

Unlocking the Voice of Small Businesses: New Insights from the 2025 Small Business Credit Survey

April 9, 2026
3:00 to 4:00 PM ET



Today's moderator



Sergio Galeano

Community and Economic Development Advisor
Federal Reserve Bank of Atlanta



Today's presenters



Hal Martin
Economist & SBCS
Director

Federal Reserve Bank of
Cleveland



AnnMarie Wiersch
Principal & Senior
Policy Advisor

Federal Reserve Bank
of Cleveland



Allison Clark
SBCS Project
Manager

Federal Reserve Bank
of Cleveland

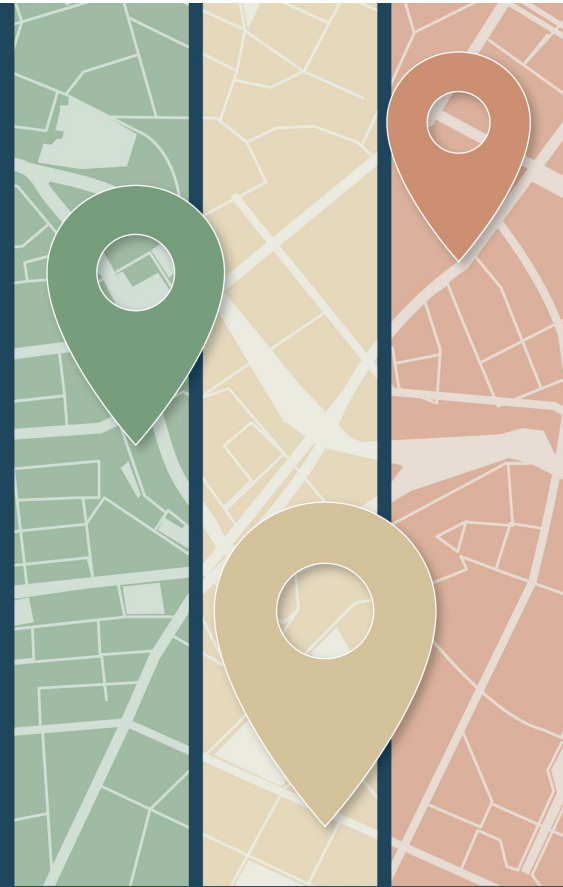


Housekeeping items

- Views expressed during this session are those of the speakers and are intended for informational purposes. They do not necessarily represent the views of Fed Communities or the Federal Reserve System.
- Microphones and the chat have been disabled. Please use the Q&A chat feature to submit questions.
- Engage with us on social media using the hashtag [#connectingcommunities](#).
- Visit fedcommunities.org for articles, resources, and data from the Federal Reserve System.
- This session, including the presentation, video, and podcast will be available on fedcommunities.org within two weeks of today's event.



2026 Report on Employer Firms: Findings from the 2025 Small Business Credit Survey



**Connecting
Communities**

Background on the SBCS

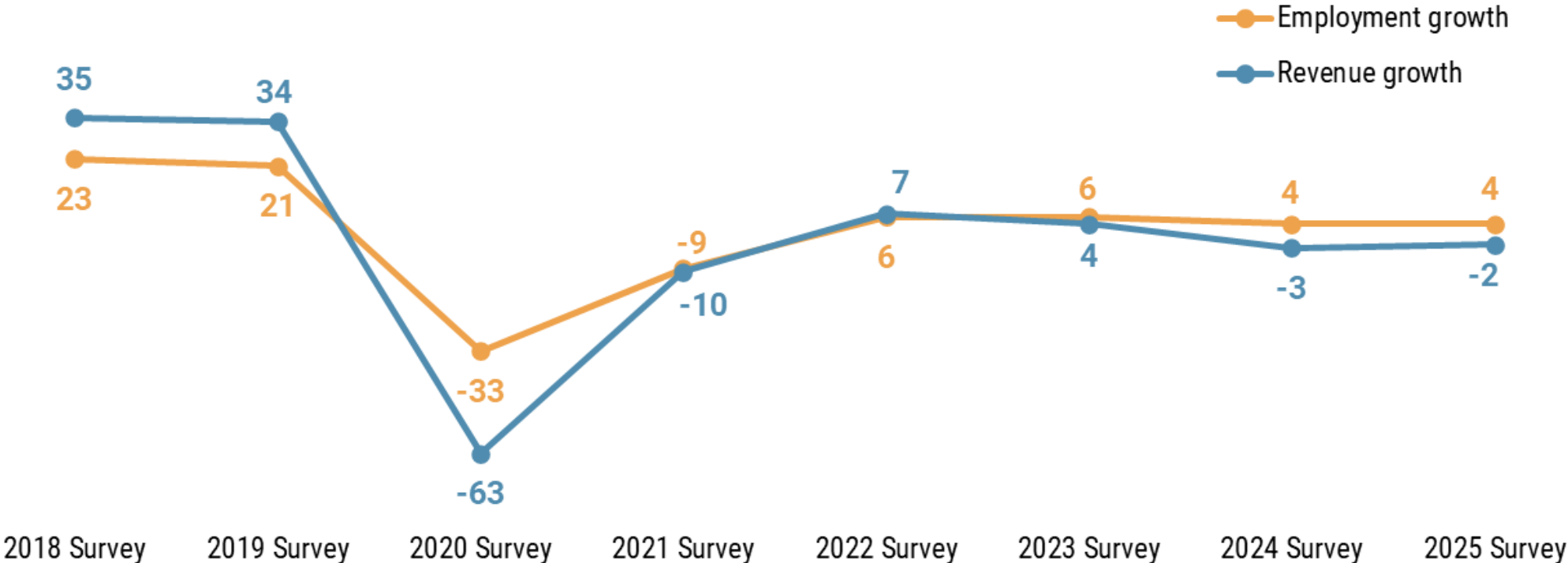
- The Small Business Credit Survey (SBCS) is an annual online survey administered through a collaboration of the 12 Reserve Banks
- The questionnaire, which focuses on business performance, financing needs, and emerging issues, is distributed to small businesses by direct email contacts and through a network of local, regional, and national nonprofit partner organizations
 - The dataset is weighted using Census Bureau data to match the distribution of firms in the SBCS sample to the distribution of small employer firms (1-499 employees) in the U.S. by age, industry, number of employees, Census Division, urban/rural location, and owners' race/ethnicity and gender
- The 2025 survey was administered from **September to November**, gathering responses from approximately 11,700 small businesses across the country
 - More than 6,500 responses were received from employer firms
 - The 2025 SBCS included special questions on customers and trade, firms' use of artificial intelligence, and natural disaster impact

Business Performance and Operations



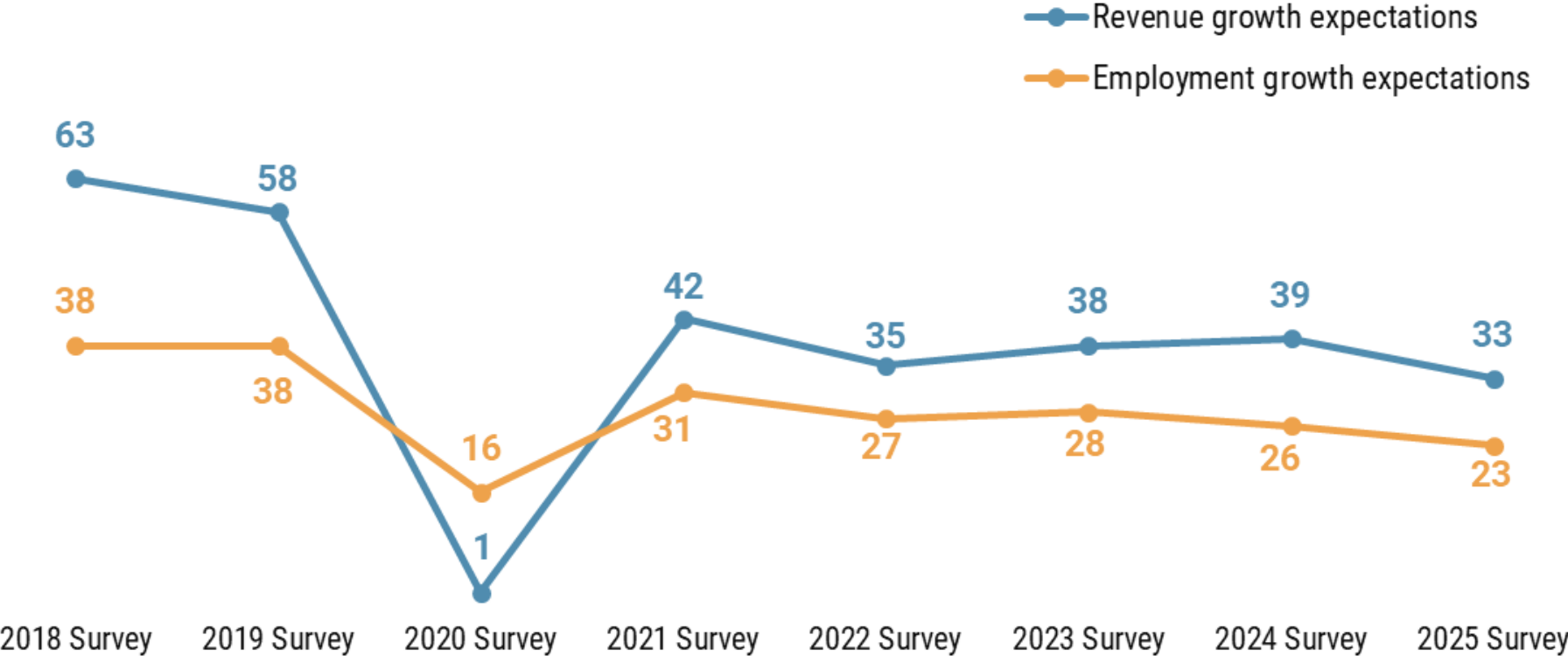
Firm performance measures have rebounded from pandemic era lows but remain below prepandemic levels

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



Revenue and employment expectations declined from the 2024 survey

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



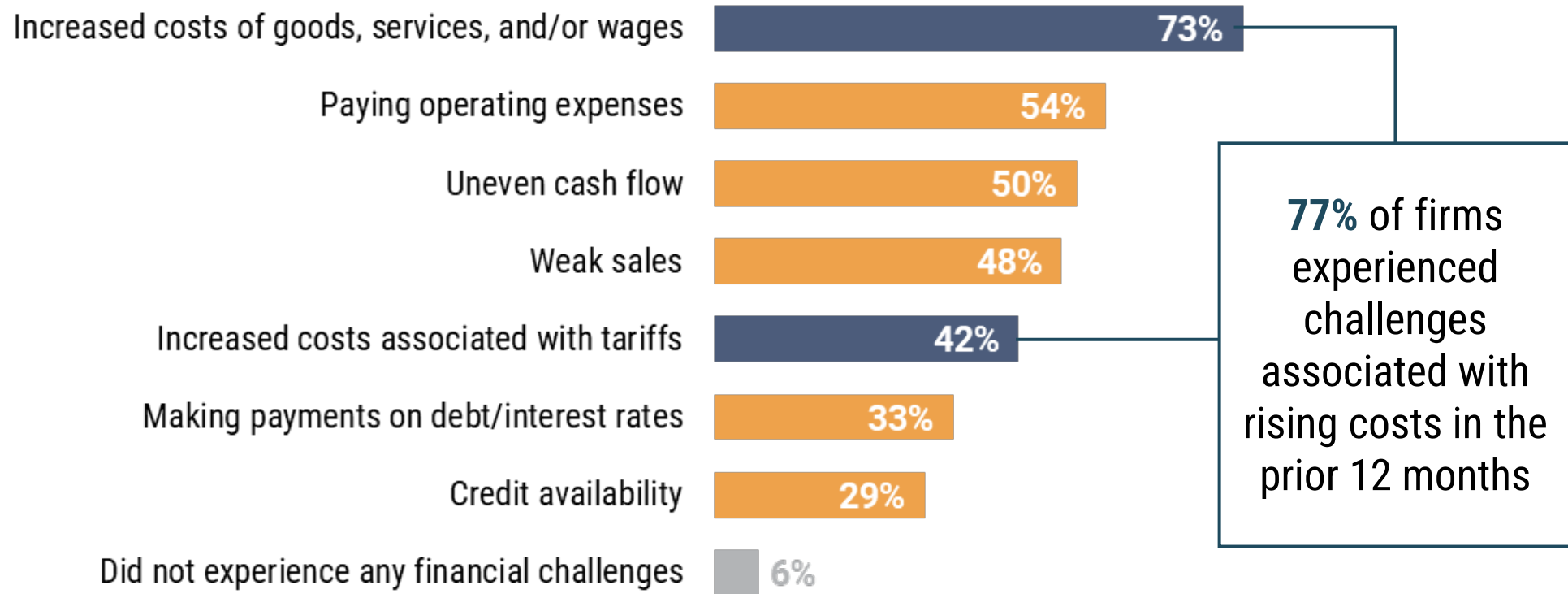
Reaching customers and growing sales was the top operational challenge

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


















Rising costs of goods, services, and wages was the most common financial challenge


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



Across industries, rising costs of goods, services, and wages were the most common financial challenge

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


	Most common financial challenge	Second most common financial challenge	Third most common financial challenge
Leisure and hospitality	 90%	 68%	 61%
Retail	 86%	 69%	 62%
Manufacturing	 80%	 62%	 57%
Healthcare and education	 70%	 67%	 56%
Professional services and real estate	 60%	 56%	 45%

 Increased costs of goods, services, and/or wages

 Paying operating expenses

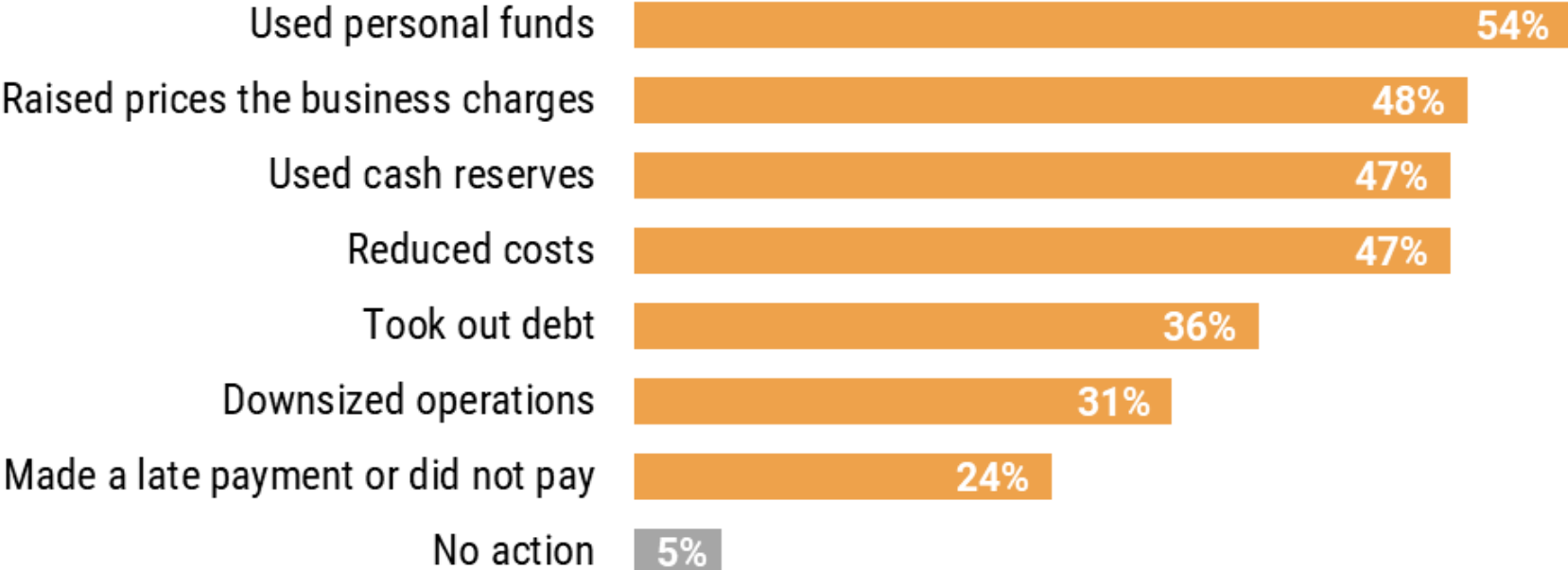
 Weak sales

 Increased costs associated with tariffs

 Uneven cash flow

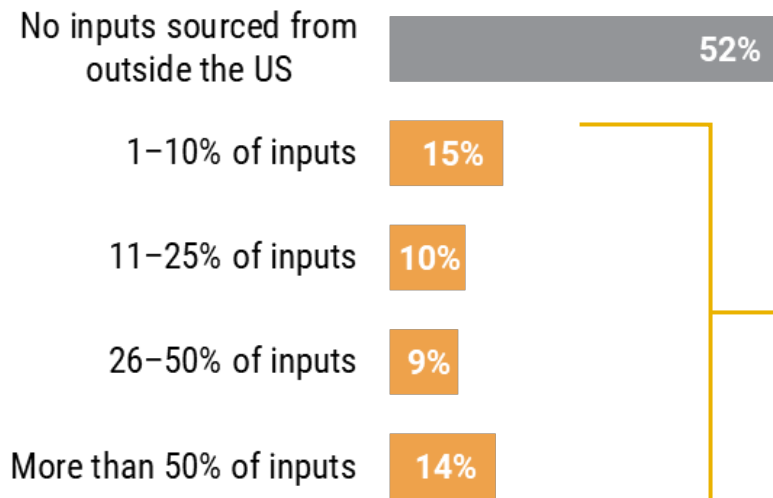
In response to financial challenges, most firms used personal funds of the owners or cash reserves

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

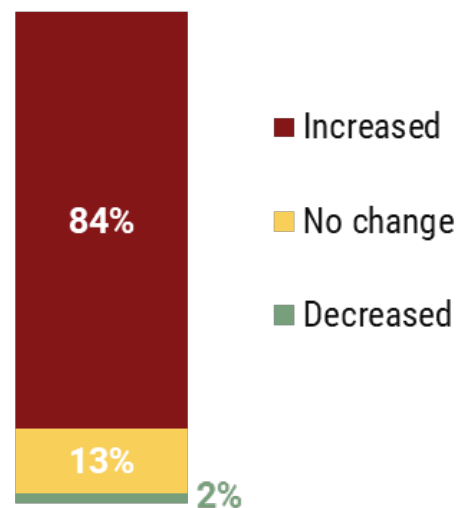


Nearly half of employer firms sourced some of their inputs from outside the US in 2024

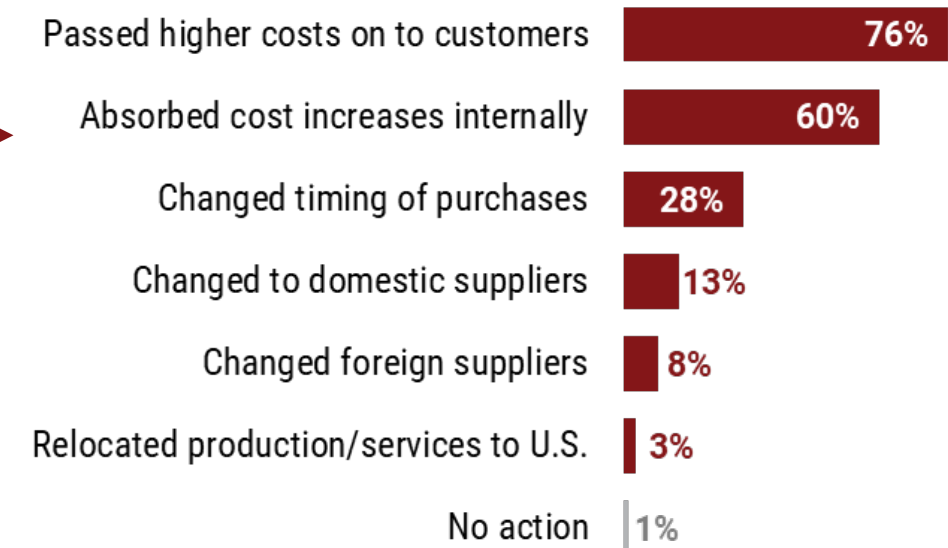
SHARE OF BUSINESS'S TOTAL INPUTS THAT WERE SOURCED FROM OUTSIDE THE US IN 2024 (% of employer firms)



CHANGE IN PRICES OF INPUTS SOURCED FROM OUTSIDE THE US IN 2025 COMPARED TO 2024 (% of employer firms that source inputs from outside the US)



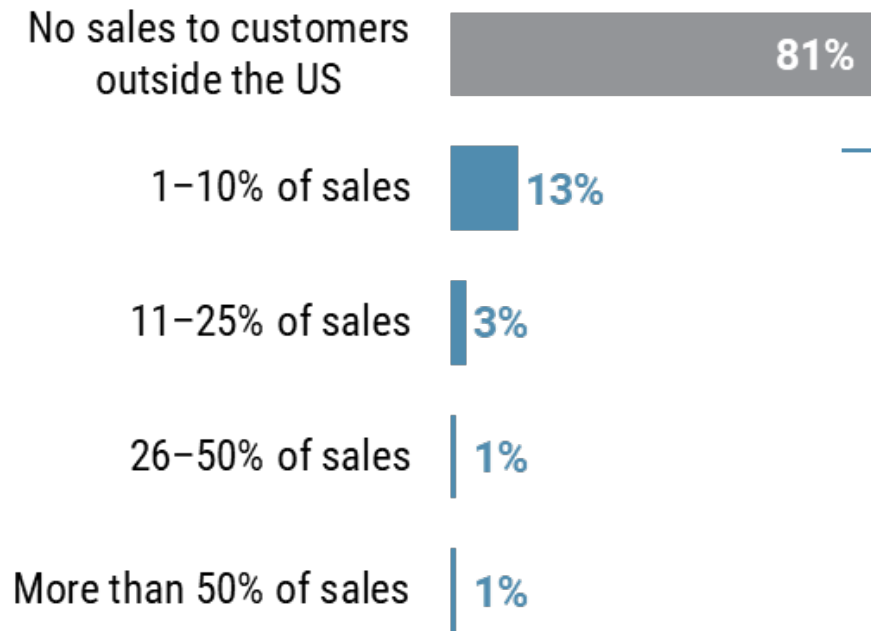
ACTIONS TAKEN IN RESPONSE TO HIGHER PRICES OF INPUTS SOURCED FROM OUTSIDE THE US (% of employer firms reporting increased prices on inputs sourced from outside the US)



Most firms with international sales expected those sales to decrease or remain unchanged in 2025 compared to 2024

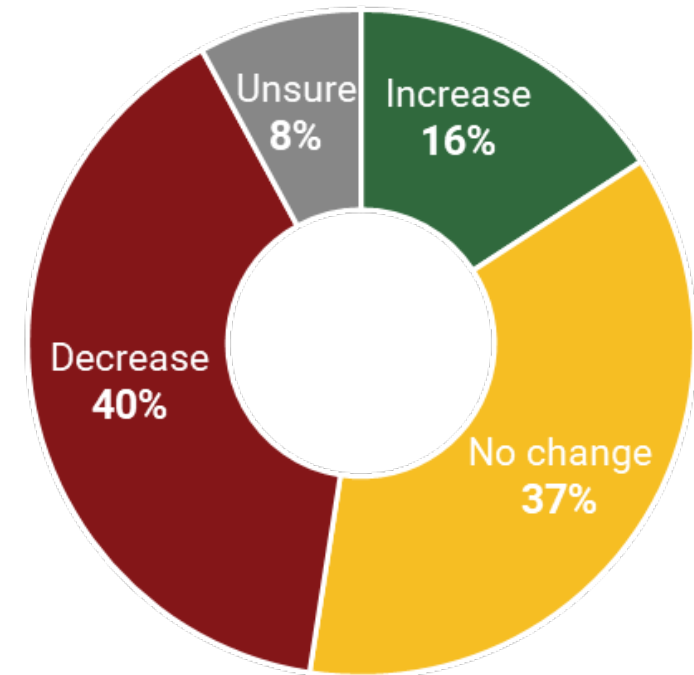
SHARE OF BUSINESS'S TOTAL SALES THAT WERE TO INTERNATIONAL CUSTOMERS IN 2024

(% of employer firms)

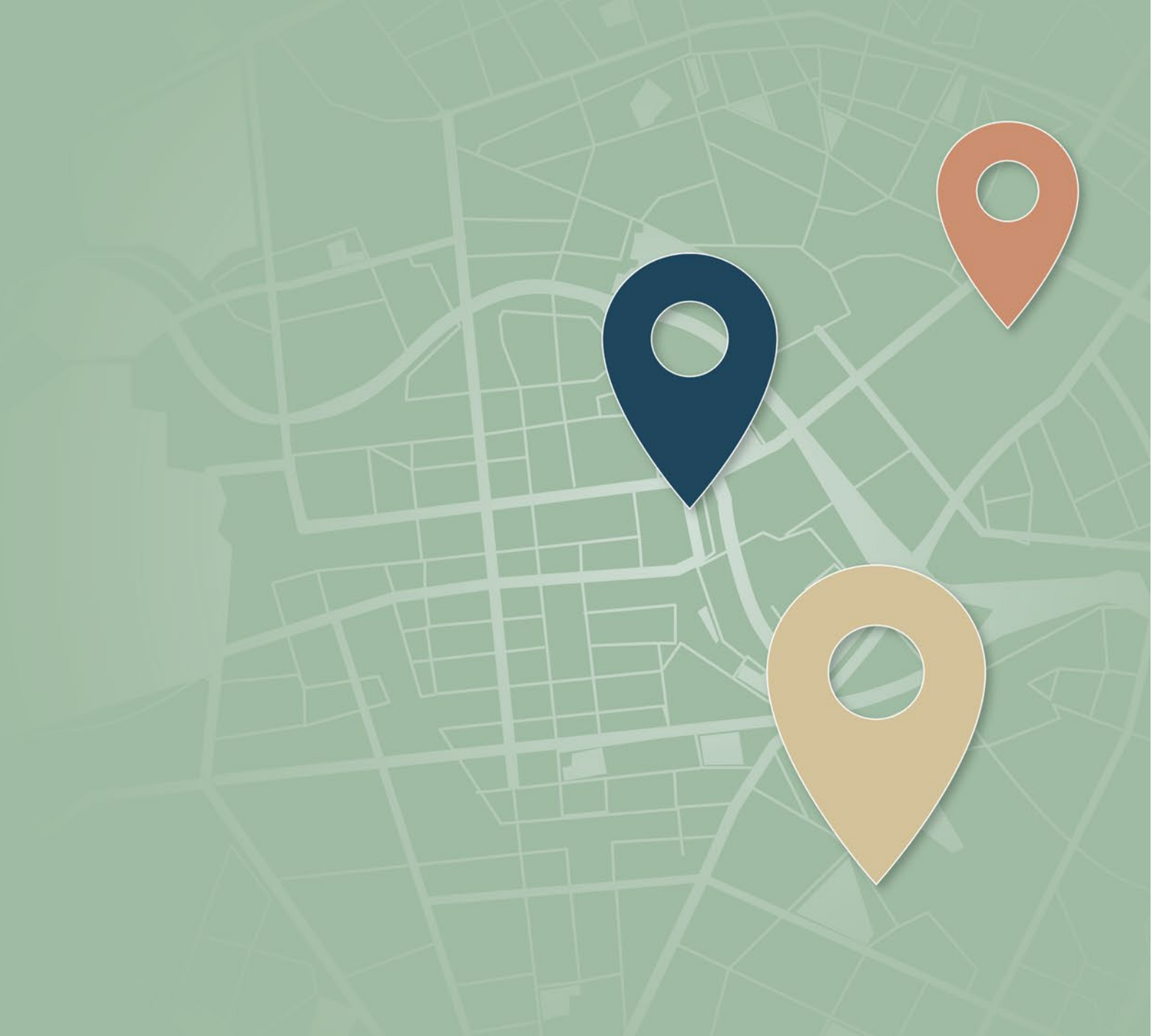


EXPECTED CHANGE IN TOTAL ANNUAL SALES TO INTERNATIONAL CUSTOMERS IN 2025 COMPARED TO 2024

(% of employer firms with sales outside the US)

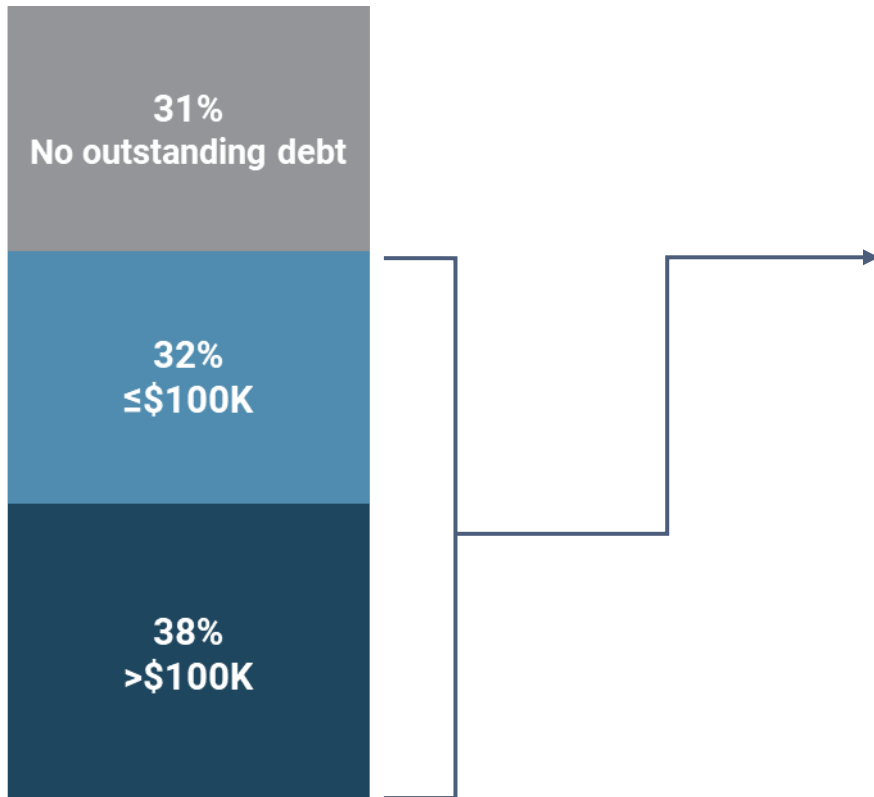


Debt and Financing

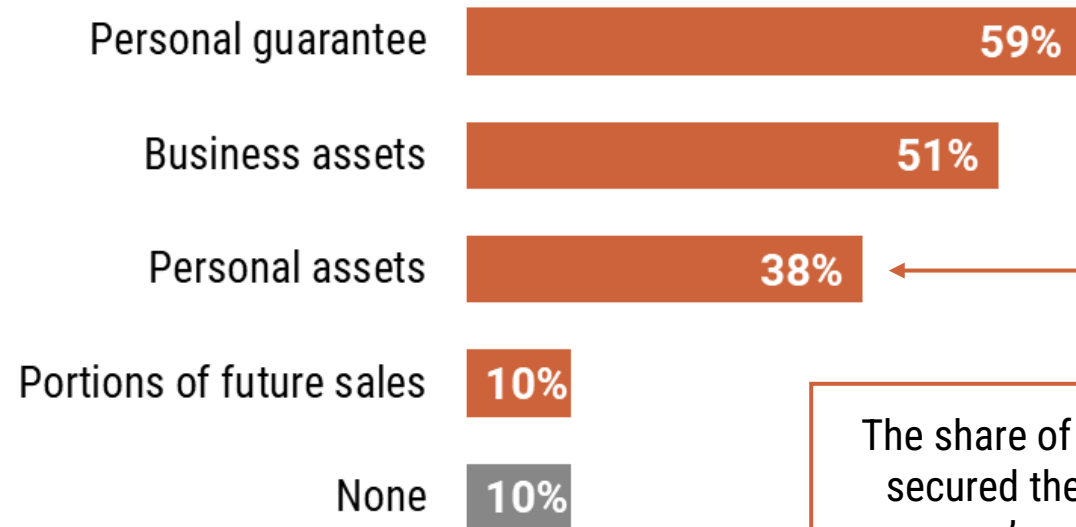


More than two-thirds of firms held debt; many used a personal guarantee to secure their debt

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



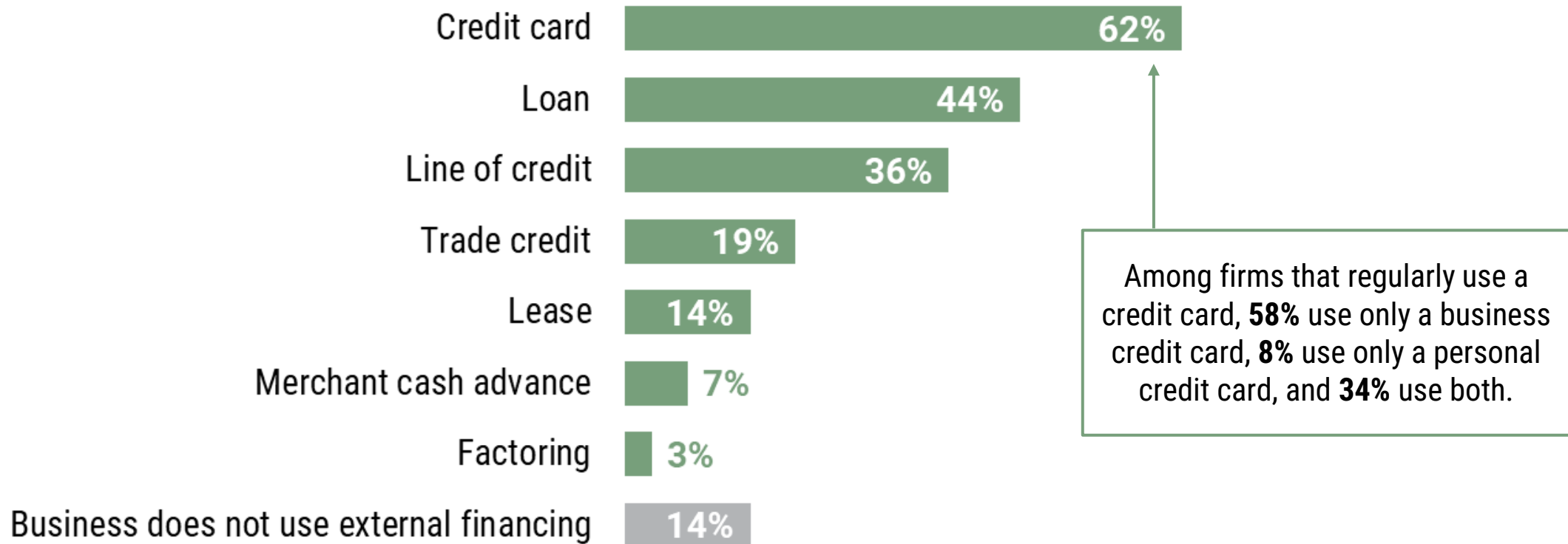
TYPES OF COLLATERAL USED TO SECURE DEBT
(% of employer firms with debt)



The share of debtholders that secured their debt with the owner's personal assets increased to **38%** from **31%** in 2019 when this question was last included in the SBCS.

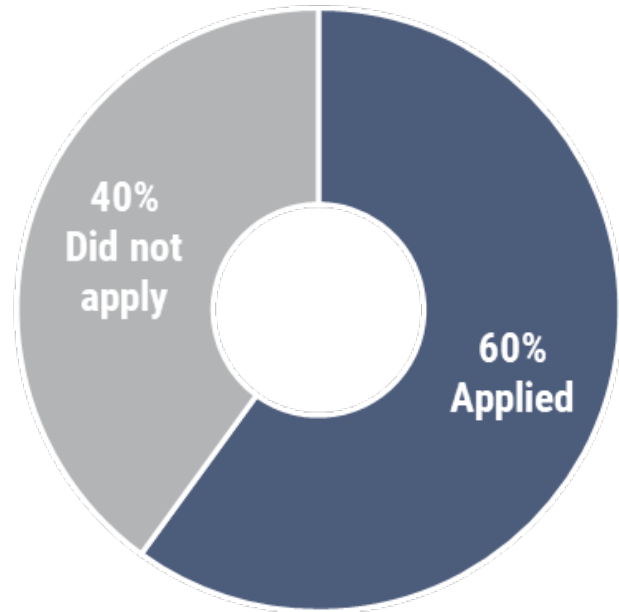
Most businesses regularly use at least one financing product—most commonly, credit cards and loans

USE OF FINANCING AND CREDIT, *Products Used on a Regular Basis* (% of employer firms)

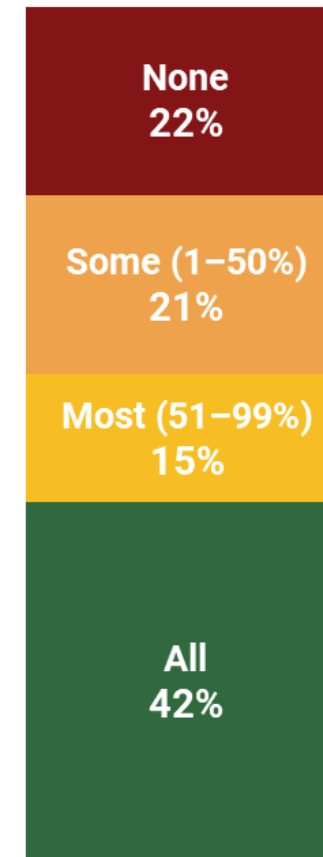


Sixty percent of firms applied for financing, and about 4 in 10 received all the financing they sought

SHARE THAT APPLIED FOR FINANCING,
Prior 12 Months (% of employer firms)

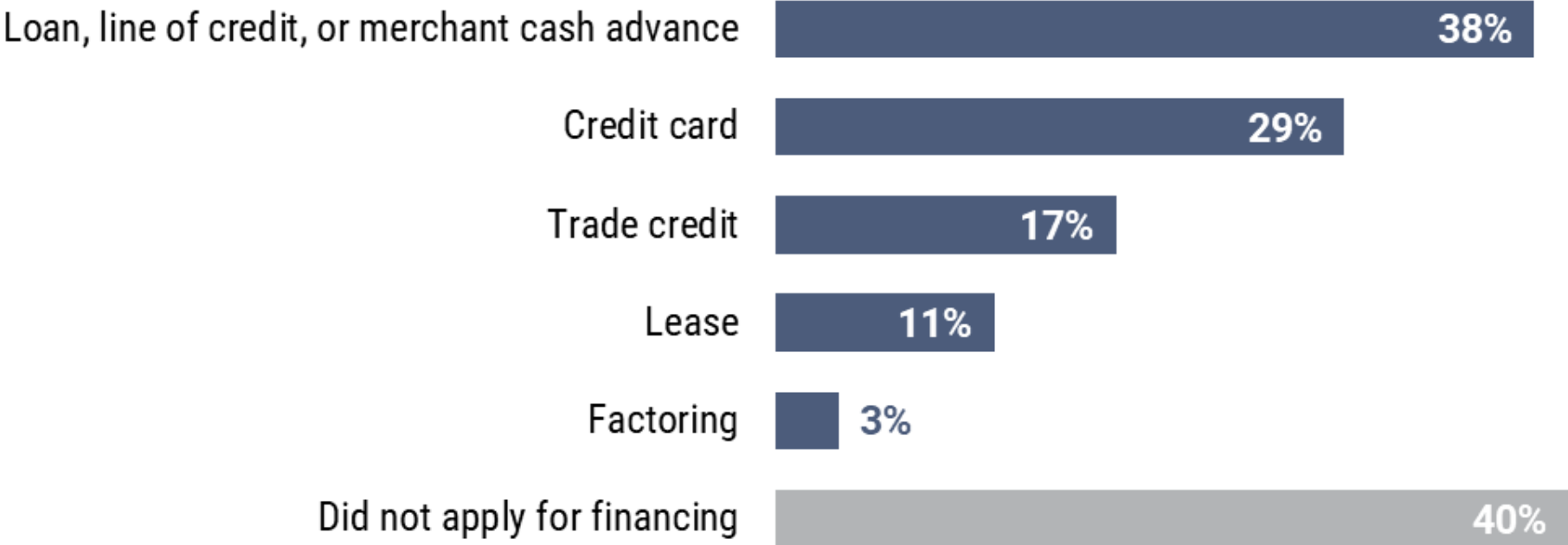


TOTAL FINANCING RECEIVED,
Prior 12 Months (% of applicants)



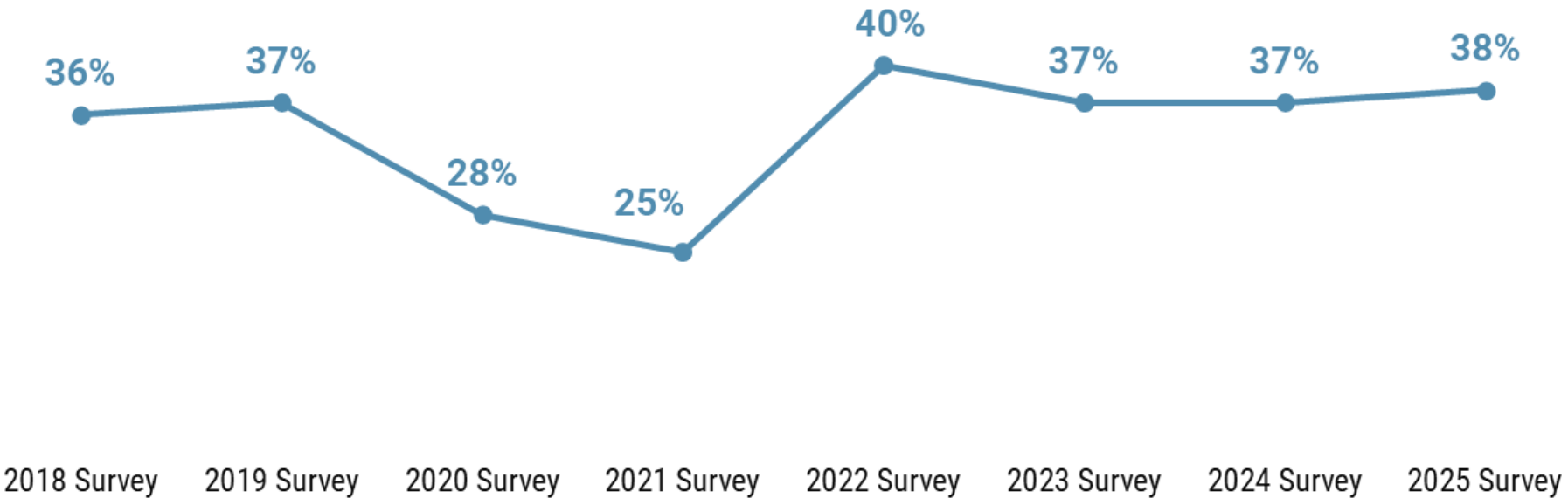
Applicants most often applied for loans, lines of credit, and merchant cash advances

FINANCING AND CREDIT PRODUCTS SOUGHT, *Prior 12 Months* (% of employer firms)



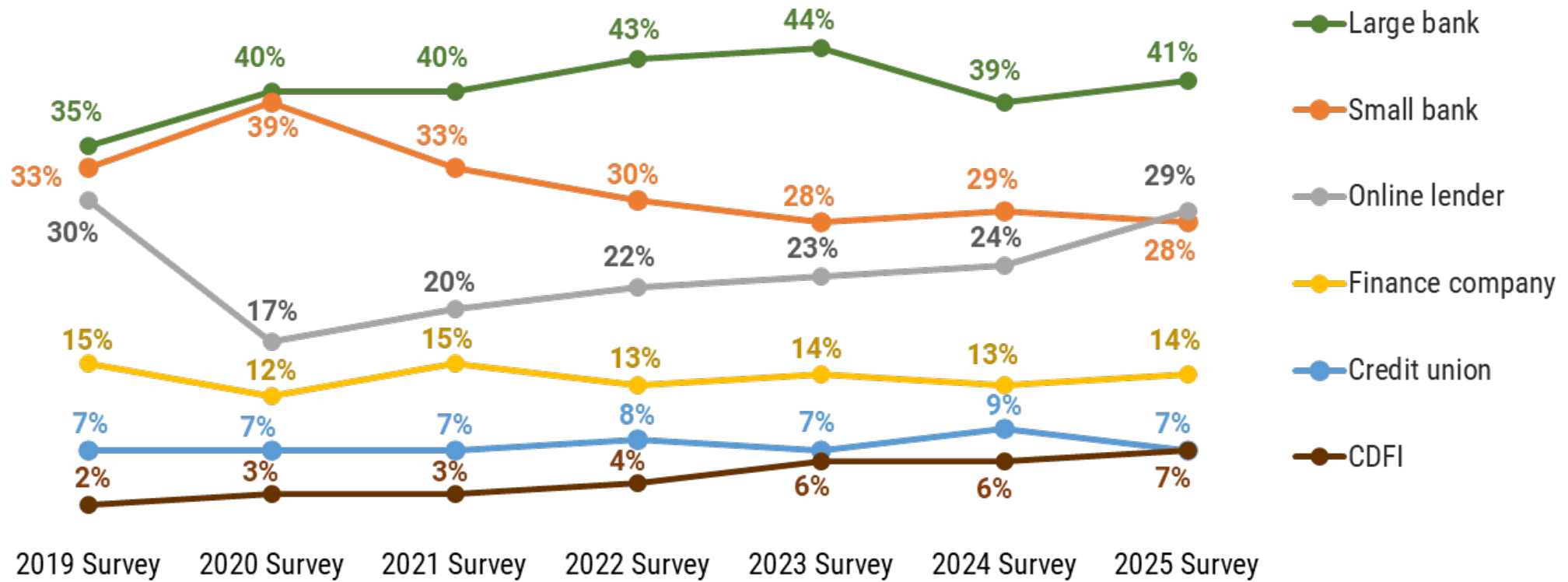
The share of firms that applied for a loan, line of credit, or merchant cash advance was nearly unchanged from 2024 to 2025

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



As in prior years, applicants in the 2025 survey most often sought financing from large banks

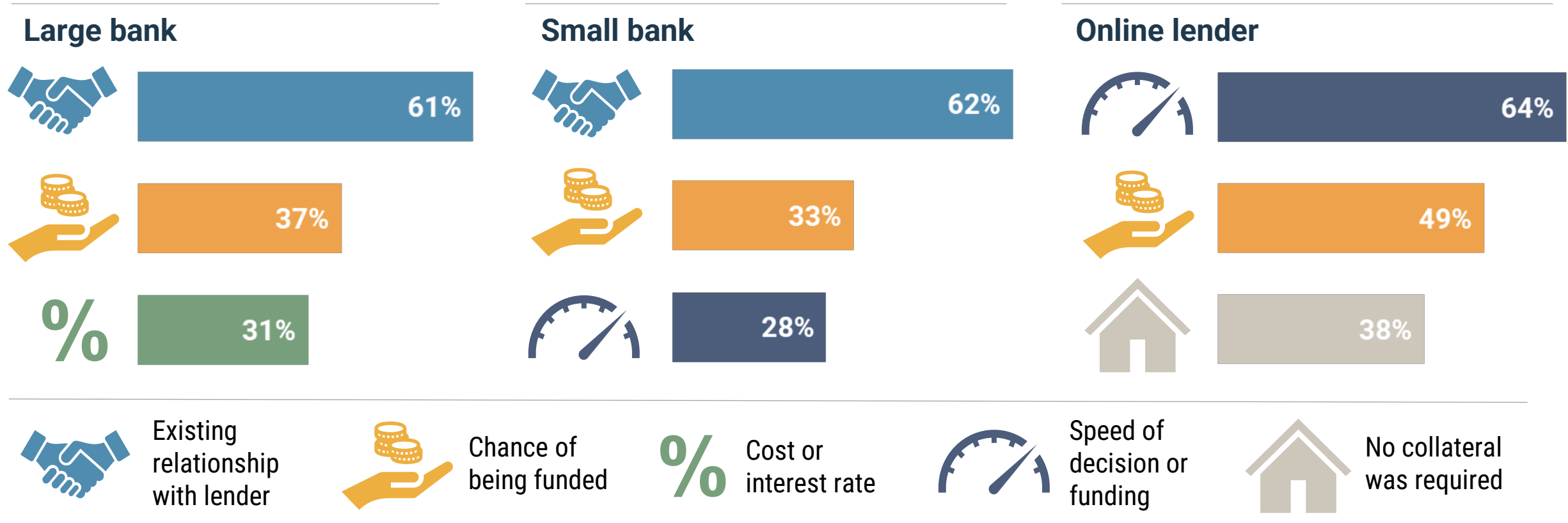
CREDIT SOURCES APPLIED TO, Prior 12 Months, By Survey Year
(% of loan, line of credit, and cash advance applicants)



Firms that applied for financing at banks cited their existing relationship as the top factor influencing where they applied

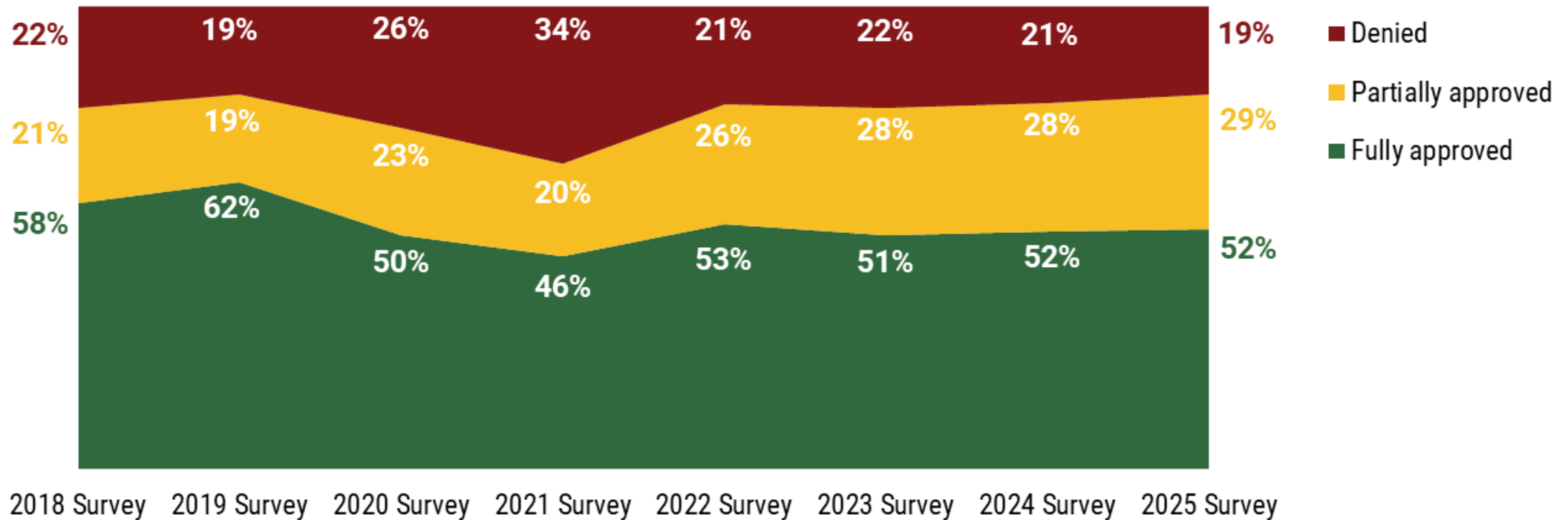
TOP THREE FACTORS INFLUENCING WHERE FIRMS APPLY, *By Source*

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



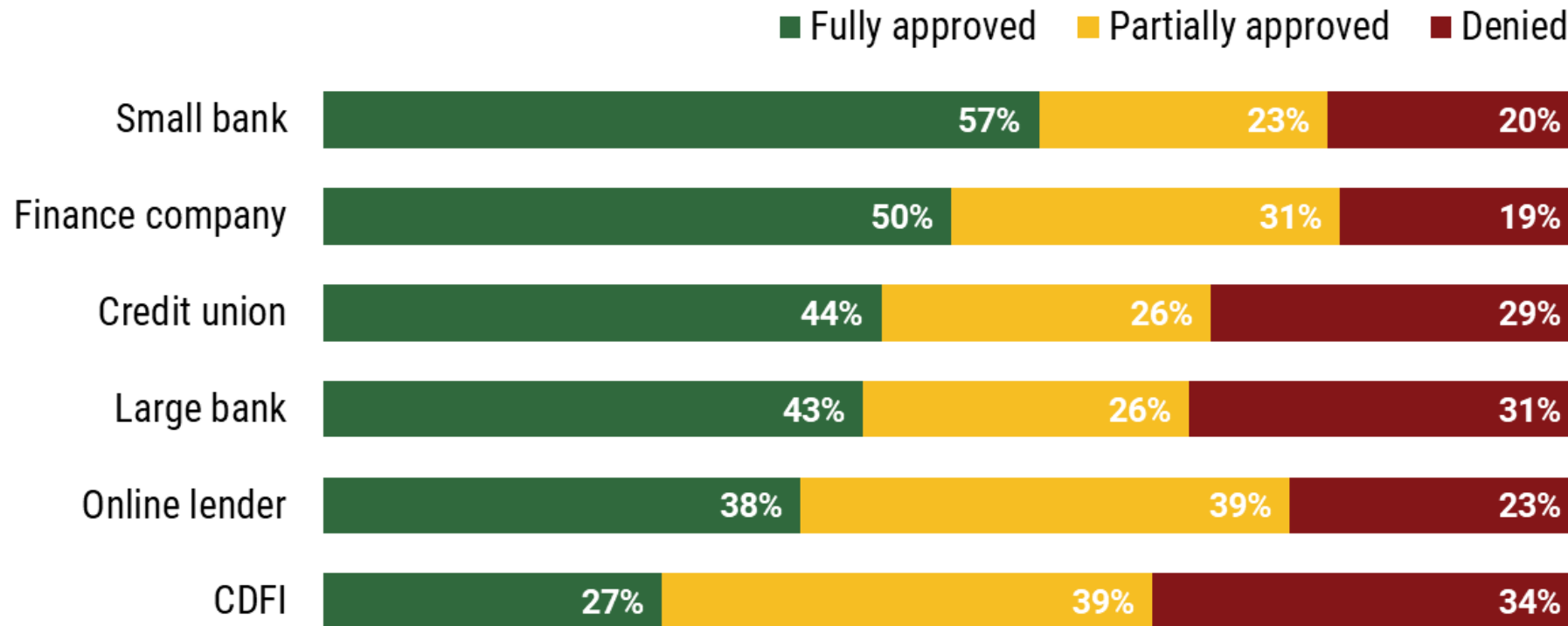
Approval rates held steady year-over-year, but the share fully approved remains below prepandemic levels

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)



Applicants at small banks were more likely than applicants at other lenders to be fully approved

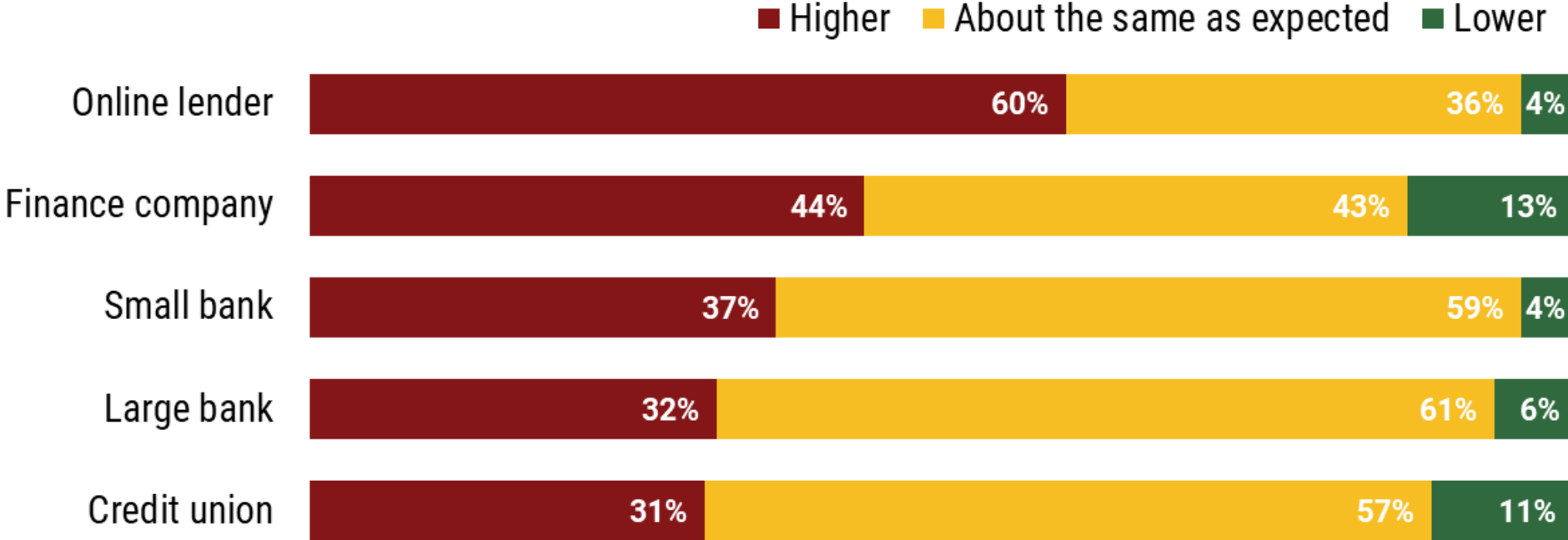
OUTCOMES FOR LOAN, LINE OF CREDIT, OR CASH ADVANCE APPLICANTS, 2025 Survey,
Prior 12 Months (% of loan, line of credit, and cash advance applicants)



On net, borrowers said their actual borrowing costs were higher than they were expecting when they accepted the financing

ACTUAL BORROWING COST RELATIVE TO EXPECTATIONS

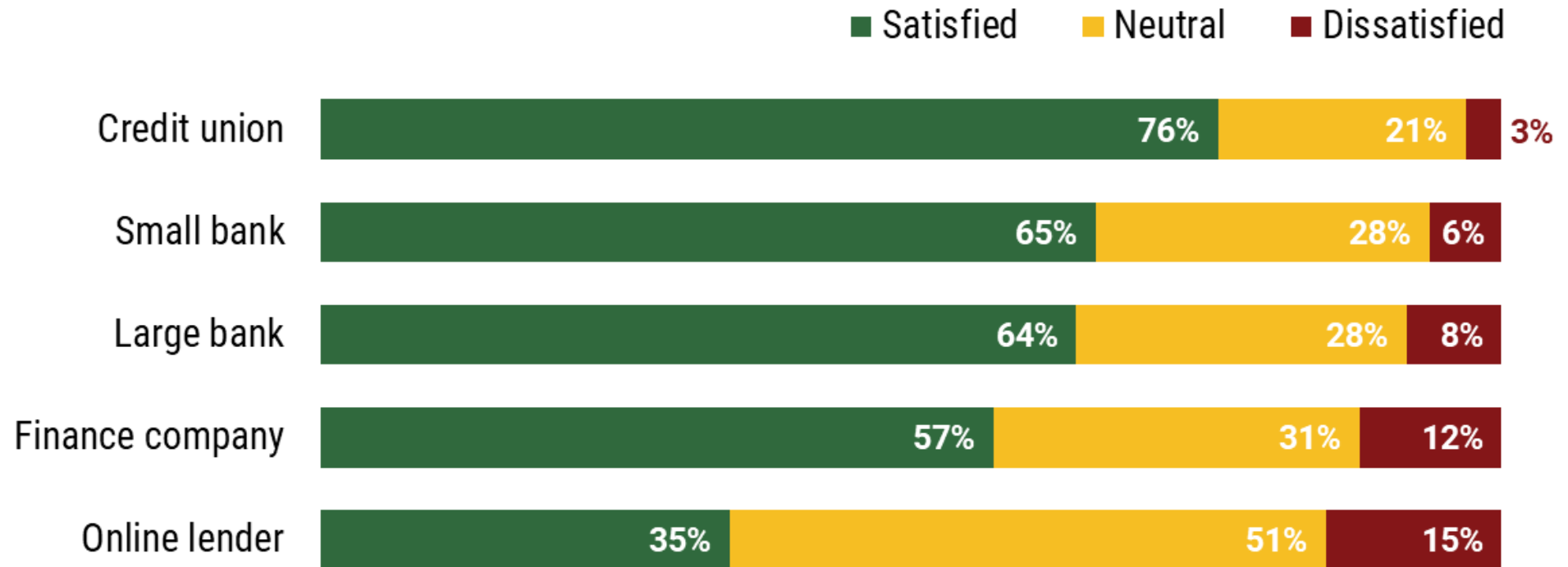
(% of loan, line of credit, and cash advance borrowers at source)



Credit union and small bank applicants were most satisfied with their experiences

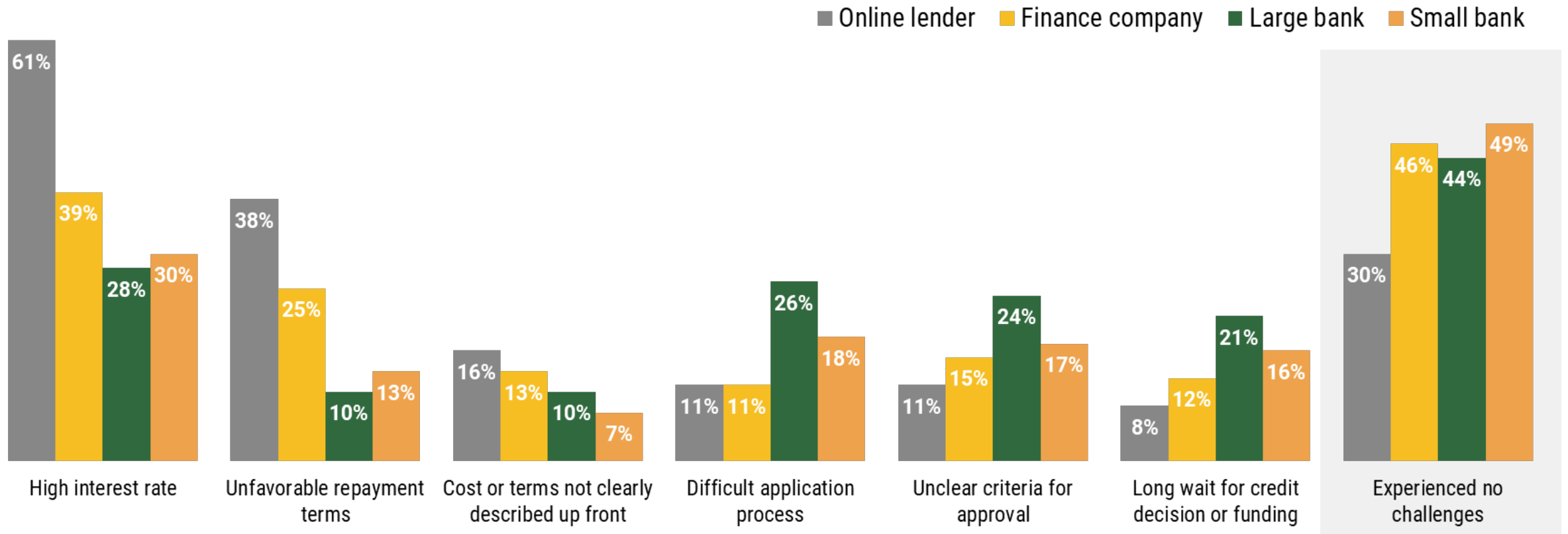
SATISFACTION WITH LENDERS, *Prior 12 Months*

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



The most common challenge faced by applicants—regardless of the lender type—was high interest rates

CHALLENGES WITH LENDERS, *Select Lenders, Prior 12 Months*
(% of loan, line of credit, and cash advance applicants at source)



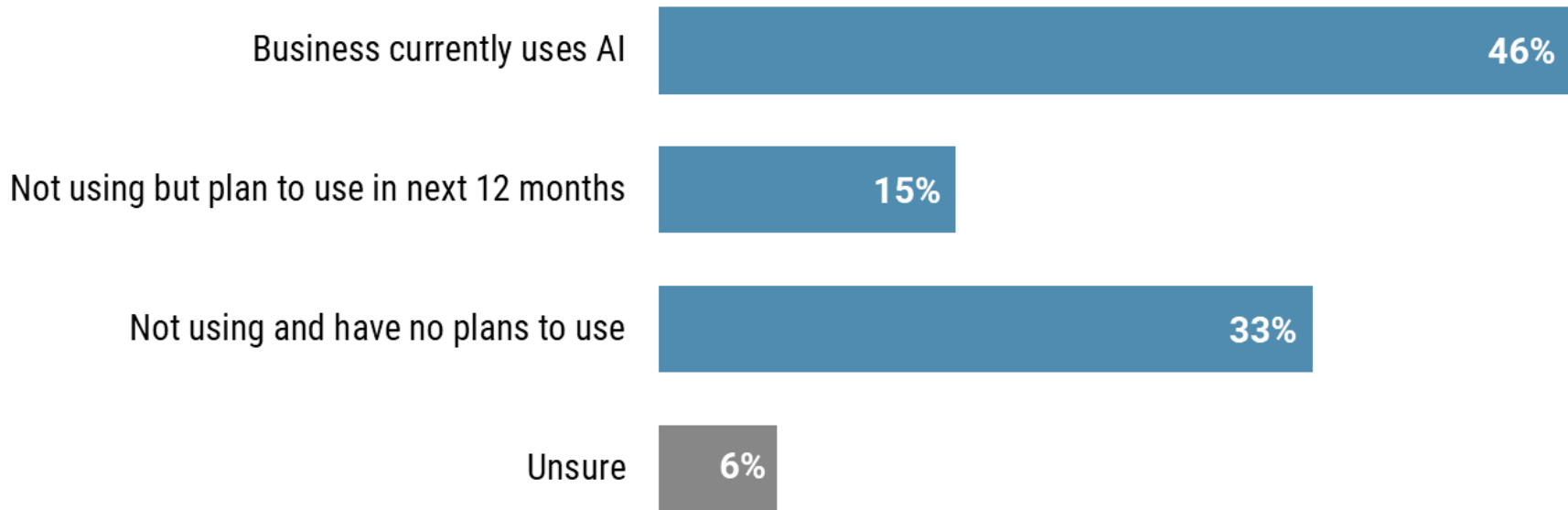
Artificial Intelligence



Nearly half of firms were using AI in some capacity

USE OF ARTIFICIAL INTELLIGENCE, *At Time of Survey*

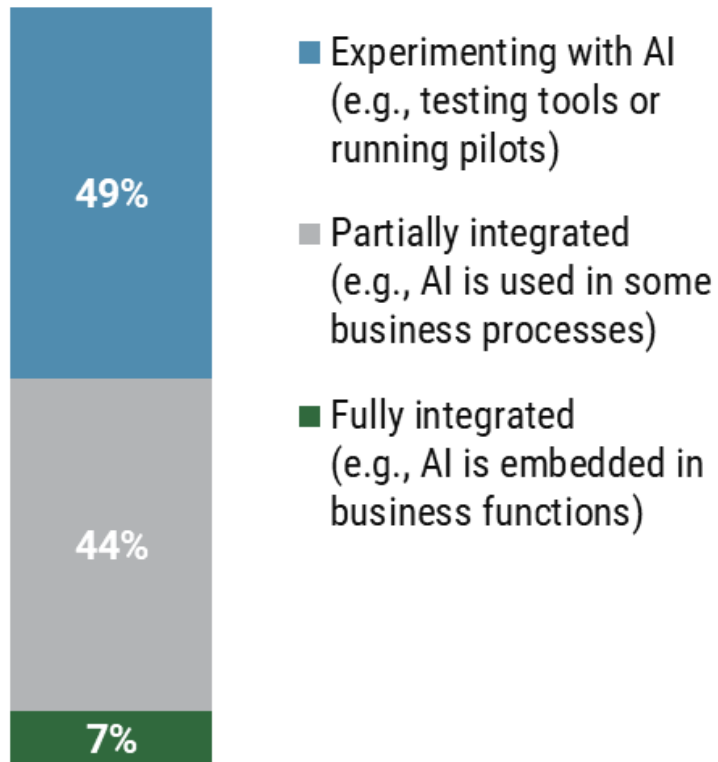
(% of employer firms)



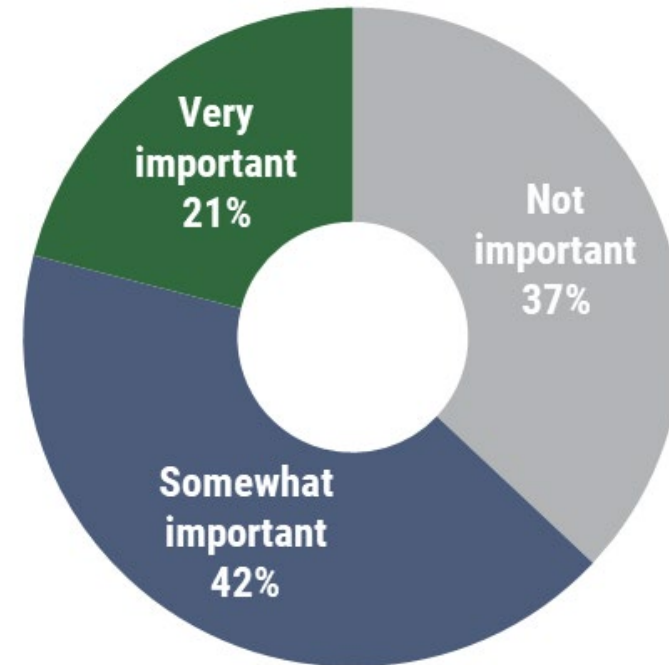
46% of employer firms reported that their business or its employees were using AI at the time of the survey. In the survey, respondents were instructed to include stand-alone AI applications or features of software they already used.

About half of AI users said their firm had either partially or fully integrated AI into their processes and functions

LEVEL OF AI ADOPTION, At Time of Survey
(% of employer firms that use AI)



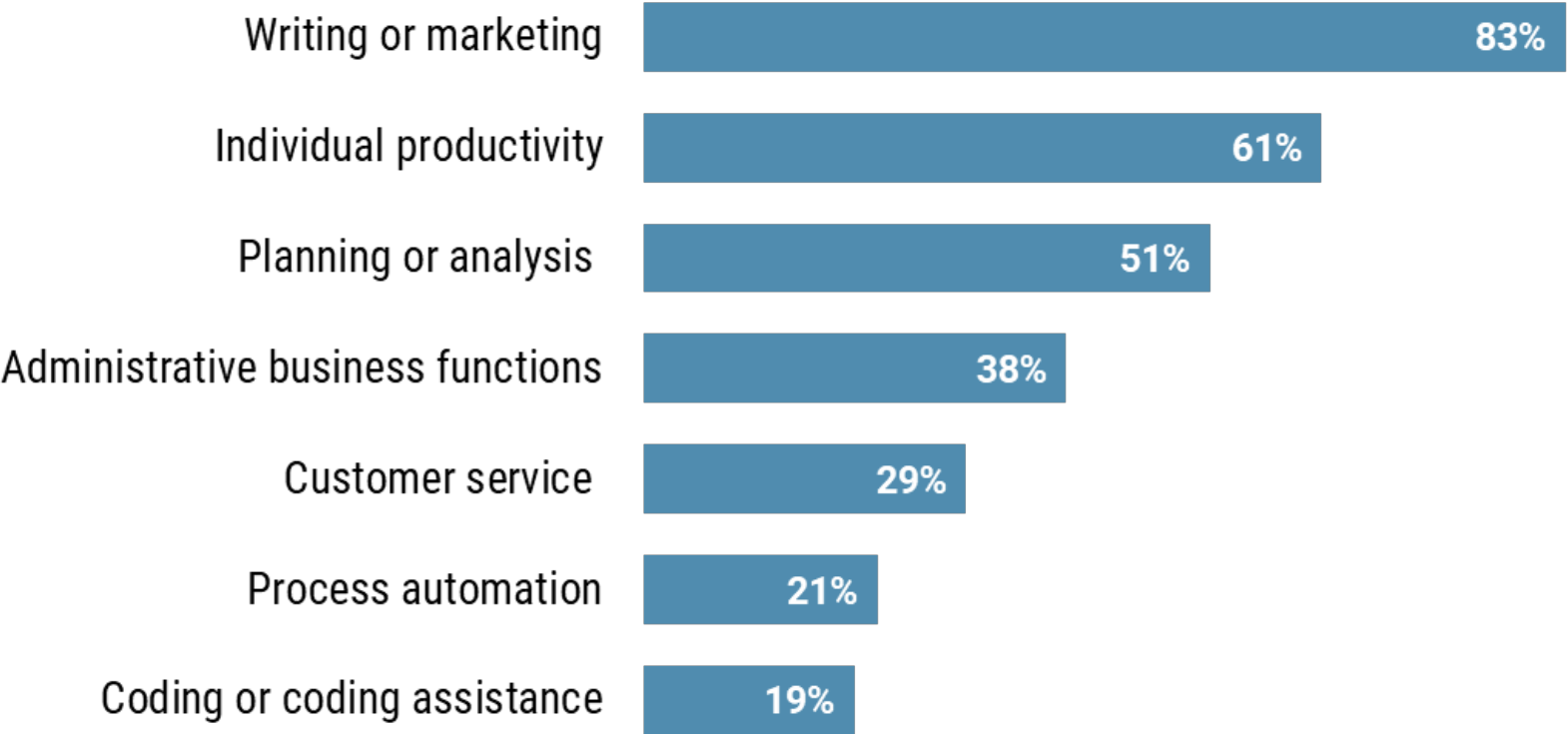
IMPORTANCE OF AI TO PRODUCTION OF THE BUSINESS'S CORE GOODS AND/OR SERVICES
(% of employer firms that use AI)



Among firms that use AI, writing or marketing tasks were the most common uses

PROCESSES OR TASKS FOR WHICH BUSINESS USES AI

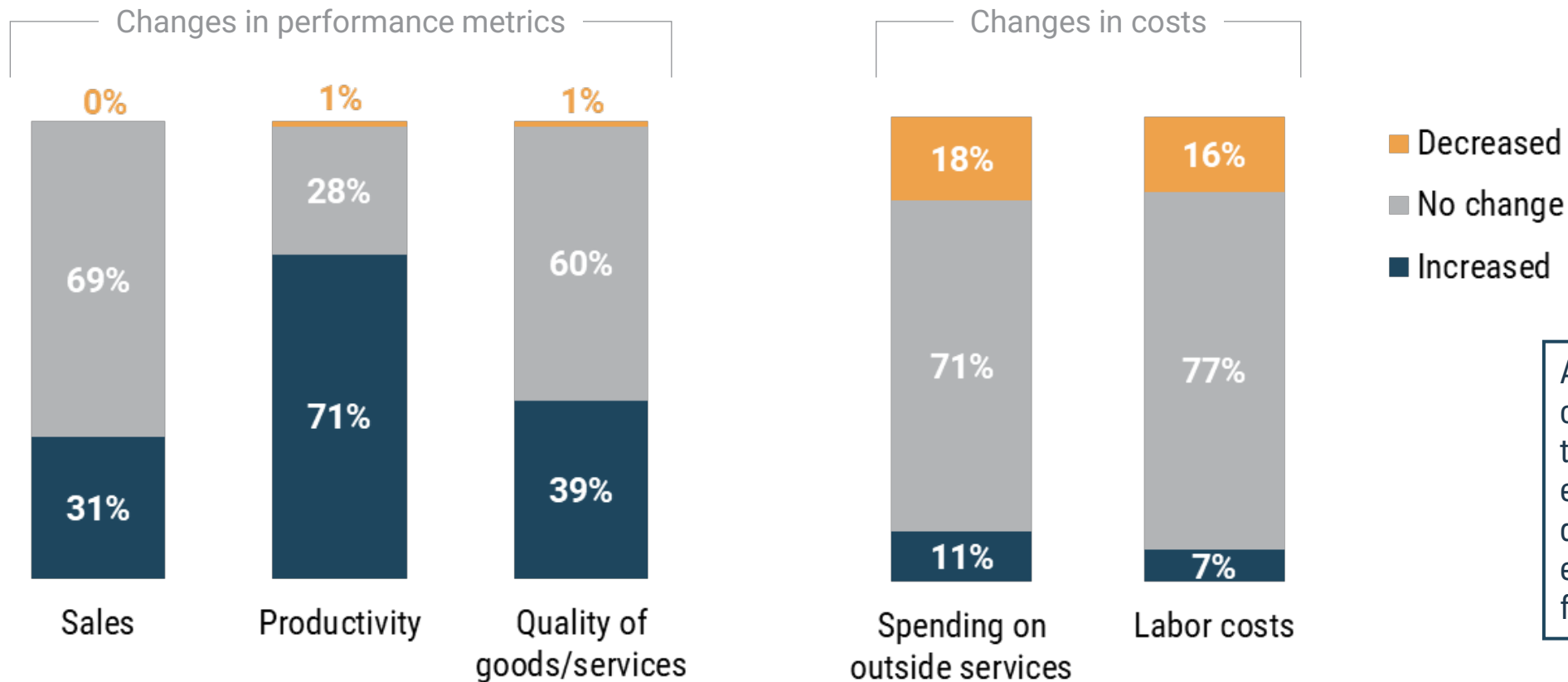
(% of employer firms that use AI)



Most firms that used AI reported increases in productivity but the majority had no change in labor costs

CHANGES AT BUSINESS RESULTING FROM USE OF AI

(% of employer firms that use AI)



Among firms that reported changes in labor costs, **10%** said they increased their number of employees, and **11%** said they decreased their number of employees because of their firm's use of AI.

The top AI-related challenge for firms currently using AI is accuracy

AI-RELATED CHALLENGES

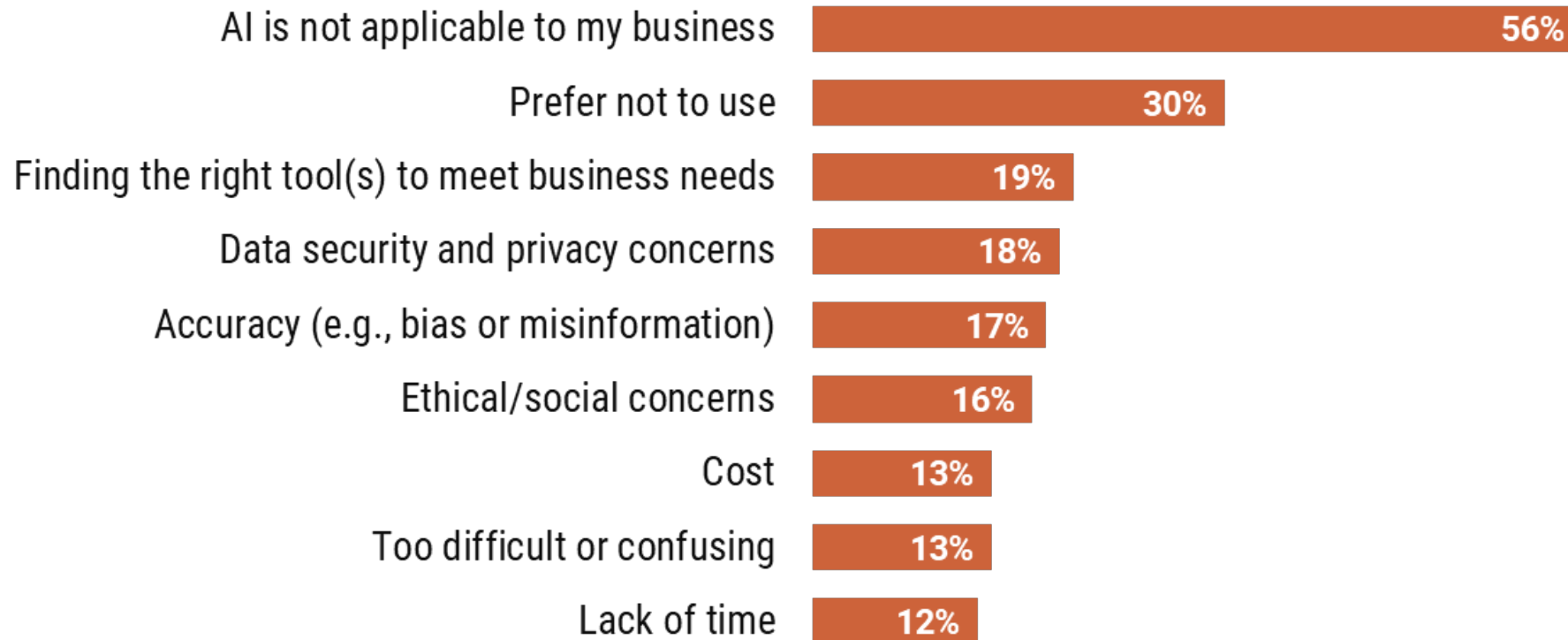
(% of employer firms that currently use AI or plan to use AI in the next 12 months)



Most firms with no plans to use AI said that AI is not applicable to their business

REASONS BUSINESSES DO NOT PLAN TO USE AI

(% of employer firms that do not plan to use AI)



Partnership is a Mutual Win

- Partners are the #1 way the SBCS reaches respondents.
- The Federal Reserve wants to provide value to your community.



Benefits of SBCS Partnership

- Receive a **partner report** that details the current state of small businesses in your network.
- Have additional data and insights to provide **customized programming**.
- Better support **advocacy initiatives** with trusted and known data.
- Help **amplify the voices of small businesses** in your communities and around the country.
- Get **policymakers, lenders, the Fed and others** the data they need to make decisions.
- **Be recognized** on FedSmallBusiness.org.
- The only cost for participation is **your time** to recruit participants.



Who can partner?

Eligible organizations

- Nonprofit 501(c)(3-6) organizations
- State or local government agencies
- Nonbank CDFIs that provide technical assistance

How can I partner?

Email your Federal Reserve staff contact or visit our [Become a Partner](#) page.



Fedsmallbusiness.org/Partnership



For more information

Please visit fedsmallbusiness.org for reports and chartbooks from the SBCS and other small business research.



Closing remarks and requests

- Please complete the post-event survey.
- Materials from today's event will be available on YouTube and the Connecting Communities website within two weeks of today's event.
- Visit www.fedcommunities.org for more Fed resources on community development topics.
- Follow Fed Communities on social media. We're on LinkedIn, X, Instagram, and Facebook.
- Subscribe to the Fed Communities monthly newsletter at [fedcommunities.org/About Us/Subscribe](http://fedcommunities.org/About%20Us/Subscribe).
- View previous Connecting Communities events on fedcommunities.org/connecting-communities.
- Mark your calendars for Thursday, May 7 for our next event, *BankOn and Reaching the Unbanked in Our Communities*. Registration is now open.



Thank you for joining us

