

Fact Sheet: Small Business Access to Capital After COVID-19

July 2021

Highlights

- The central feature of small business finance for the past 16 months has been the Paycheck Protection Program (PPP), through which over \$800 billion in emergency lending was authorized.
- Access to and utilization of PPP loans was demographically uneven, reflecting underlying differences in relationships with financial institutions.
- Prior to the COVID-19 crisis, Black-owned small businesses and those with medium/high credit risk were more likely to use online lenders when applying for credit.
- Small business owners anticipate economic recovery—but worry that pandemic losses and use of PPP loans will harm their ability to access capital.
- The pandemic experience of PPP offers lessons for policy reforms that can expand financial inclusion for more American small businesses.

Numbers to Know

\$813 billion

- **Total amount authorized by Congress for the Paycheck Protection Program (PPP)***

* Through May 31, 2021. Includes authorizations from the CARES Act (March 2020), Paycheck Protection Program and Health Care Enhancement Act (April 2020), Consolidated Appropriations Act (December 2020), and American Rescue Plan (March 2021). Source: Small Business Administration via the American Action Forum PPP Tracker.

11,823,594

- **Total number of PPP loans distributed through lenders and backed by the Small Business Administration***

* Through May 31, 2021. Source: Small Business Administration via the American Action Forum PPP Tracker.

\$115 billion

- Approximate amount allocated by Congress to disaster loan assistance for small businesses, including the **Economic Injury Disaster Loan (EIDL)** program*

* Includes authorizations from the CARES Act (March 2020), Paycheck Protection Program and Health Care Enhancement Act (April 2020), Consolidated Appropriations Act (December 2020), and American Rescue Plan (March 2021). Sources: Government Accountability Office; Small Business Administration.

“Government, on a bipartisan basis, in an emergency, can step up and do something new and innovative that was very responsive to the unique crisis.”

— Rep. French Hill (R-AR), co-founder and co-chair, House Entrepreneurship Caucus, speaking at a BPC [event](#), “After PPP: How Should Small Business Lending Programs Be Reformed?”

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- Percentage point difference in PPP success rate between **White-owned (55%)** and **Black-owned (39%)** small businesses*

* “Success rate” calculated as “application rate x funding rate.” Source: Reimagine Main Street, “Back to Business: Are Small Businesses Rebounding from COVID-19?” May 2021

This gap reflects, in part, underlying demographic differences in access to capital:

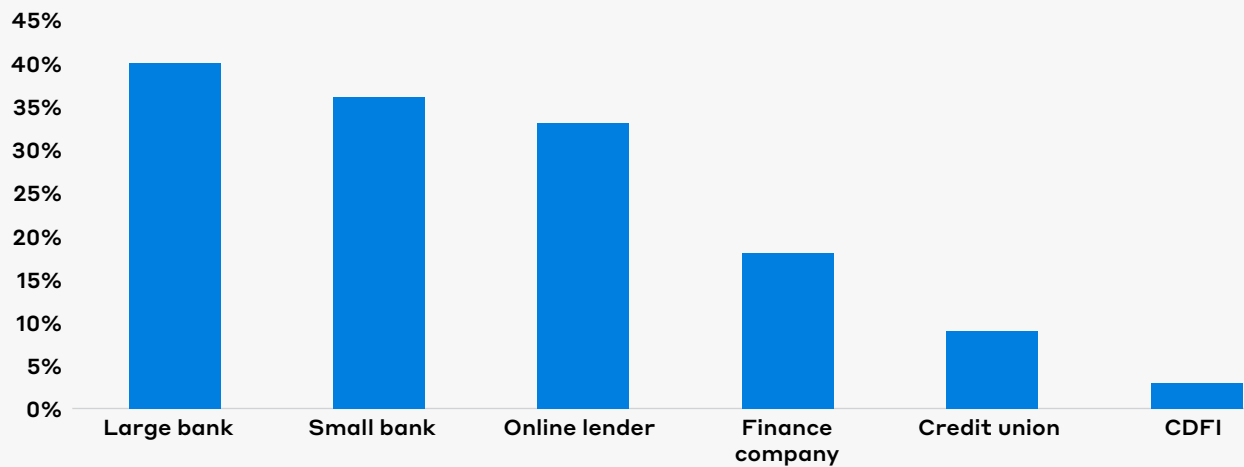
“[F]irms owned by people of color tend to have weaker banking relationships, experience worse outcomes on credit applications, and are more reliant on personal funds.”

— Federal Reserve, *Small Business Credit Survey: 2021 Report on Firms Owned by People of Color.*

Small Business Finance Before COVID-19

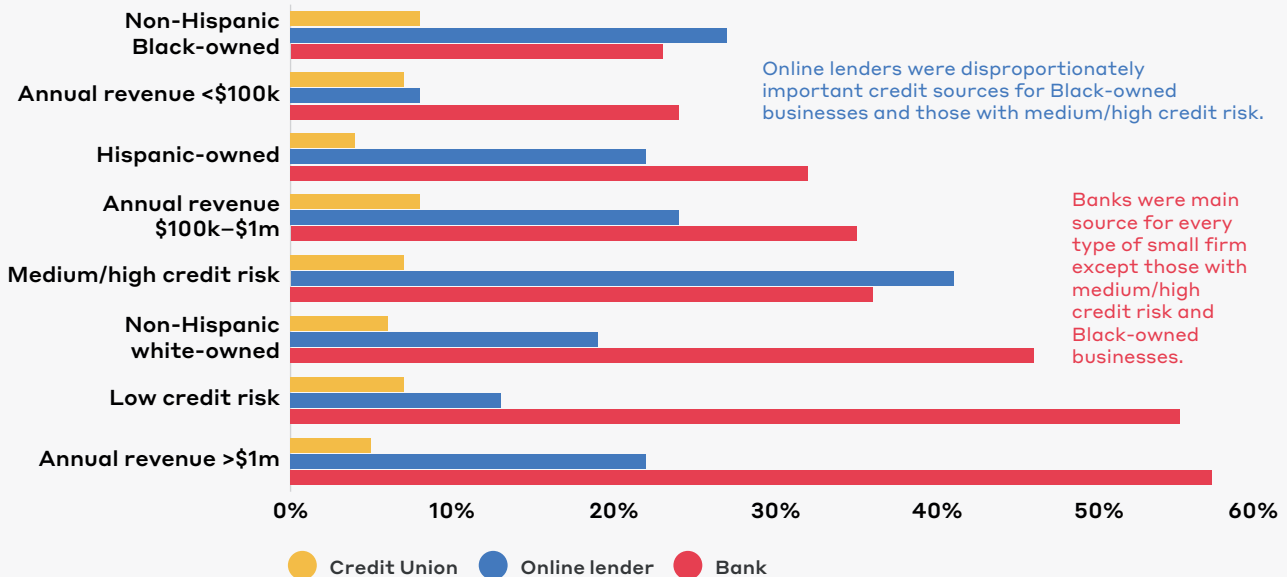
Just before the pandemic, the twelve Federal Reserve Banks released results of the Small Business Credit Survey (SBCS). The survey had been fielded in the last half of 2019, providing a snapshot of the small business finance landscape on the cusp of the COVID-19 crisis.

In 2019, Small Businesses that Applied for Loans, Lines of Credit, and Cash Advances Mostly Used Banks and Online Lenders



Source: Federal Reserve Banks, "Small Business Credit Survey: 2020 Report on Employer Firms."

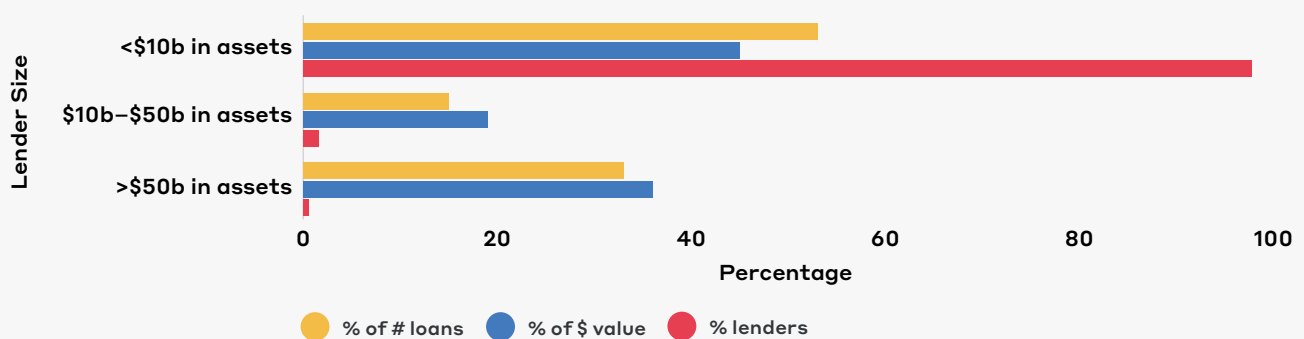
In Years Prior to Pandemic, Demographics Shaped Credit Sources Tapped by Small Businesses



Source: Federal Reserve Banks, "Small Business Credit Survey: 2020 Report on Employer Firms." Chart captures funding sources used in the last five years, up to 2019.

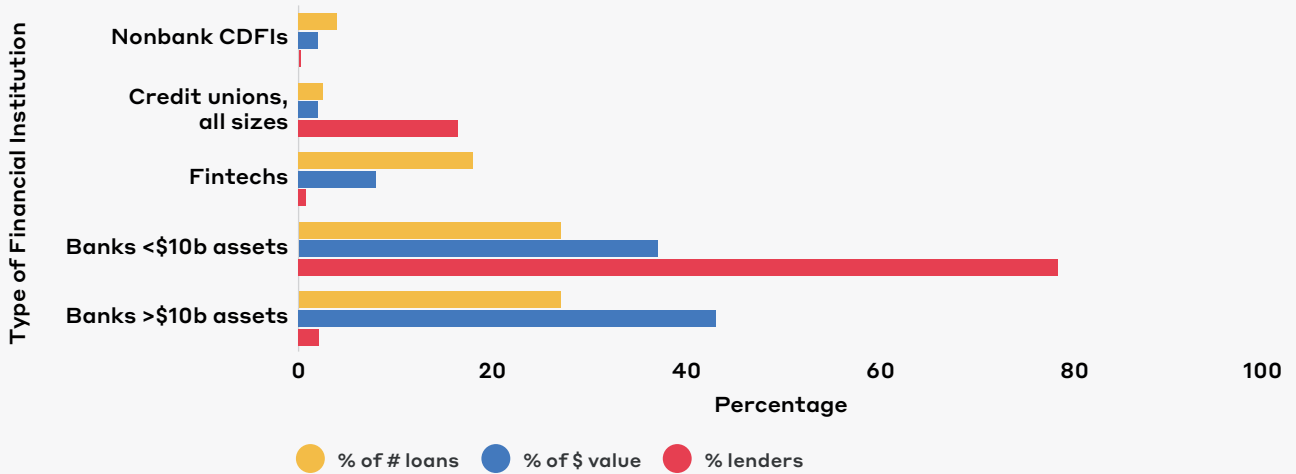
How Did Small Businesses Access PPP Loans?

During PPP Rounds 1 and 2, Small Banks Provided More Loans and Dollars—But Large Banks Still Accounted for Disproportionate Shares



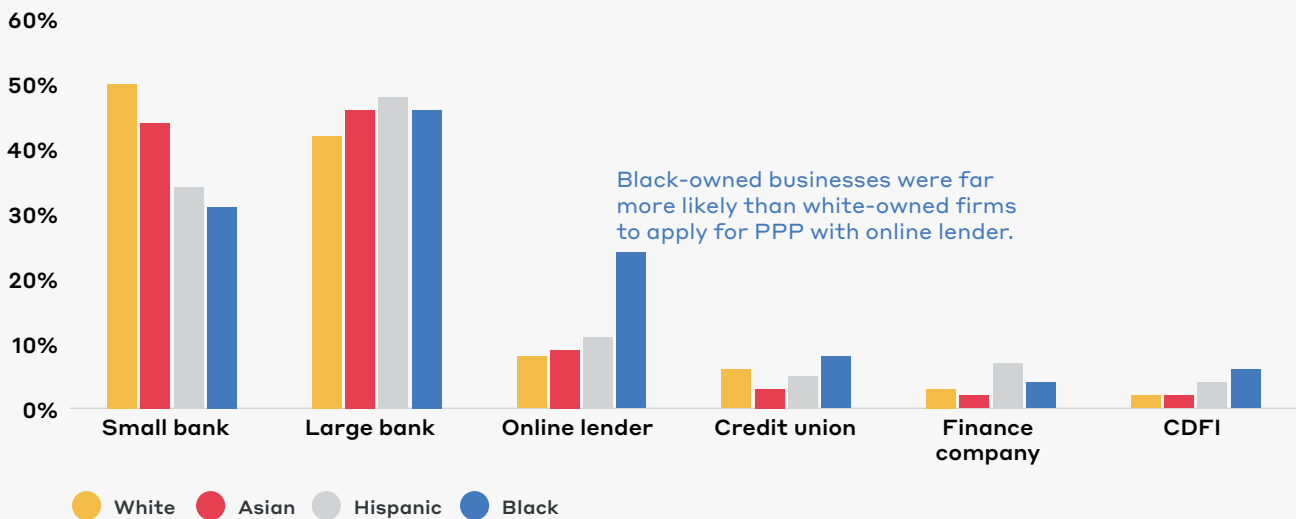
Source: Small Business Administration via American Action Forum PPP Tracker, at <https://www.americanactionforum.org/research/tracker-paycheck-protection-program-loans/>. SBA only provided lender size breakdown for rounds one and two.

During PPP Round 3 in 2021, Small Businesses Used Variety of Sources to Access PPP—Banks Dominated



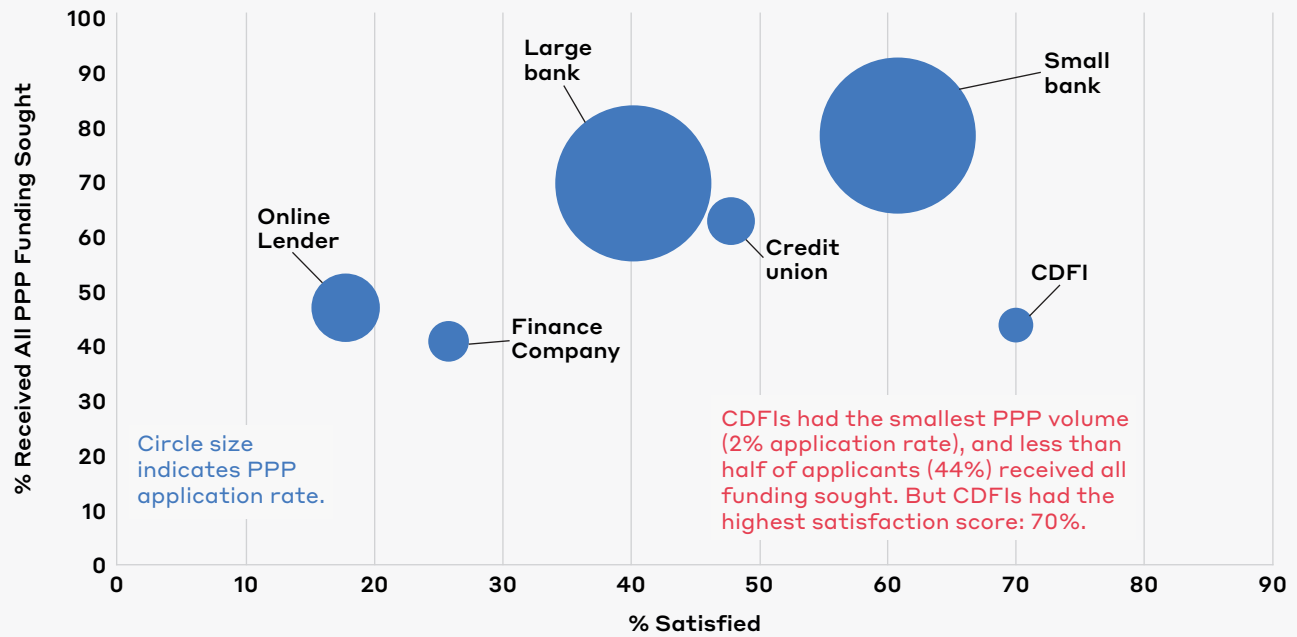
Source: Small Business Administration via American Action Forum PPP Tracker, at <https://www.americanactionforum.org/research/tracker-paycheck-protection-program-loans/>. SBA provided breakdown of institution type only in the third round of PPP.

Pre-Pandemic Differences in Financing Sources Were Reflected in PPP Applications



Source: Federal Reserve Banks, "Small Business Credit Survey: 2021 Report on Firms Owned by People of Color."

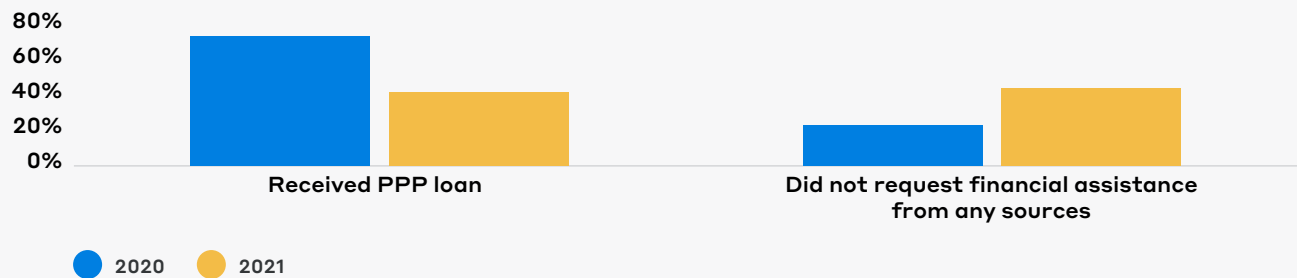
Small Businesses' PPP Experience Differed by Financial Institution



Source: Federal Reserve, Small Business Credit Survey 2021.

Looking Ahead: Small Business Expectations and Concerns

Fewer Small Businesses Have Sought PPP Loans in 2021—And More Have Not Sought Any Financial Assistance



Source: U.S. Census Bureau, Small Business Pulse Survey. Survey reading for 2020 taken from January 2021. Survey reading for 2021 taken from the end of June 2021. The relevant survey question is: "Since [March 2020/December 2020], did this business receive financial assistance..."

57% expect their revenues to increase this year—the highest level since Q1 2020

Source: U.S. Chamber of Commerce and MetLife, Small Business Index, Q2 2021

BUT:

- Fear and concern linger
- In June 2021, **82%** of small business respondents said they expected to **exhaust their PPP loan funds** by the end of July.
- Only **24% were very confident they could maintain payroll after depletion of PPP funds**—and **52% don't think they'd qualify** for an SBA-backed loan in 2021 due to the impact of COVID-19 on their financial statements.

Source: Goldman Sachs *10,000 Small Businesses Voices* survey, June 2021.

“For those small businesses that have been through disasters, it can be three to four years before you can actually access capital. ... It takes years to recoup a 35% revenue loss.”

— Janice Jucker, owner and president, Three Brothers Bakery; co-chair, Goldman Sachs *10,000 Small Businesses Voices* National Leadership Council, speaking at a BPC [event](#), “After PPP: How Should Small Business Lending Programs Be Reformed?”

The COVID-19 pandemic’s enormous impact on small businesses—and the federal response through PPP and EIDL—provides an opportunity to take policy action that expands access to capital for more types of small firms.

“PPP was a great example of how, if the public and private sectors come together, good things can happen for small businesses. But we have to do more. Especially as we’re coming out of this pandemic, we absolutely have to spend a significant amount of time thinking through and developing strategies to help these small businesses.”

—Doug Bland, senior vice president and general manager of global credit, PayPal, speaking at a BPC [event](#), “After PPP: How Should Small Business Lending Programs Be Reformed?”

