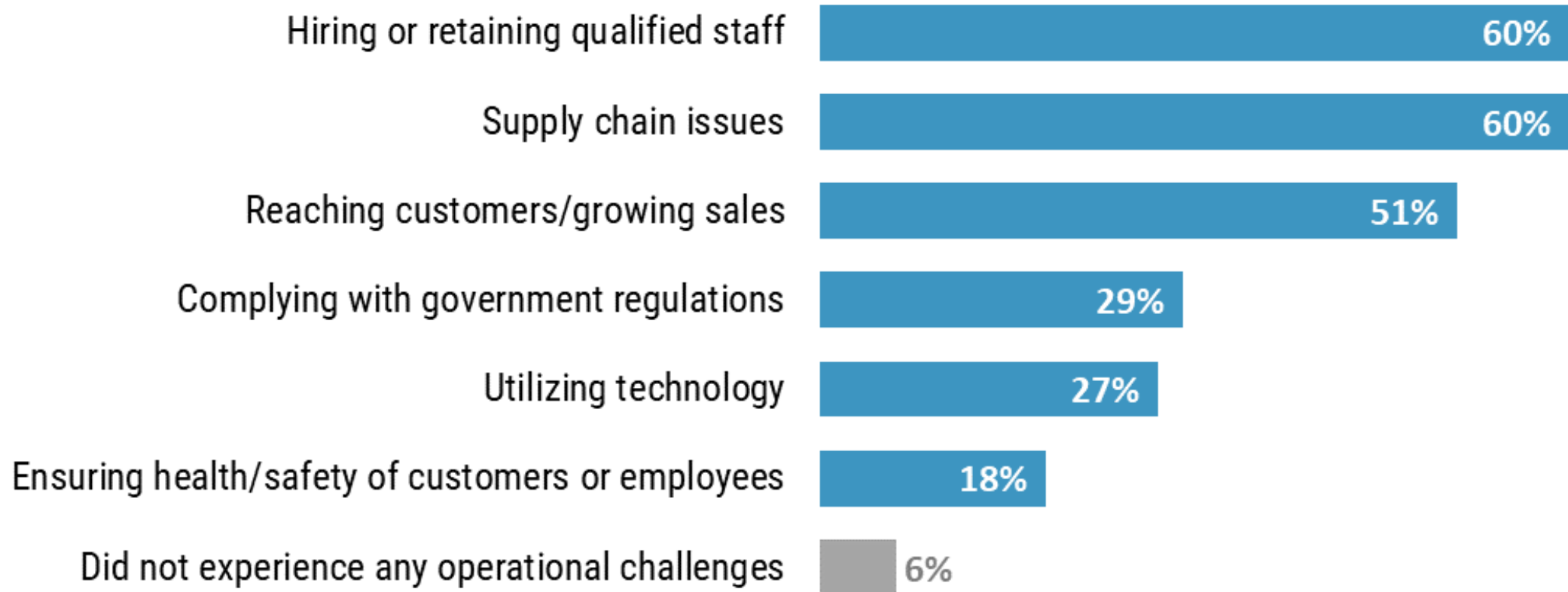
Revenue and employment growth expectations declined from last year's survey and remain lower than prepandemic levels

EMPLOYER FIRMS EXPECTATIONS INDEX, Next 12 Months (% of employer firms)



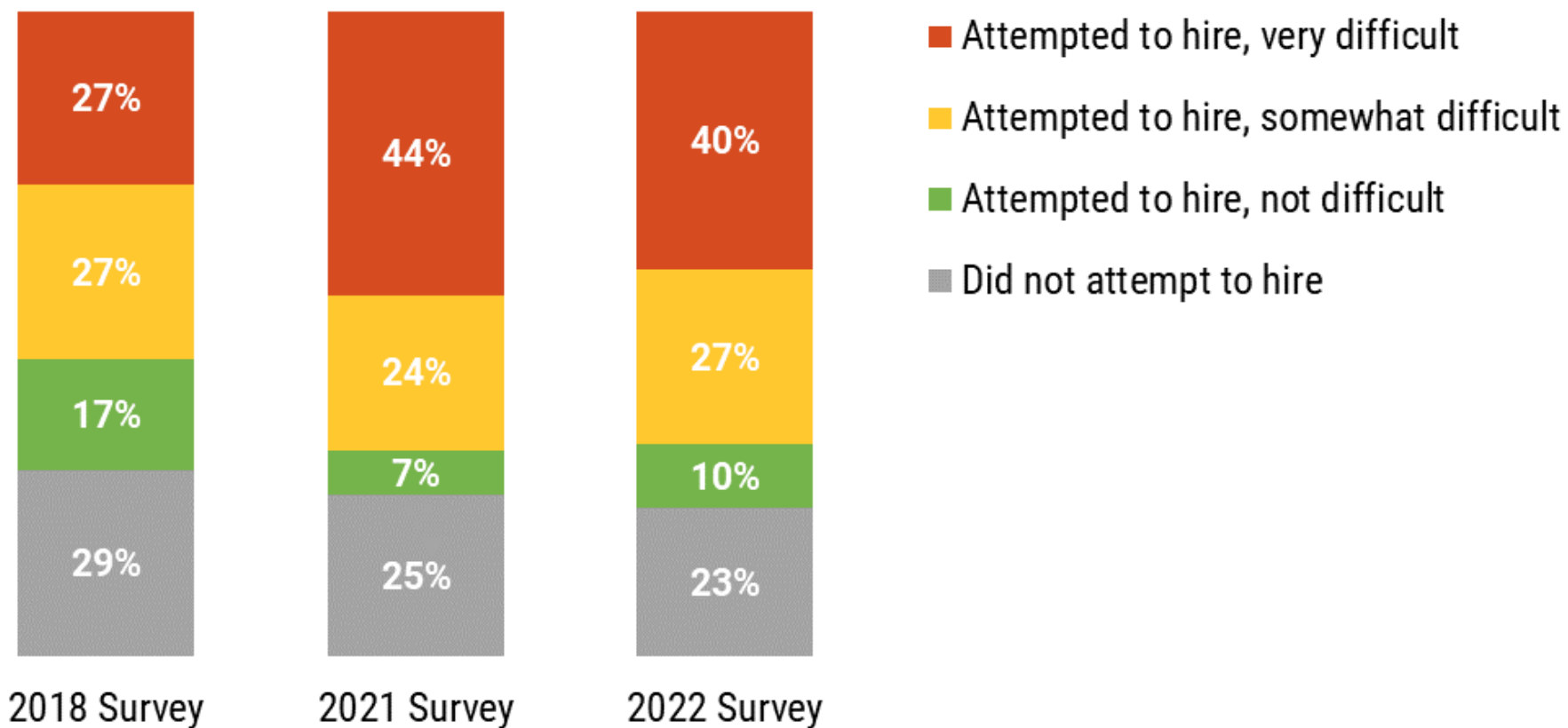
Firms' most common operational challenges were hiring or retaining workers and supply chain disruptions

OPERATIONAL CHALLENGES, *Prior 12 Months* (% of employer firms)



While firms were about as likely to attempt to hire in 2022 as in 2021, a smaller share said hiring new workers was very difficult

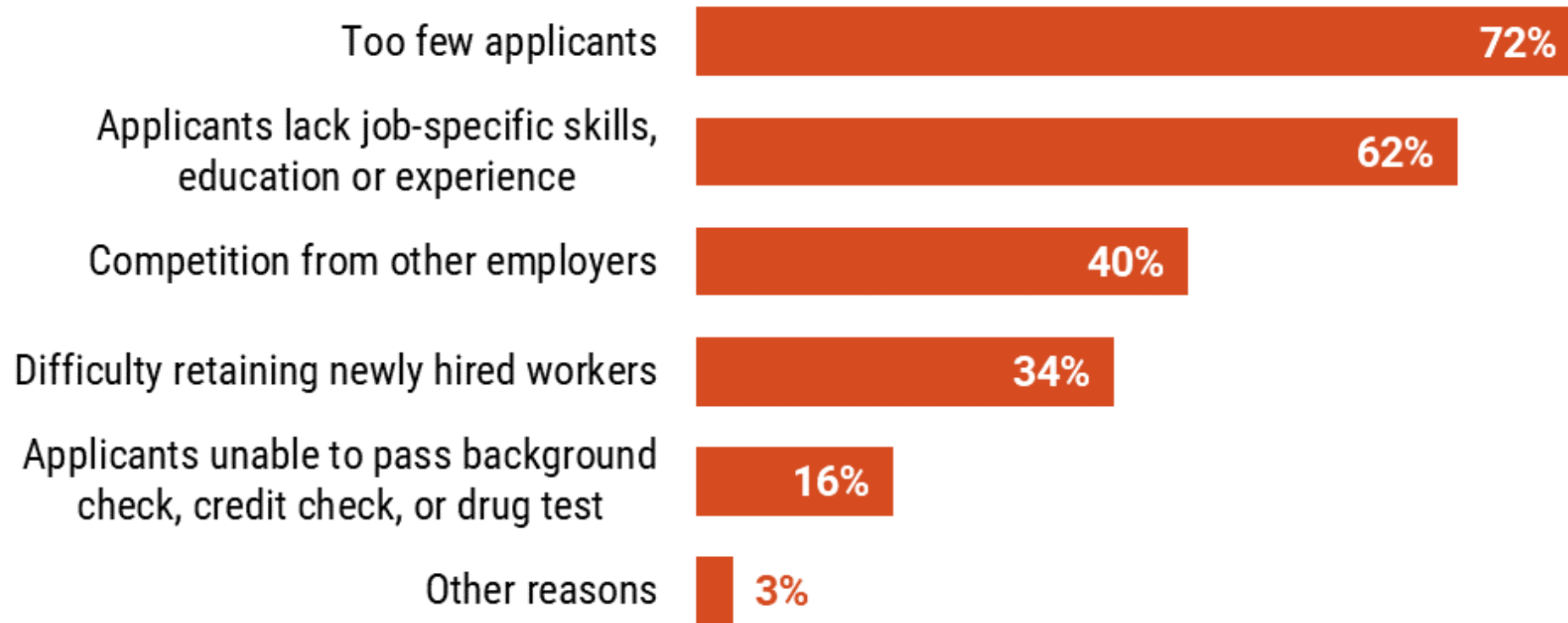
DIFFICULTY HIRING NEW WORKERS, Prior 12 Months, By Survey Year (% of employer firms)



Among firms facing hiring challenges, they most frequently cited reasons related to attracting applicants for open jobs

REASONS FOR DIFFICULTY HIRING WORKERS, 2022 Survey

(% of employer firms reporting that hiring workers was very or somewhat difficult)



Larger firms were more likely than smaller firms to increase wages in response to hiring challenges

SHARE OF FIRMS THAT RAISED WAGES IN RESPONSE TO DIFFICULTIES HIRING OR RETAINING WORKERS, Prior 12 Months (% of employer firms reporting that hiring or retaining workers was very or somewhat difficult)

● 2021 Survey
● 2022 Survey

All employer firms



By firm revenue size

1-4 employees



5-49 employees



50-499 employees



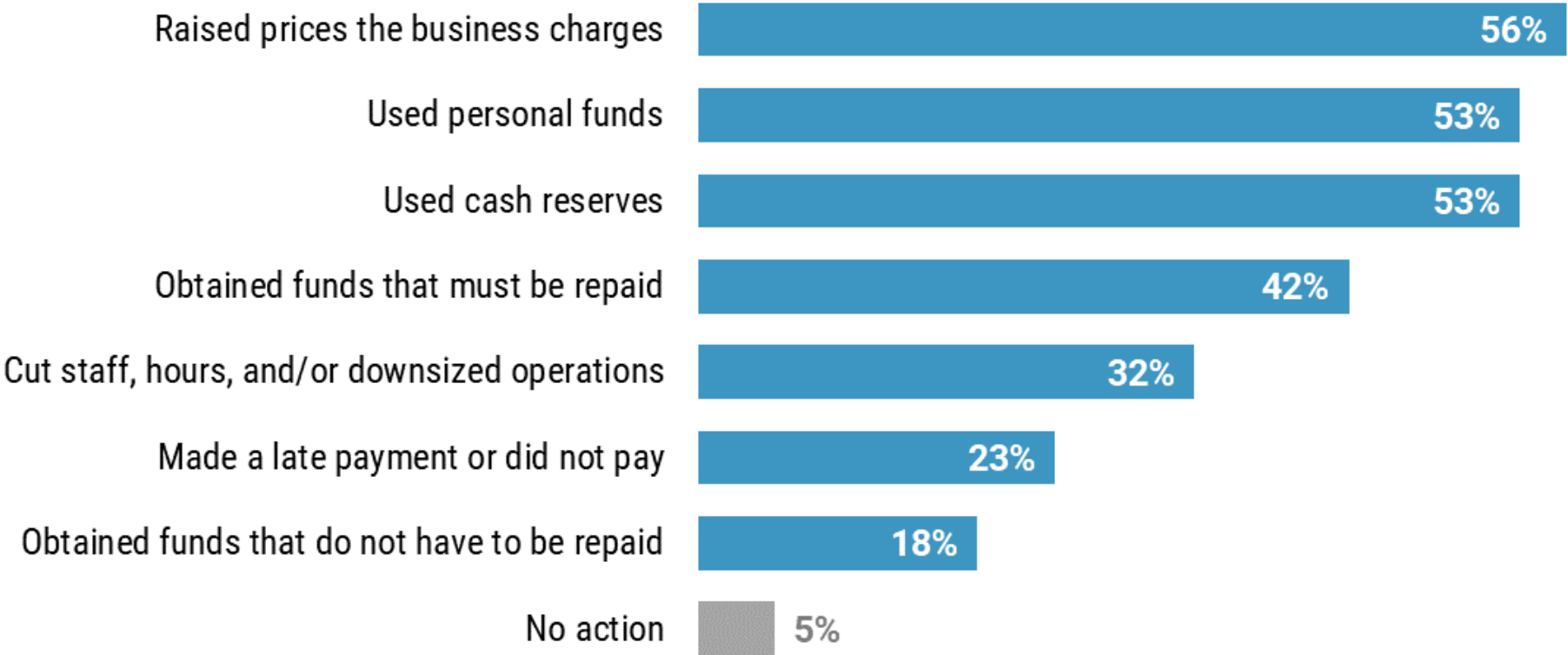
Rising costs of goods, services, and wages were the most commonly reported financial challenge

FINANCIAL CHALLENGES, *Prior 12 Months* (% of employer firms)



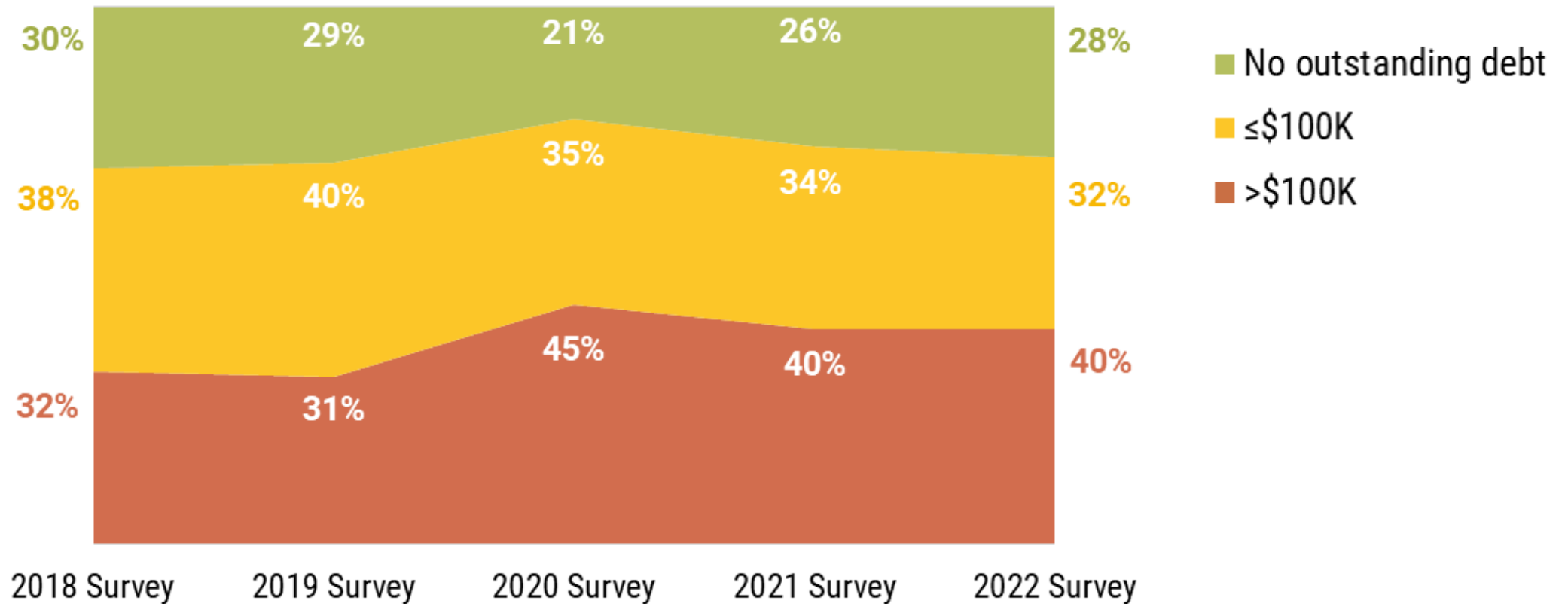
In response to financial challenges, firms most often raised the prices their business charges

ACTIONS TAKEN IN RESPONSE TO FINANCIAL CHALLENGES, *Prior 12 Months*
(% of employer firms with financial challenges)



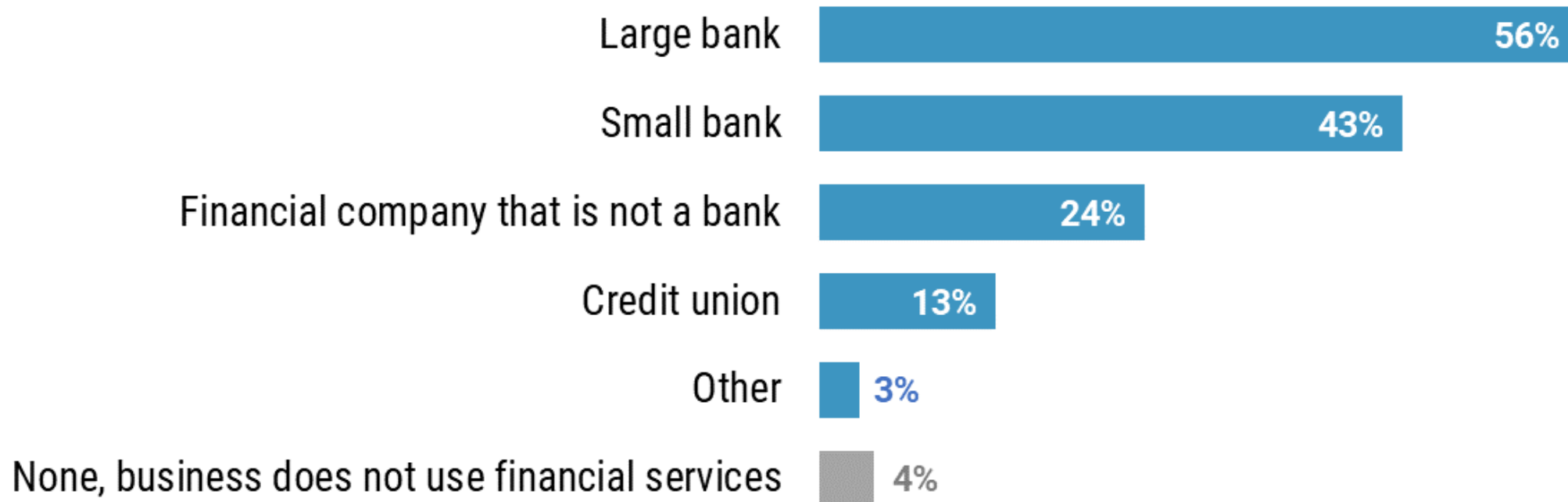
The share of firms holding larger amounts of debt—more than \$100K— remains higher than prepandemic levels

AMOUNT OF OUTSTANDING DEBT, At Time of Survey, By Survey Year (% of employer firms)



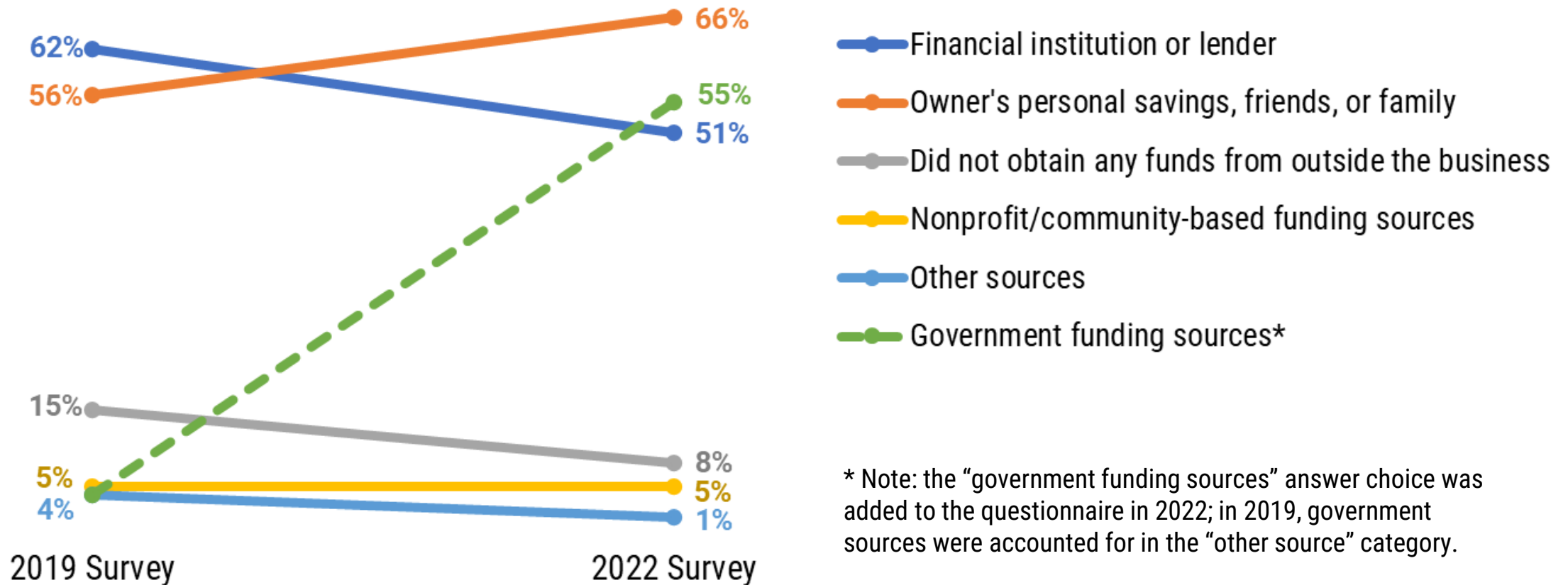
Banks are small firms' most common financial services providers

USE OF FINANCIAL SERVICES PROVIDERS (% of employer firms)

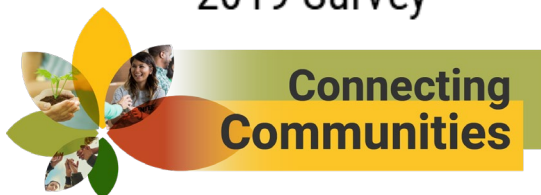


Reliance on personal sources and government funding has increased since 2019

SOURCES OF FUNDING, Past Five Years, By Survey Year (% of employer firms)



* Note: the “government funding sources” answer choice was added to the questionnaire in 2022; in 2019, government sources were accounted for in the “other source” category.



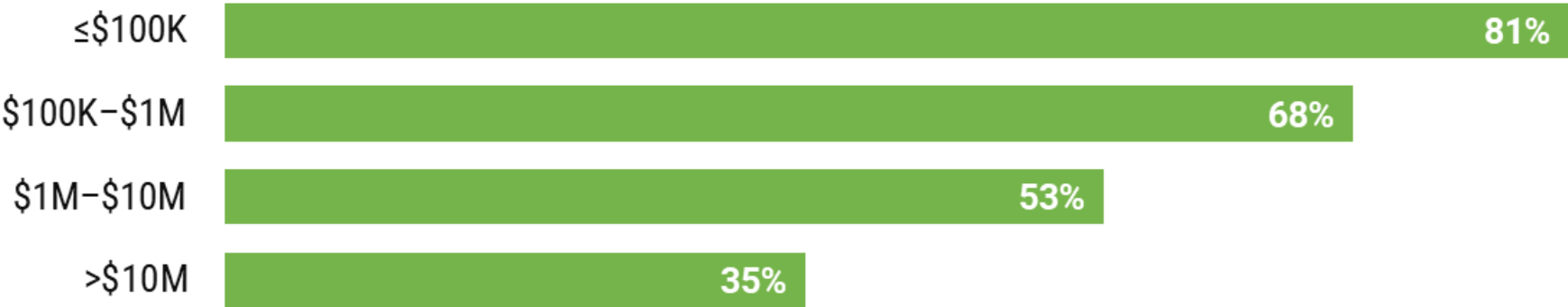
Younger and smaller firms were more likely than older and larger firms to rely on funds from personal sources

SHARE OF FIRMS THAT RELIED ON FUNDS FROM THE OWNER'S PERSONAL SAVINGS, FRIENDS, OR FAMILY IN PAST FIVE YEARS, 2022 Survey (% of employer firms)

By age of firm

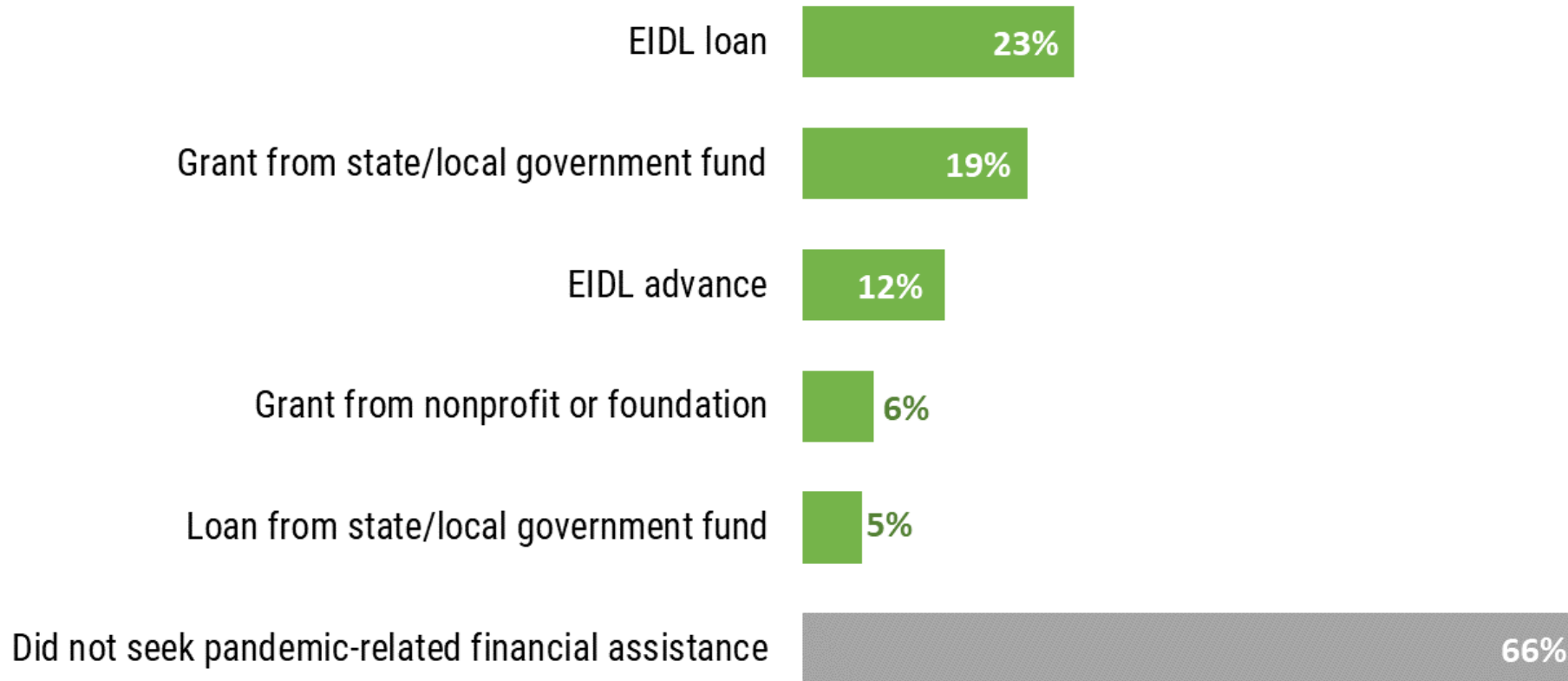


By revenue size of firm



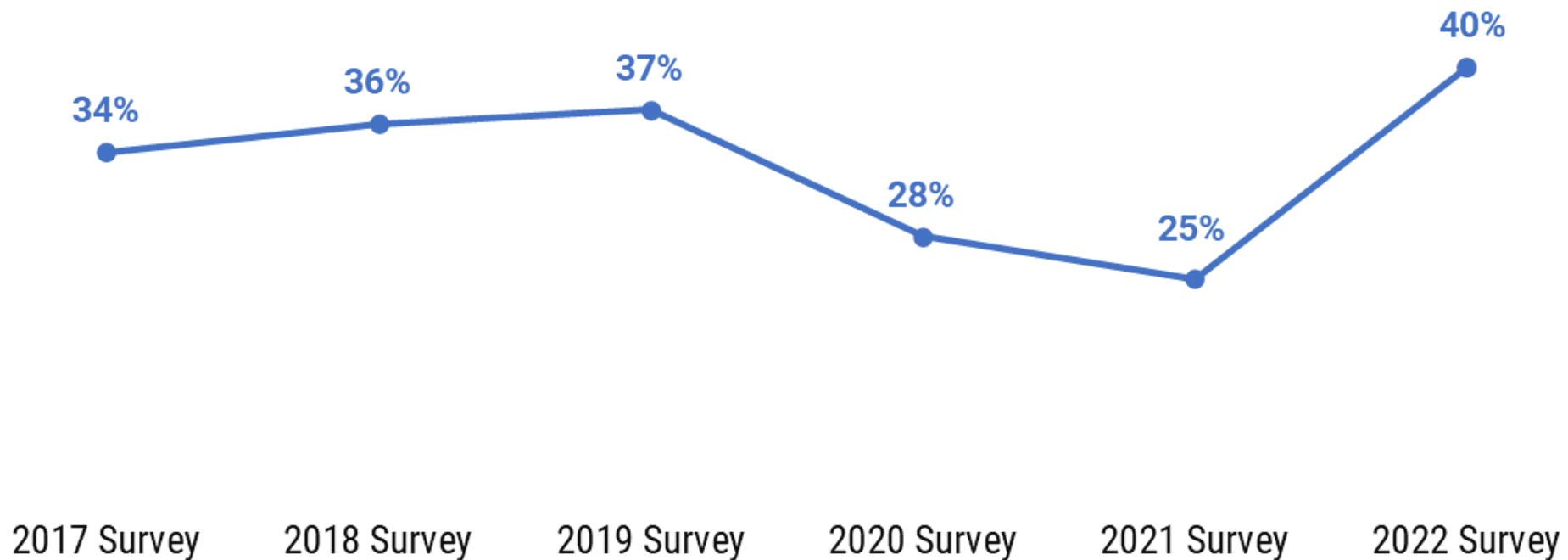
Loans from the SBA's EIDL program were the most common type of financial assistance sought in the prior 12 months

TYPES OF FINANCIAL ASSISTANCE SOUGHT, *Prior 12 Months* (% of employer firms)



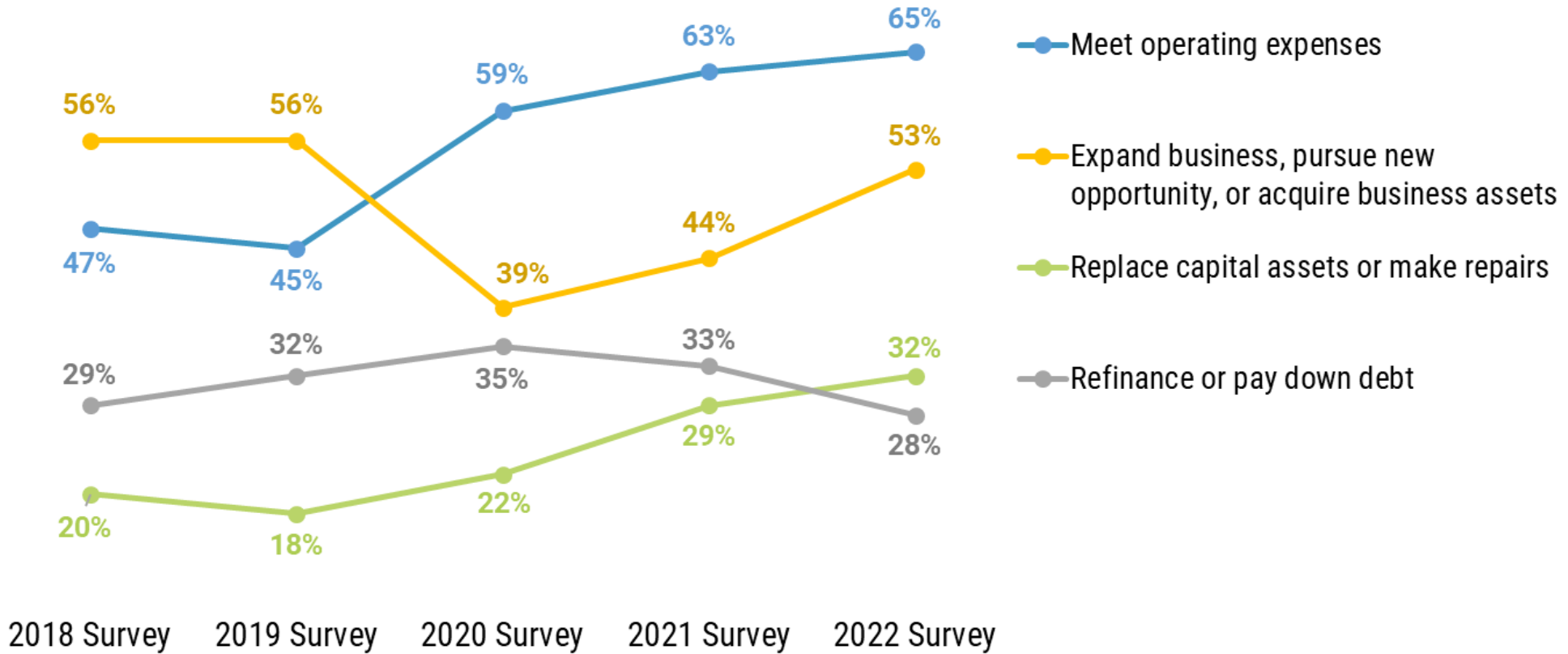
In 2022, applications for the most common types of traditional financing—loans, lines of credit, and cash advances—rose above prepandemic levels

SHARE OF FIRMS THAT APPLIED FOR LOANS, LINES OF CREDIT, OR CASH ADVANCES,
Prior 12 Months, By Survey Year (% of employer firms)



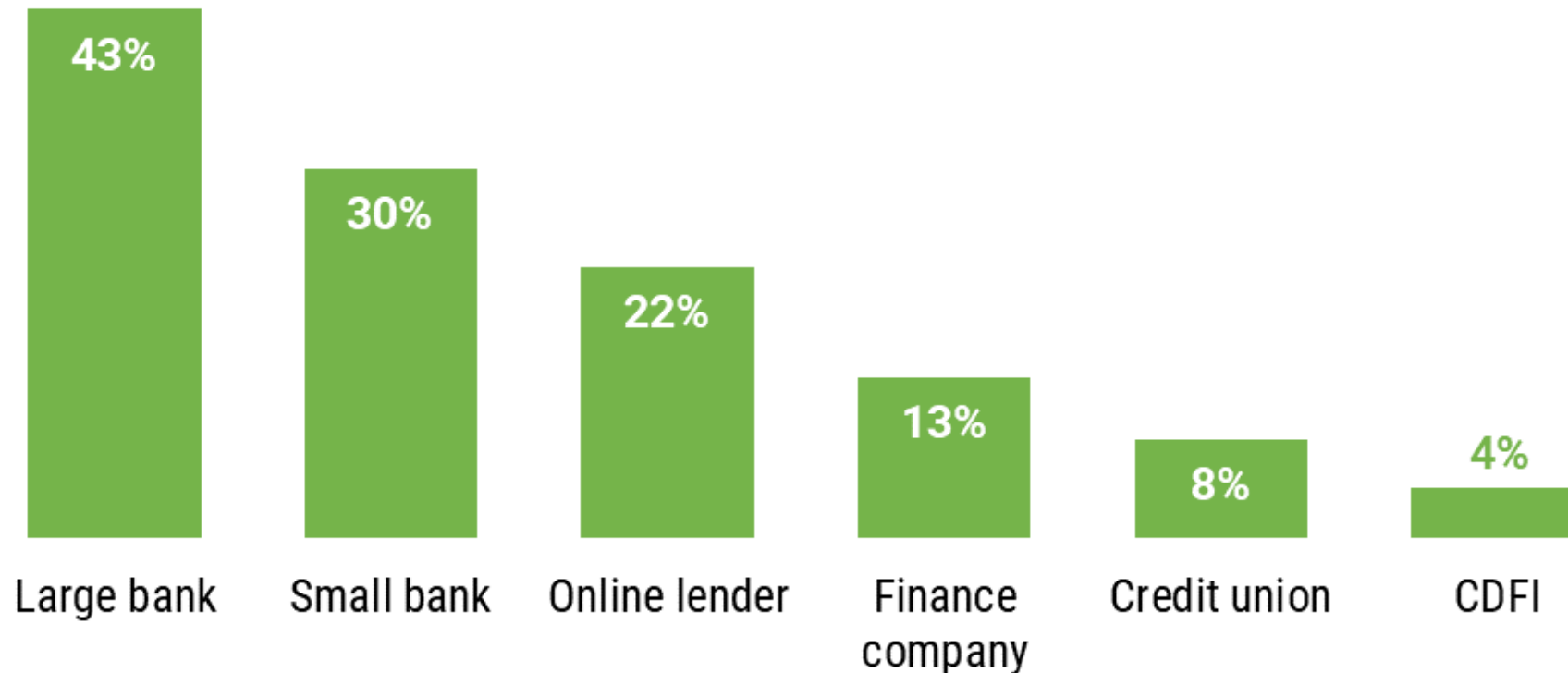
The top reason firms applied for financing was to cover their operating expenses

REASONS FOR APPLYING, Prior 12 Months, By Survey Year (% of loan, line of credit, and cash advance applicants)












Firms most often turned to large and small banks when applying for financing

CREDIT SOURCES APPLIED TO, Prior 12 Months (% of loan, line of credit, and cash advance applicants)



The top factors influencing where firms applied were existing relationships and the expected speed of funding

TOP FACTORS INFLUENCING WHERE FIRMS APPLY (% of loan, line of credit, and cash advance applicants at source)

	Largest factor	Second largest factor	Third largest factor
Large bank	 63%	 29%	 25%
Small bank	 67%	 34%	 30%
Online lender	 55%	 48%	 46%



Existing relationship with lender



Chance of being funded



Cost or interest rate



Speed of decision or funding

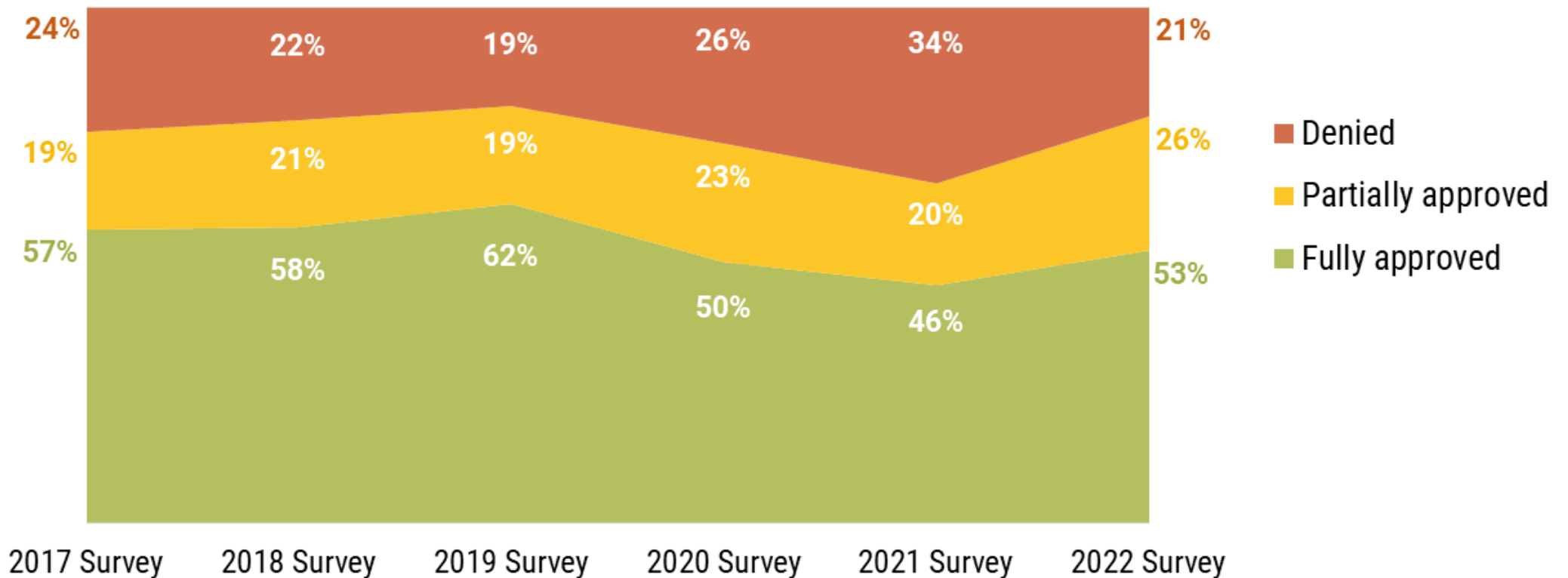


No collateral was required



Approval rates improved year-over-year, but the share fully approved remains below prepandemic levels

OUTCOMES FOR LOAN, LINE OF CREDIT, OR CASH ADVANCE APPLICANTS, Prior 12 Months, By Survey Year
(% of loan, line of credit, and cash advance applicants)



Applicant firms owned by people of color were less likely to be approved than white-owned applicant firms

SHARE OF APPLICANTS THAT WERE FULLY APPROVED, *By Survey Year*

(% of loan, line of credit, and cash advance applicants)

● 2019 Survey

● 2022 Survey

By race/ethnicity of the owner(s)

White 58% ← 66%

Hispanic 38% ← 46%

Asian 33% ← 46%

Black 20% ← 34%



Applicants that sought financing at a small bank were more likely than other applicants to be approved

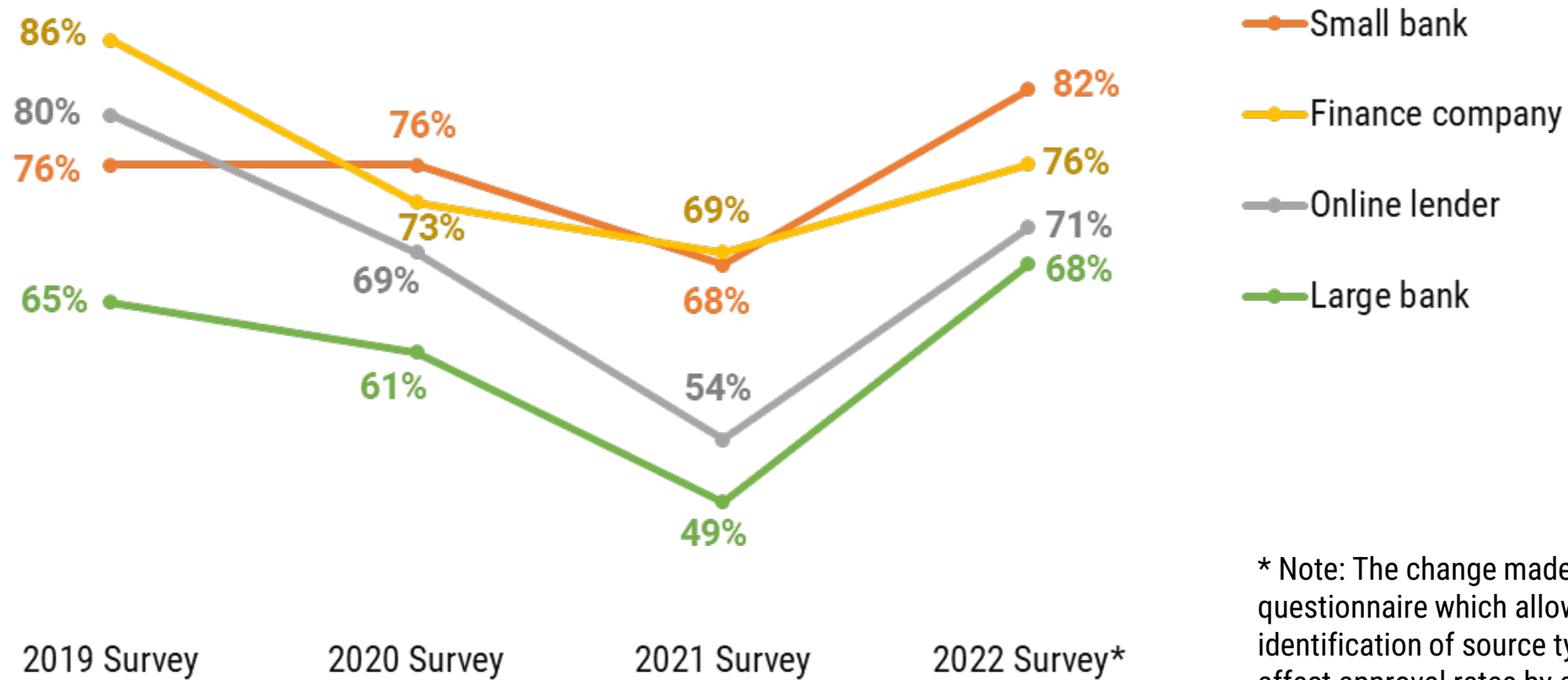
SHARE OF APPLICANTS AT LEAST PARTIALLY APPROVED

(% of loan, line of credit, and cash advance applicants at source)



Approval rates increased in 2022 across sources

SHARE OF APPLICANTS AT LEAST PARTIALLY APPROVED BY SOURCE, *By Survey Year*
(% of loan, line of credit, and cash advance applicants at source)



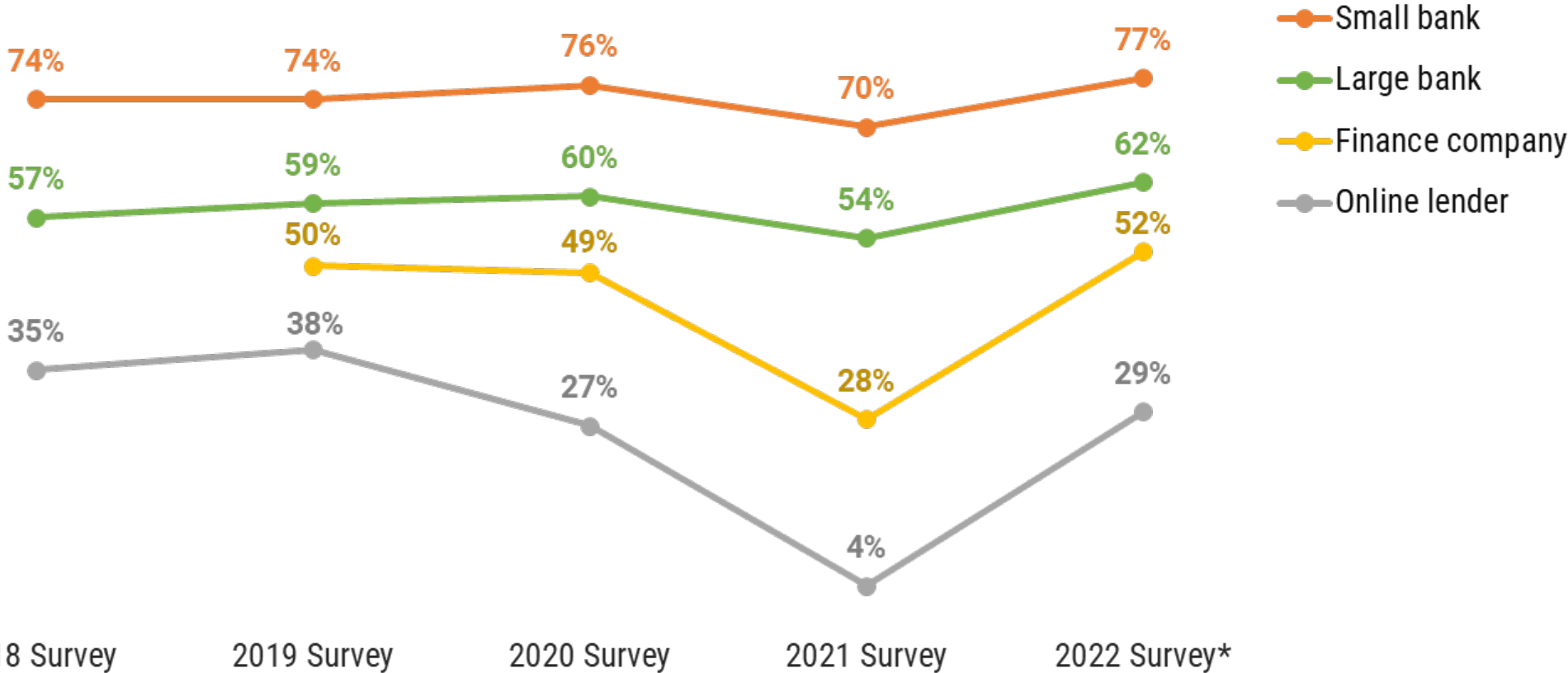
* Note: The change made to the 2022 questionnaire which allowed more precise identification of source types did not materially affect approval rates by source.



Satisfaction levels rose across sources in 2022

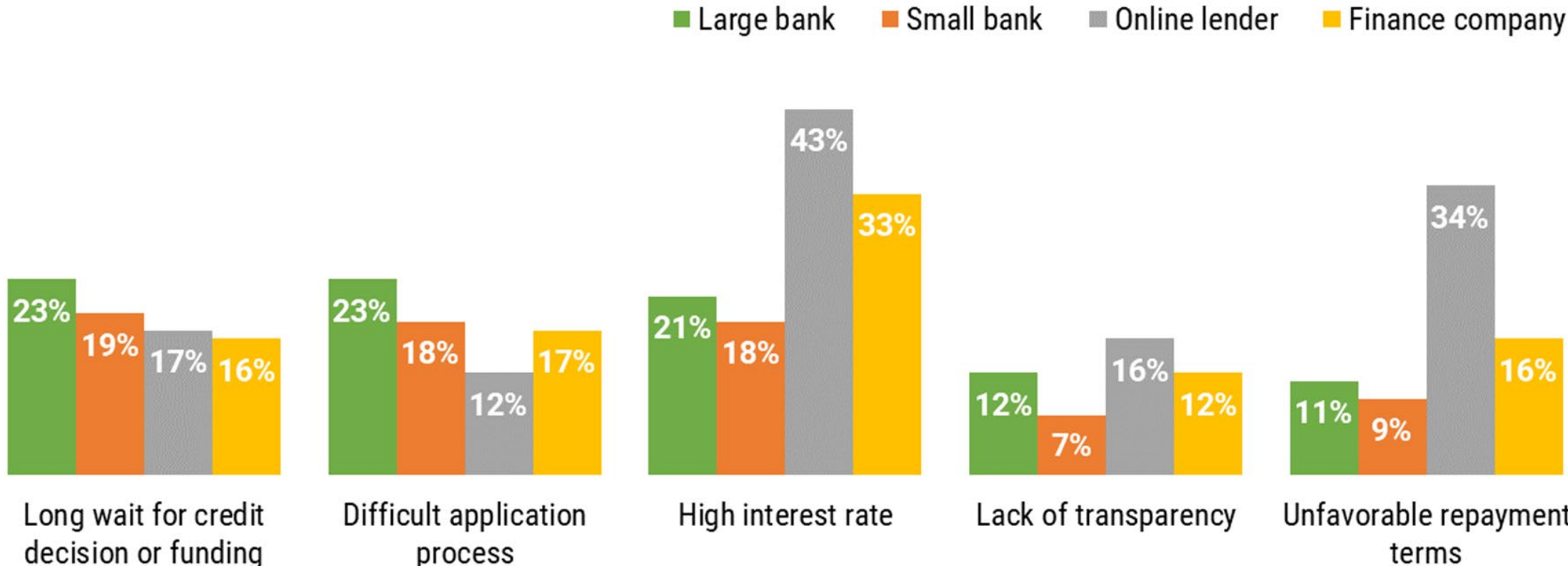
NET SATISFACTION, By Survey Year

(% of loan, line of credit, and cash advance applicants approved for at least some financing at source)



Online lender applicants experienced challenges with interest rates and unfavorable repayment terms

CHALLENGES WITH LENDERS, *Select Lenders* (% of loan, line of credit, and cash advance applicants at source)



For more information

- The *2023 Report on Employer Firms: Findings from the 2022 Small Business Credit Survey*, as well as detailed appendix data for firm demographics and the 2022 questionnaire are available at <https://www.fedsmallbusiness.org/survey>
 - Prior years' reports are also available
- Forthcoming analysis from the 2022 SBCS will include reports on nonemployer firms and firms owned by people of color
- The 2023 survey will be fielded this fall; organizations that are interested in partnering on the distribution of the survey should contact their Federal Reserve District or visit <https://www.fedsmallbusiness.org/partnership>



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Panel Discussion and Q & A



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