2024 Report on Startup Firms

Findings from the 2023 Small Business Credit Survey for New Nonemployer and Employer Firms

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Acknowledgments

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The views expressed in this report are those of the report team and not necessarily those of the Federal Reserve Bank of Cleveland or the Federal Reserve System.

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About the Small Business Credit Survey

The Small Business Credit Survey (SBCS) is an annual survey of firms with fewer than 500 employees. The SBCS sample includes employer firms, defined as those with 1–499 employees, and nonemployer firms, defined as those with no paid employees except the owner(s). Respondents are asked to report information about their business performance, financing needs and choices, and borrowing experiences. Responses to the SBCS provide insights on the dynamics behind lending trends and shed light on various segments of the small business population. The SBCS is not a random sample; results should be analyzed with awareness of potential biases that are associated with convenience samples. For detailed information about the survey design and weighting methodology, please visit fedsmallbusiness.org/our-data/methodology.

The 2023 SBCS was fielded from September through November 2023 and yielded 10,990 responses from a nationwide convenience sample of small firms: 6,131 from employer firms and 4,859 from nonemployer firms. This publication summarizes data for both employer and nonemployer firms, with a focus on startup businesses (those in business for 0–2 years).

For more Small Business Credit Survey content, visit fedsmallbusiness.org.

Key findings

The SBCS provides helpful insights on firms in different stages of the business lifecycle—from small startup nonemployer firms to well-established employer businesses. This report explores the differences between younger and older firms and between nonemployer and employer businesses.

› More than half of startup firms are operating at a loss. While these businesses are not yet profitable, they are much more likely than their older counterparts to report revenue growth in the prior 12 months, and they are more likely to expect revenue growth in the next 12 months. Additionally, 45% of nonemployer startups and 62% of employer startups expect to add employees in the coming year.

› Startup nonemployer firms are less likely than other firms to have financial services relationships and are less likely to regularly use financing and credit products. Startup employer firms are far more likely than other firms to have sought financing in the prior 12 months.

› Among firms that applied for financing, nonemployer firms were less likely to be approved than employer firms. Additionally, startup employers were less likely than older employers to be fully approved (43% and 54%, respectively). Both nonemployer and employer startup firms were more likely than older firms to have received funds from their owners.

Surge in startup businesses

The number of monthly new business applications more than doubled following the onset of the pandemic in early 2020 and remains elevated compared to prepandemic levels.

Source: US Census Bureau, Monthly Business Applications: Total for All NAICS in the United States [BABATOTALSAUS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/BABATOTALSAUS, November 19, 2024.

By the numbers

Younger firms

Startup nonemployers
(0–2 years in business)

21% operated at a profit in 2022

45% expected to add employees in 2024

77% used personal funds in response to financial challenges

21% applied for financing; of those,

29% were fully approved by their lender

Startup employers
(0–2 years in business)

25% operated at a profit in 2022

62% expected to add employees in 2024

72% used personal funds in response to financial challenges

47% applied for financing; of those,

43% were fully approved by their lender

Nonemployers ← → **Employers**

Older nonemployers
(3+ years in business)

40% operated at a profit in 2022

25% expected to add employees in 2024

64% used personal funds in response to financial challenges

24% applied for financing; of those,

41% were fully approved by their lender

Older employers
(3+ years in business)

52% operated at a profit in 2022

33% expected to add employees in 2024

48% used personal funds in response to financial challenges

34% applied for financing; of those,

54% were fully approved by their lender

Older firms

Firm Performance

Revenue, employment, and business conditions

Profitability, end of 2022
(% of firms)

Legend: Startup, nonemployer N=693 · Older, nonemployer N=3,613 · Startup, employer N=300 · Older, employer N=5,613

Operating at a loss
- Startup, nonemployer: 57%
- Older, nonemployer: 37%
- Startup, employer: 55%
- Older, employer: 31%

Operating at break-even
- Startup, nonemployer: 22%
- Older, nonemployer: 23%
- Startup, employer: 20%
- Older, employer: 16%

Operating at a profit
- Startup, nonemployer: 21%
- Older, nonemployer: 40%
- Startup, employer: 25%
- Older, employer: 52%

Startup firms—both employers and nonemployers—are less profitable than their older counterparts.

Note: Percentages across response options may not sum to 100 within firm categories because of rounding.

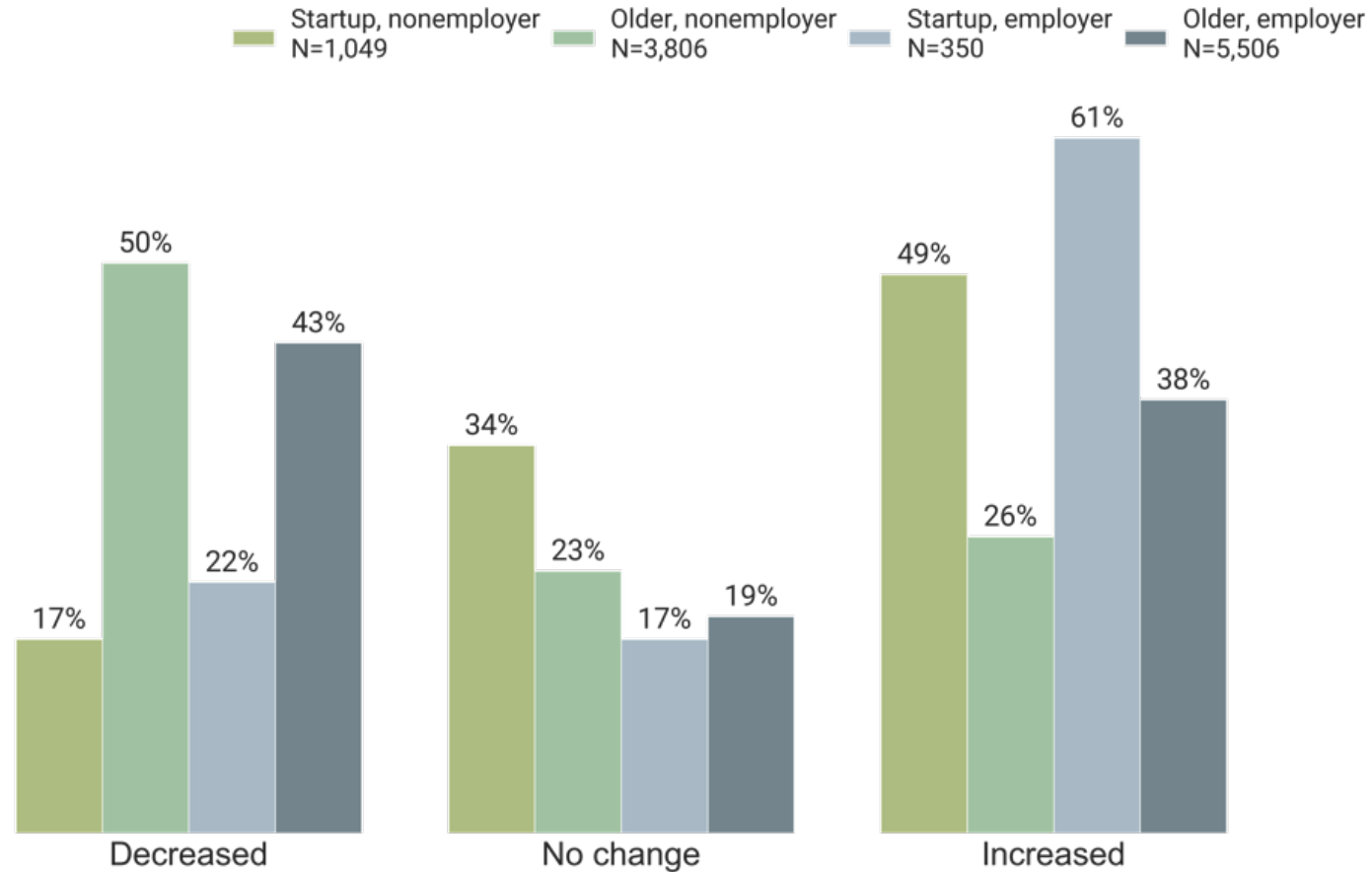**2024 Report on Startup Firms:** Findings from the 2023 Small Business Credit Survey for New Nonemployer and Employer Firms

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Revenue change, prior 12 months
(% of firms)

Legend:
- Startup, nonemployer N=1,049
- Older, nonemployer N=3,806
- Startup, employer N=350
- Older, employer N=5,506

Decreased
- Startup, nonemployer: 17%
- Older, nonemployer: 50%
- Startup, employer: 22%
- Older, employer: 43%

No change
- Startup, nonemployer: 34%
- Older, nonemployer: 23%
- Startup, employer: 17%
- Older, employer: 19%

Increased
- Startup, nonemployer: 49%
- Older, nonemployer: 26%
- Startup, employer: 61%
- Older, employer: 38%

Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. See Appendix for definitions of SBCS time references.

2024 Report on Startup Firms: Findings from the 2023 Small Business Credit Survey for New Nonemployer and Employer Firms

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Revenue expectations, next 12 months

(% of firms)

Legend:
- Startup, nonemployer N=1,049
- Older, nonemployer N=3,793
- Startup, employer N=352
- Older, employer N=5,593

Will decrease
- 5%
- 22%
- 7%
- 22%

Will not change
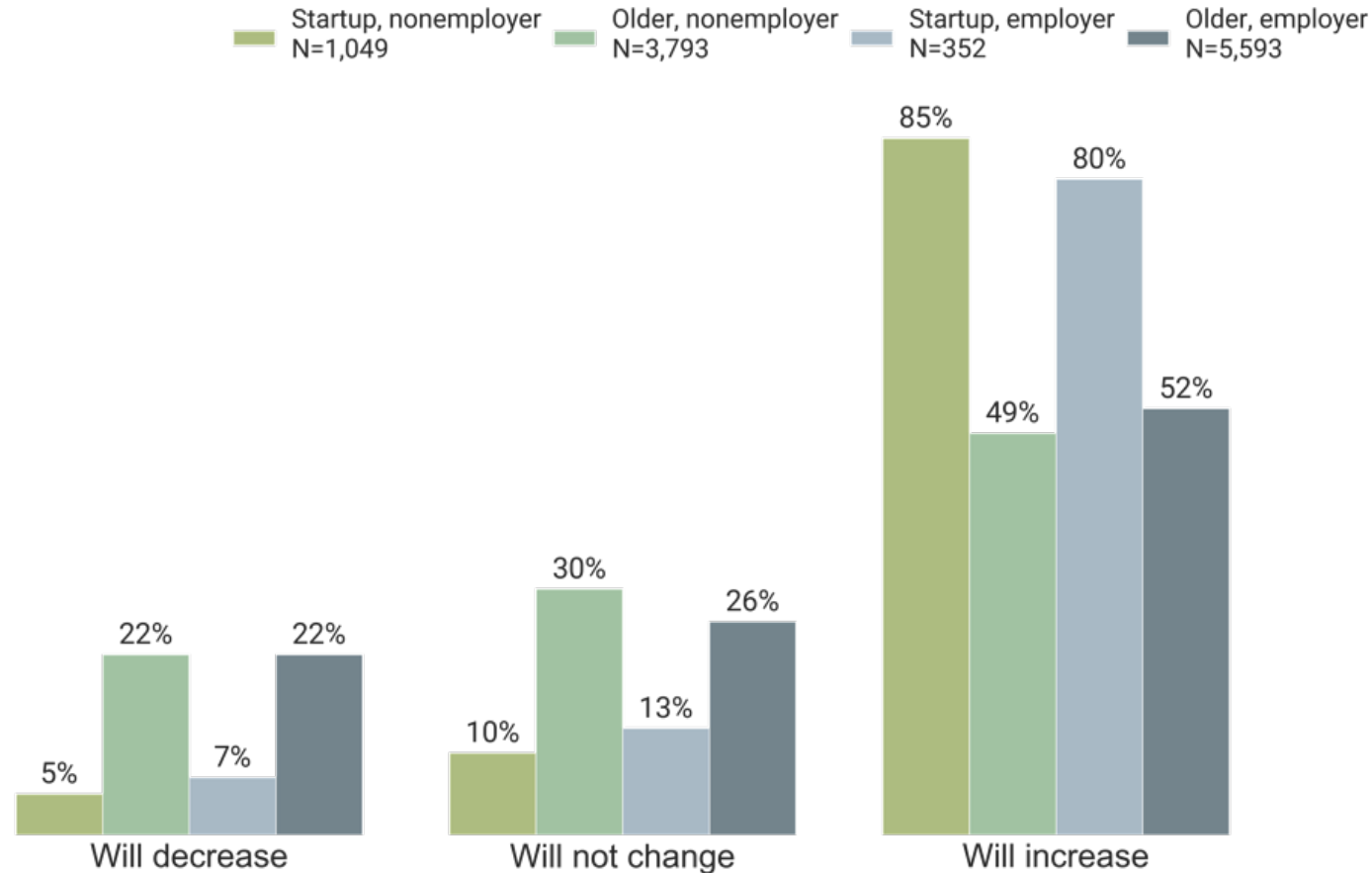- 10%
- 30%
- 13%
- 26%

Will increase
- 85%
- 49%
- 80%
- 52%
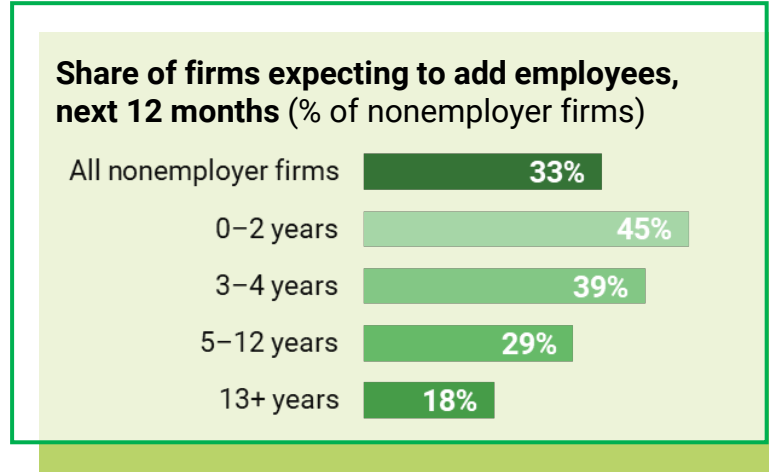
Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. See Appendix for definitions of SBCS time references.

Employment growth expectations, next 12 months
(% of firms)

Legend:
- Startup, nonemployer N=1,047
- Older, nonemployer N=3,791
- Startup, employer N=359
- Older, employer N=5,674

Does not expect to add employees
- 55%
- 75%
- 38%
- 67%

Expects to add employees
- 45%
- 25%
- 62%
- 33%

Share of firms expecting to add employees, next 12 months (% of nonemployer firms)

All nonemployer firms	33%
0–2 years	45%
3–4 years	39%
5–12 years	29%
13+ years	18%

Note: See Appendix for definitions of SBCS time references.

Self-reported financial condition, time of survey
(% of firms)

Legend:
- Startup, nonemployer N=1,051
- Older, nonemployer N=3,807
- Startup, employer N=364
- Older, employer N=5,766

Poor
- Startup, nonemployer: 32%
- Older, nonemployer: 29%
- Startup, employer: 22%
- Older, employer: 19%

Fair
- Startup, nonemployer: 41%
- Older, nonemployer: 38%
- Startup, employer: 43%
- Older, employer: 33%

Good
- Startup, nonemployer: 21%
- Older, nonemployer: 23%
- Startup, employer: 25%
- Older, employer: 28%

Very good
- Startup, nonemployer: 5%
- Older, nonemployer: 6%
- Startup, employer: 7%
- Older, employer: 13%

Excellent
- Startup, nonemployer: 2%
- Older, nonemployer: 3%
- Startup, employer: 2%
- Older, employer: 6%

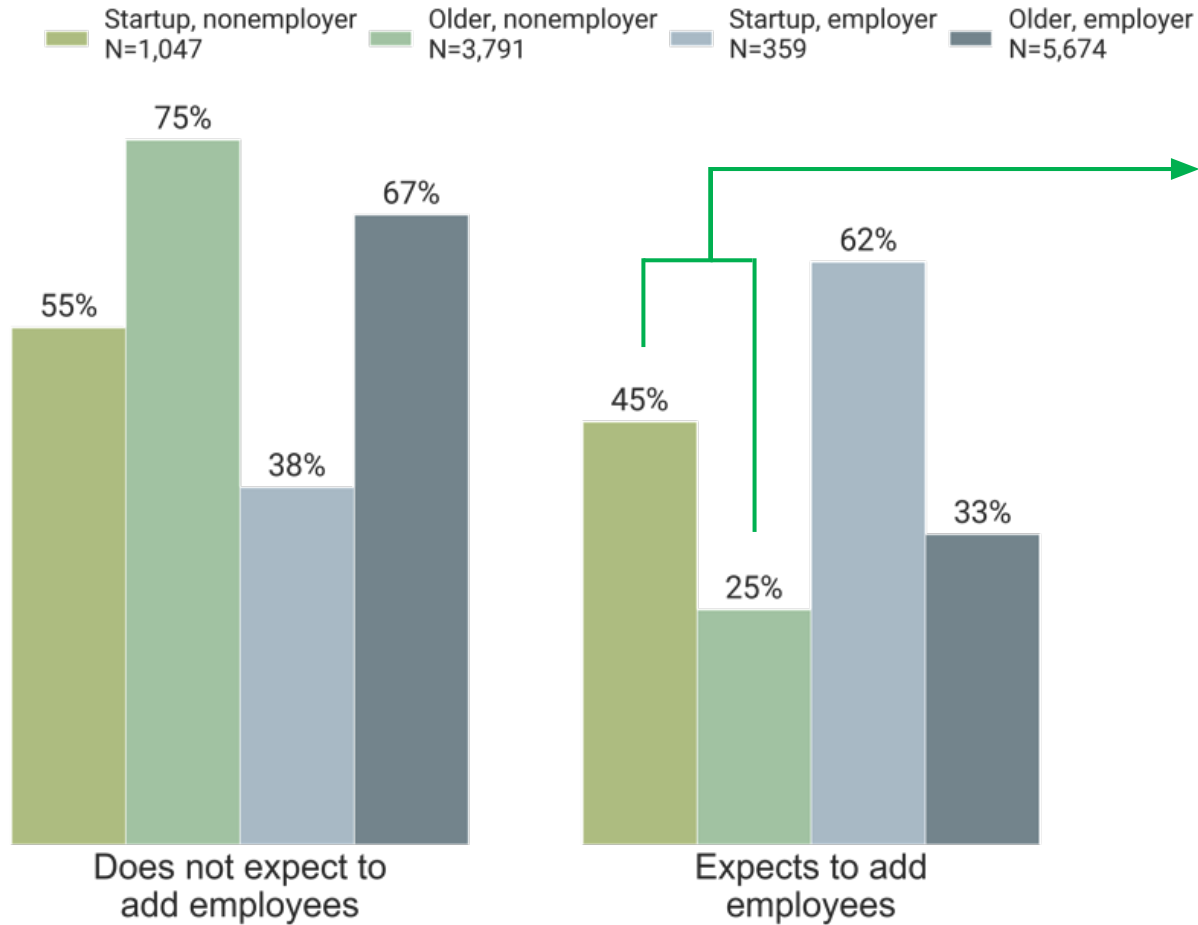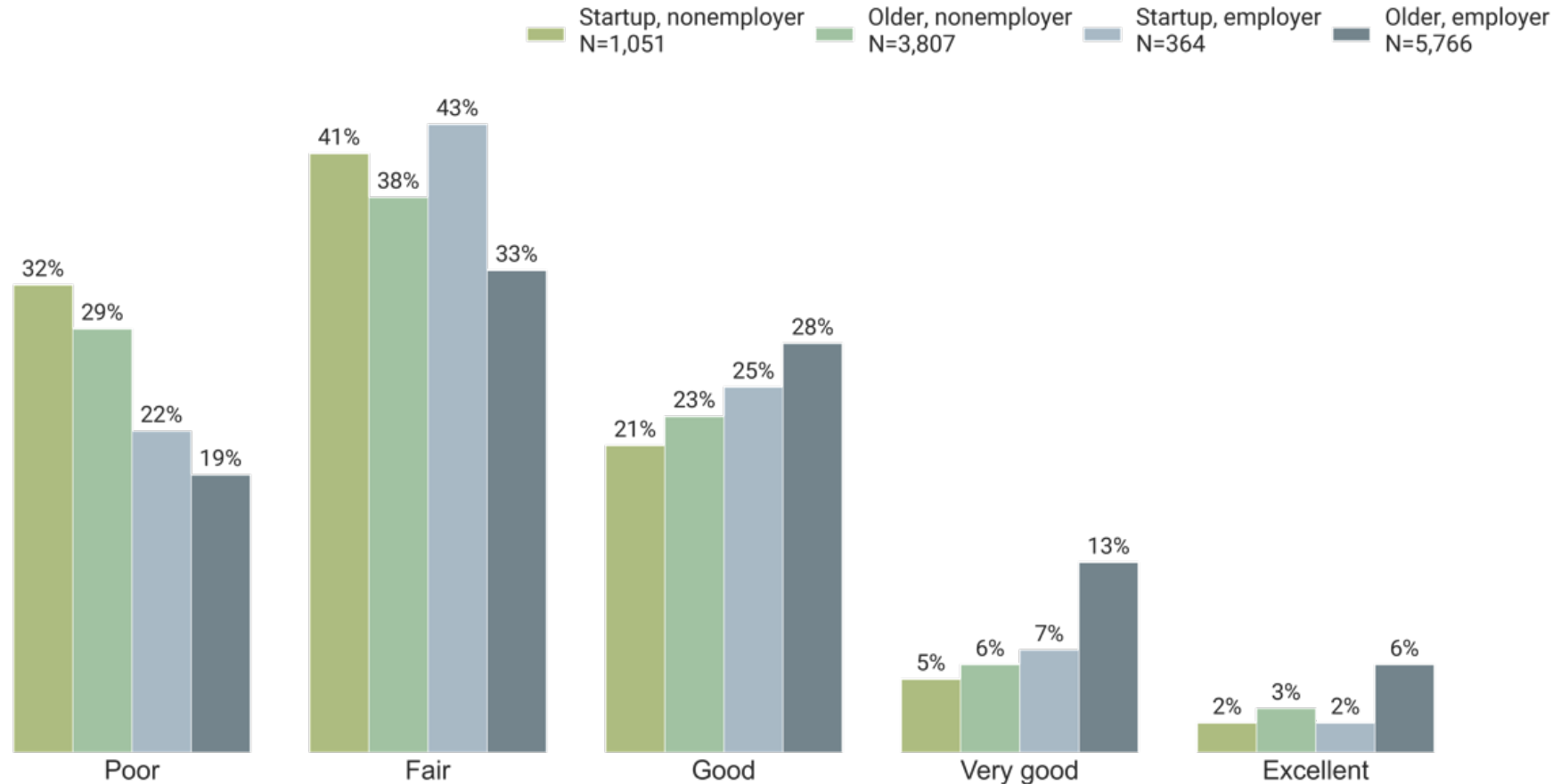*Notes: Self-reported financial condition at time of survey. Percentages across response options may not sum to 100 within firm categories because of rounding. See Appendix for definitions of SBCS time references.*
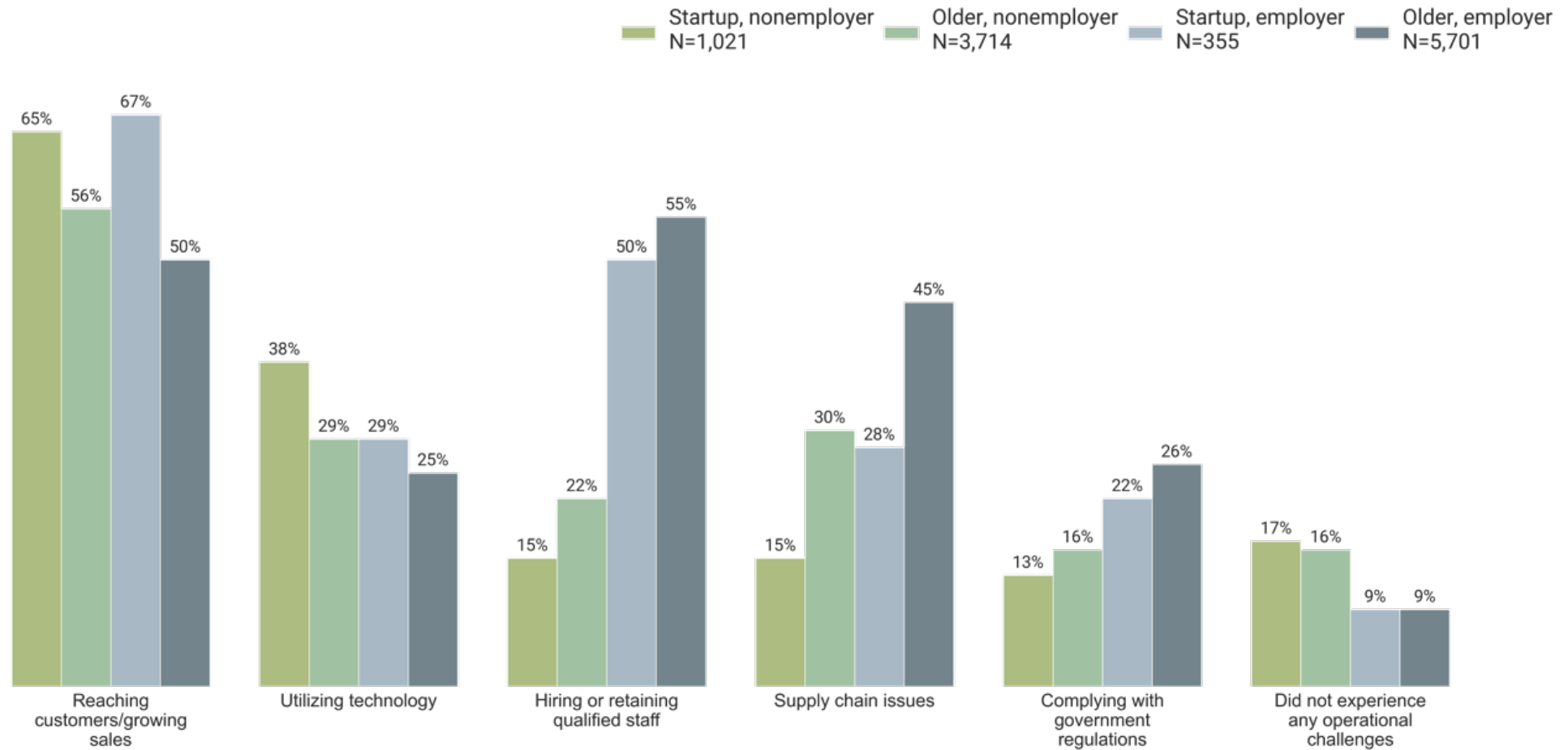
Challenges

Financial and operational challenges and actions taken in response
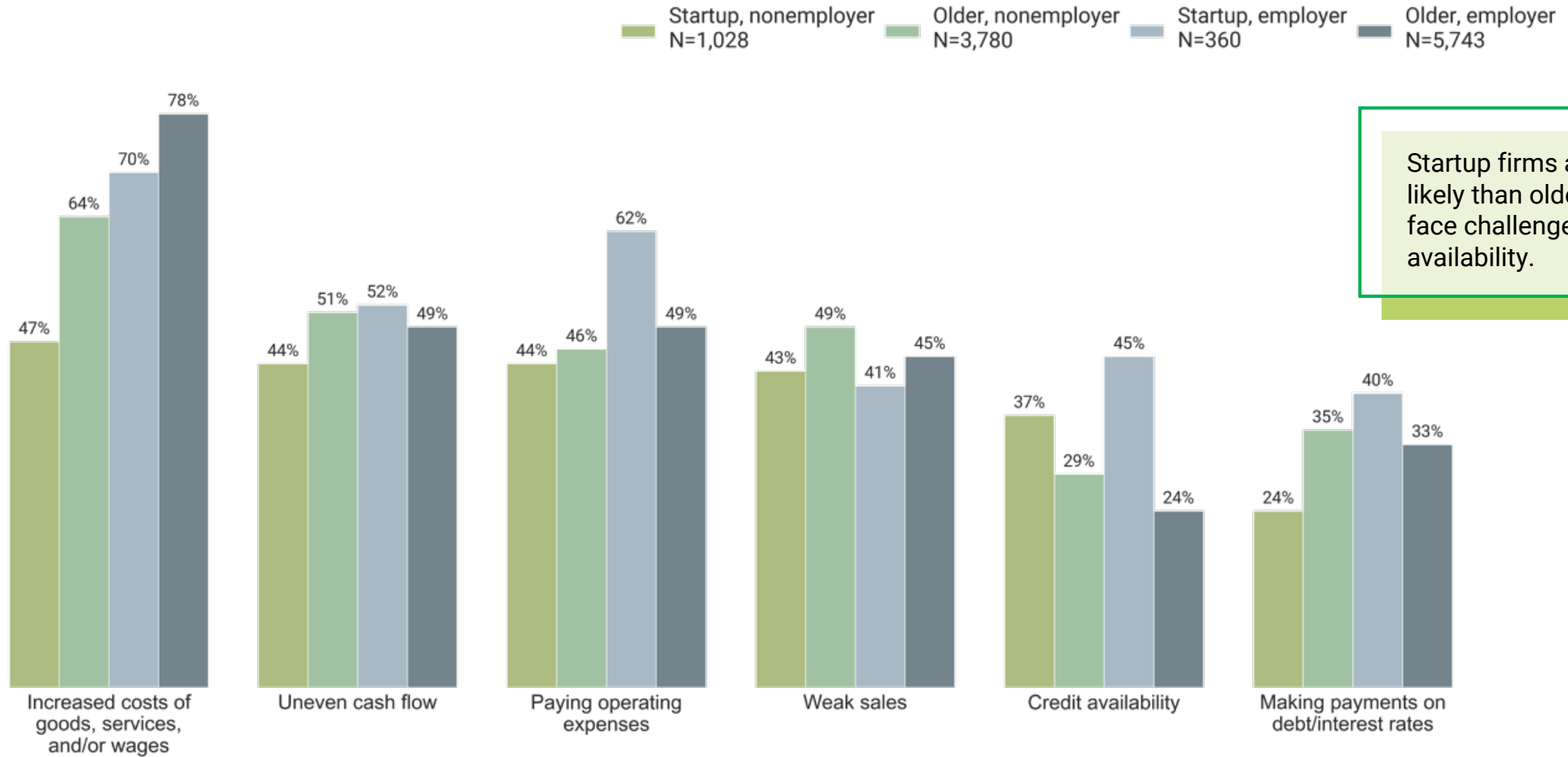
Operational challenges, prior 12 months
(% of firms)

Legend:
- Startup, nonemployer N=1,021
- Older, nonemployer N=3,714
- Startup, employer N=355
- Older, employer N=5,701

Reaching customers/growing sales: 65%, 56%, 67%, 50%

Utilizing technology: 38%, 29%, 29%, 25%

Hiring or retaining qualified staff: 15%, 22%, 50%, 55%

Supply chain issues: 15%, 30%, 28%, 45%

Complying with government regulations: 13%, 16%, 22%, 26%

Did not experience any operational challenges: 17%, 16%, 9%, 9%

Notes: "Utilizing technology" includes using websites, ecommerce, social media, and cybersecurity. Respondents could select multiple options. Select response options shown. See Appendix for definitions of SBCS time references.

Financial challenges, prior 12 months
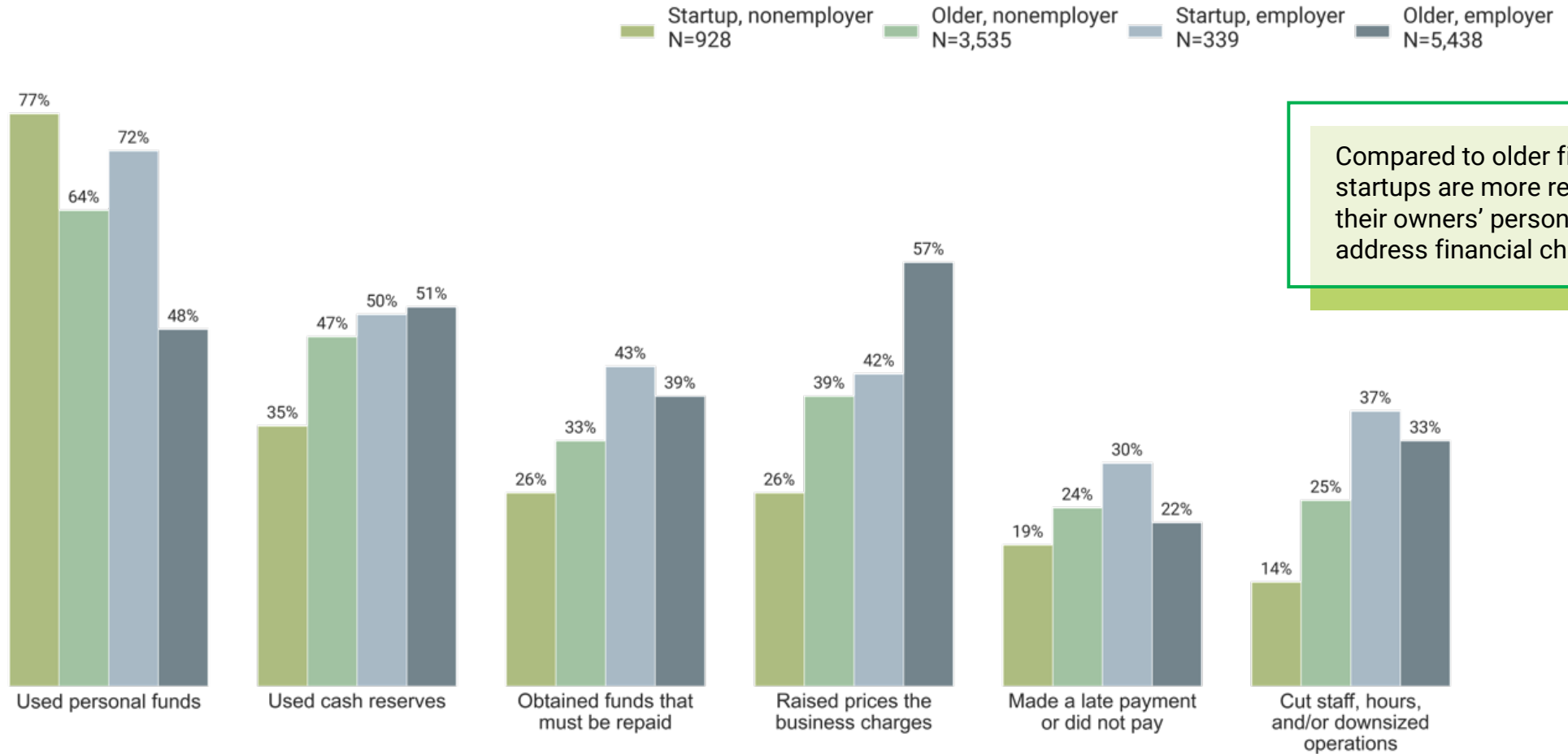(% of firms)

Startup, nonemployer
N=1,028

Older, nonemployer
N=3,780

Startup, employer
N=360

Older, employer
N=5,743

Startup firms are more likely than older firms to face challenges with credit availability.

Increased costs of goods, services, and/or wages: 47%, 64%, 70%, 78%

Uneven cash flow: 44%, 51%, 52%, 49%

Paying operating expenses: 44%, 46%, 62%, 49%

Weak sales: 43%, 49%, 41%, 45%

Credit availability: 37%, 29%, 45%, 24%

Making payments on debt/interest rates: 24%, 35%, 40%, 33%

Notes: Respondents could select multiple options. Examples presented for "paying operating expenses" include payroll, rent, and inventory costs. Select response options shown. See Appendix for definitions of SBCS time references.

Actions taken in response to financial challenges, prior 12 months (% of firms with financial challenges)

Legend:
- Startup, nonemployer N=928
- Older, nonemployer N=3,535
- Startup, employer N=339
- Older, employer N=5,438

Used personal funds: 77%, 64%, 72%, 48%
Used cash reserves: 35%, 47%, 50%, 51%
Obtained funds that must be repaid: 26%, 33%, 43%, 39%
Raised prices the business charges: 26%, 39%, 42%, 57%
Made a late payment or did not pay: 19%, 24%, 30%, 22%
Cut staff, hours, and/or downsized operations: 14%, 25%, 37%, 33%
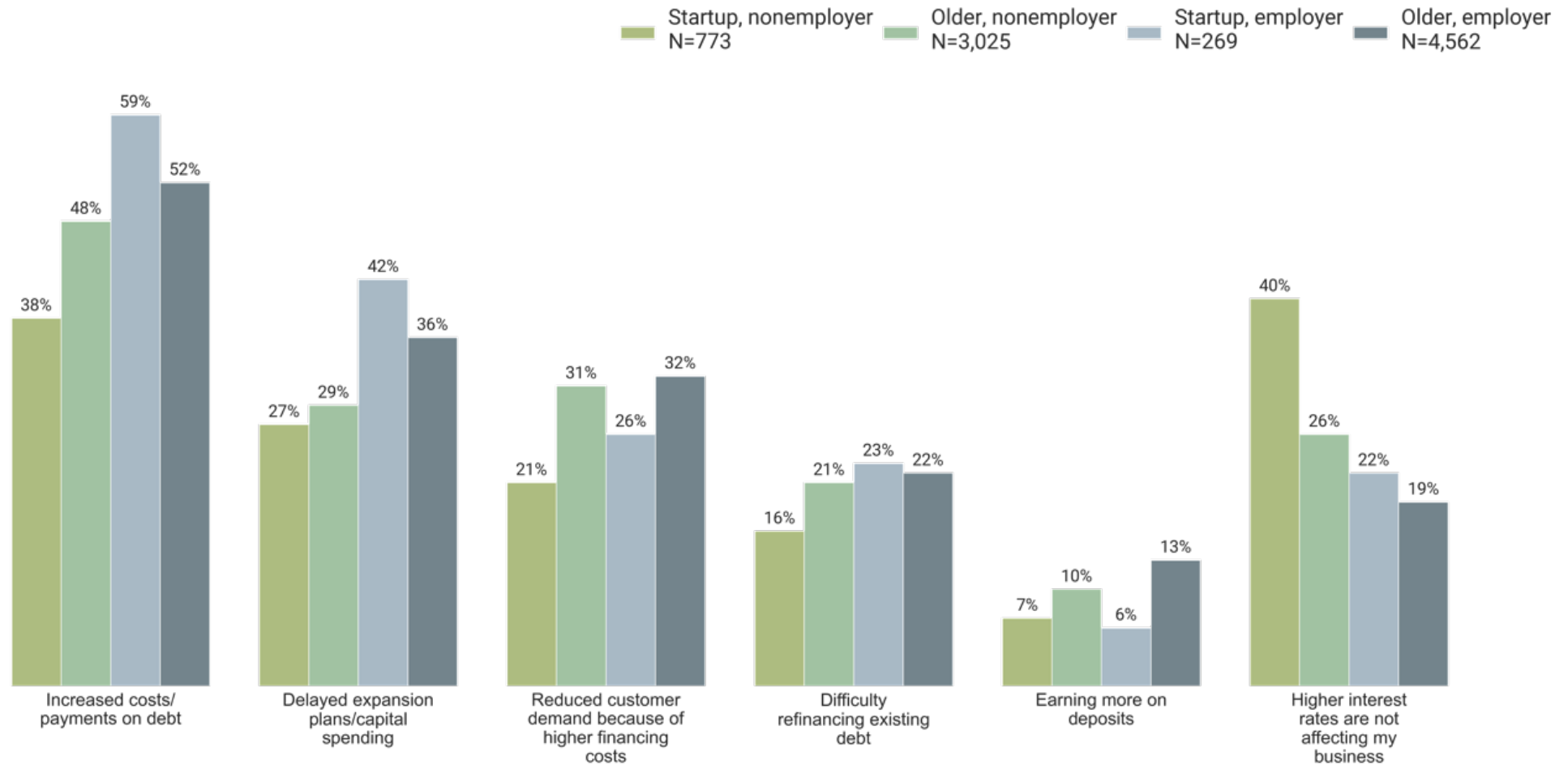
Compared to older firms, startups are more reliant on their owners' personal funds to address financial challenges.

Notes: Respondents could select multiple options. Select response options shown. See Appendix for definitions of SBCS time references.

Effects of higher interest rates
(% of firms)

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Debt and Financial Services

Outstanding debt, use of financial services, and payments

Amount of debt outstanding, time of survey
(% of firms)

Legend:
- Startup, nonemployer N=1,031
- Older, nonemployer N=3,749
- Startup, employer N=359
- Older, employer N=5,700

No outstanding debt
- 61%
- 41%
- 30%
- 28%

$100,000 or less
- 35%
- 45%
- 42%
- 30%

More than $100,000
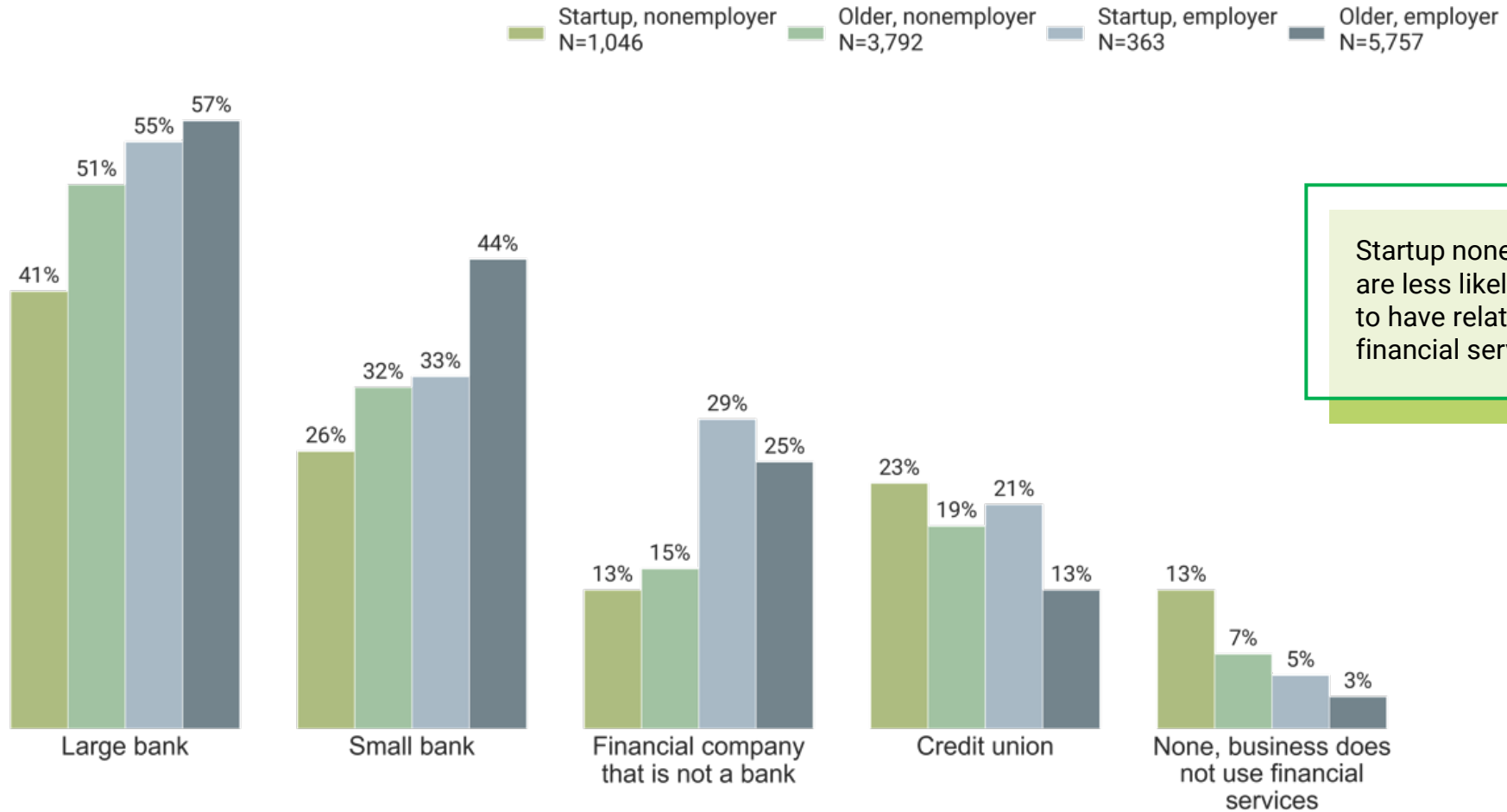- 4%
- 14%
- 28%
- 42%
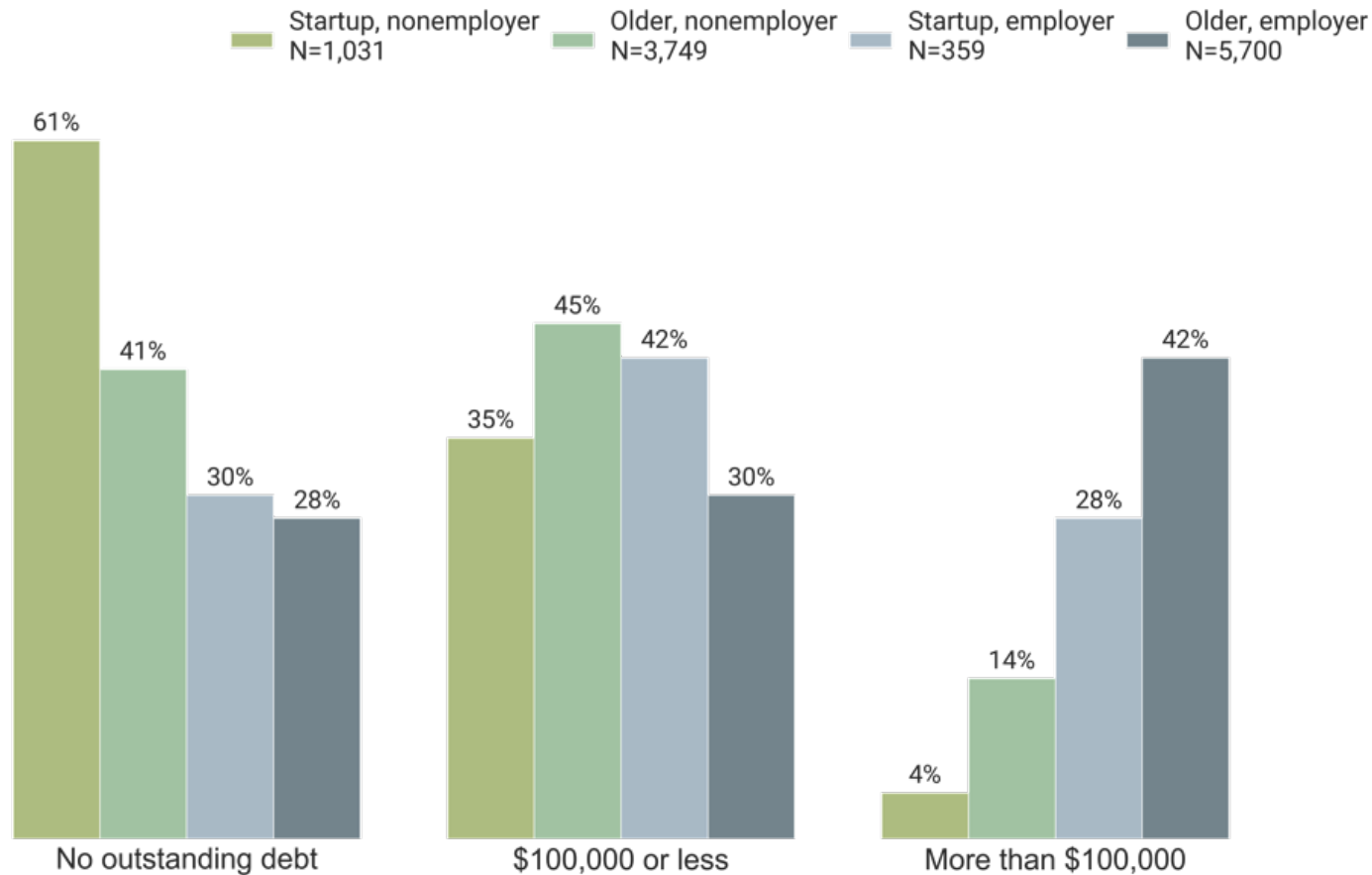
Notes: Respondents were instructed to consider funds borrowed from external parties, including formal borrowing from financial institutions and loans from friends and family. Percentages may not sum to 100 within firm categories because of rounding. See Appendix for definitions of SBCS time references.

Use of financial services providers
(% of firms)

Startup, nonemployer
N=1,046

Older, nonemployer
N=3,792

Startup, employer
N=363

Older, employer
N=5,757

Large bank
- 41%
- 51%
- 55%
- 57%

Small bank
- 26%
- 32%
- 33%
- 44%

Financial company that is not a bank
- 13%
- 15%
- 29%
- 25%

Credit union
- 23%
- 19%
- 21%
- 13%

None, business does not use financial services
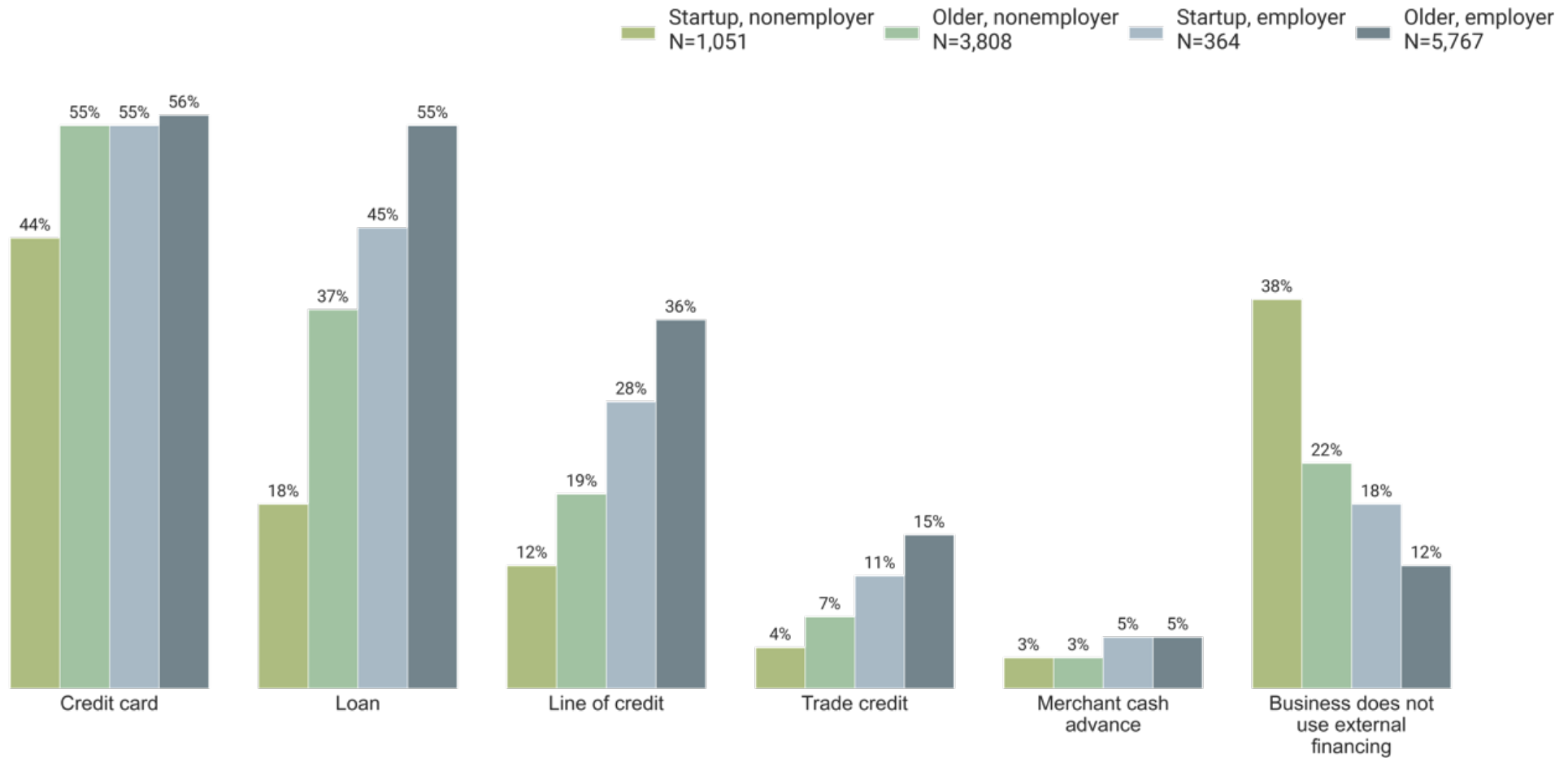- 13%
- 7%
- 5%
- 3%

Startup nonemployer firms are less likely than other firms to have relationships with financial services providers.

Notes: Financial services providers are those at which the firm has an account or uses other financial services, including loans and payment processing. Respondents could select multiple options. See Appendix for financial services provider definitions used in the SBCS.
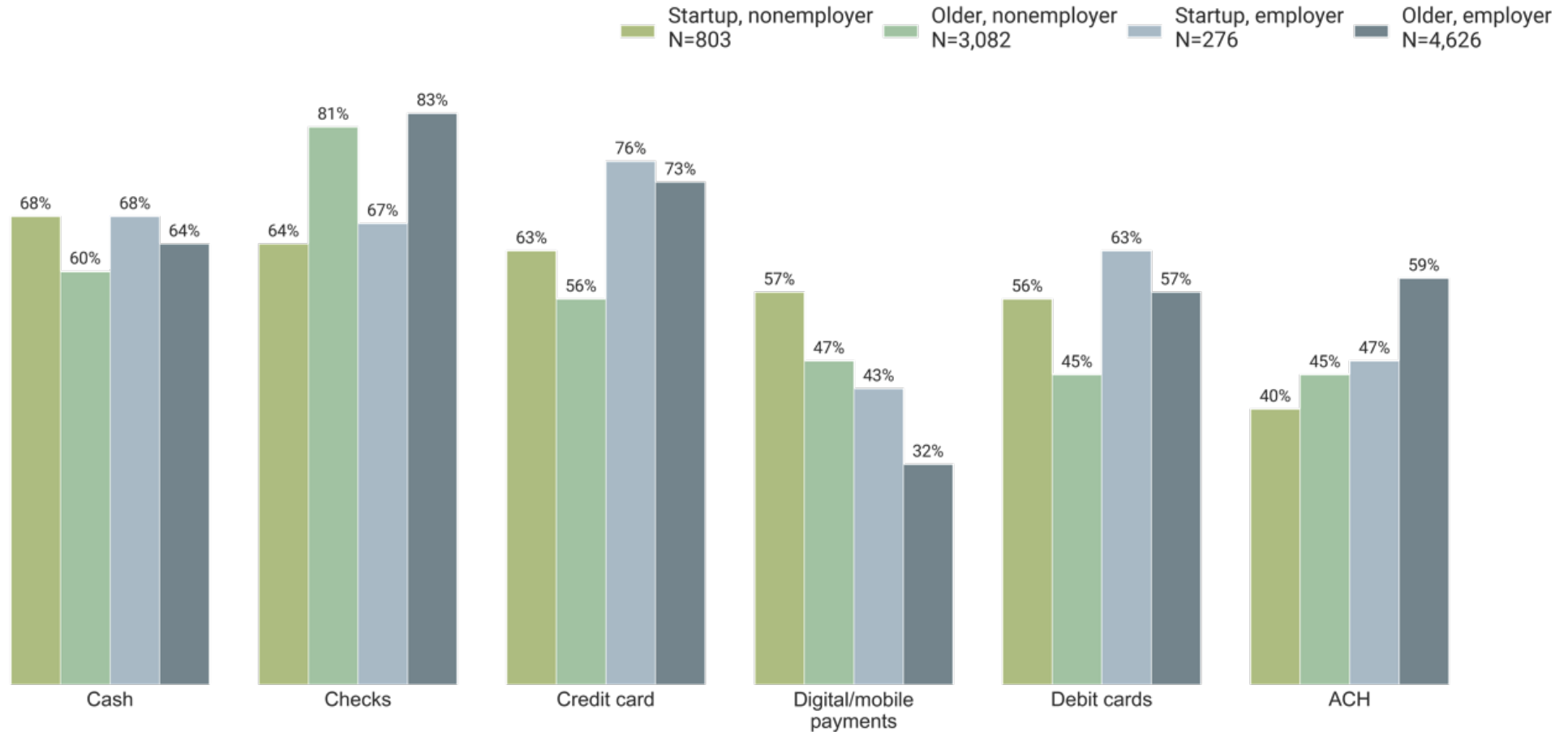
Use of financing and credit
(% of firms)

Legend: Startup, nonemployer N=1,051 | Older, nonemployer N=3,808 | Startup, employer N=364 | Older, employer N=5,767

Credit card: 44%, 55%, 55%, 56%
Loan: 18%, 37%, 45%, 55%
Line of credit: 12%, 19%, 28%, 36%
Trade credit: 4%, 7%, 11%, 15%
Merchant cash advance: 3%, 3%, 5%, 5%
Business does not use external financing: 38%, 22%, 18%, 12%

Notes: Respondents were asked to select the types of financing products they regularly use or carry a balance on. "Loan" includes mortgage for the business. Respondents could select multiple options. Select response options shown.

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Forms of payment accepted
(% of firms)

Legend: Startup, nonemployer N=803 | Older, nonemployer N=3,082 | Startup, employer N=276 | Older, employer N=4,626

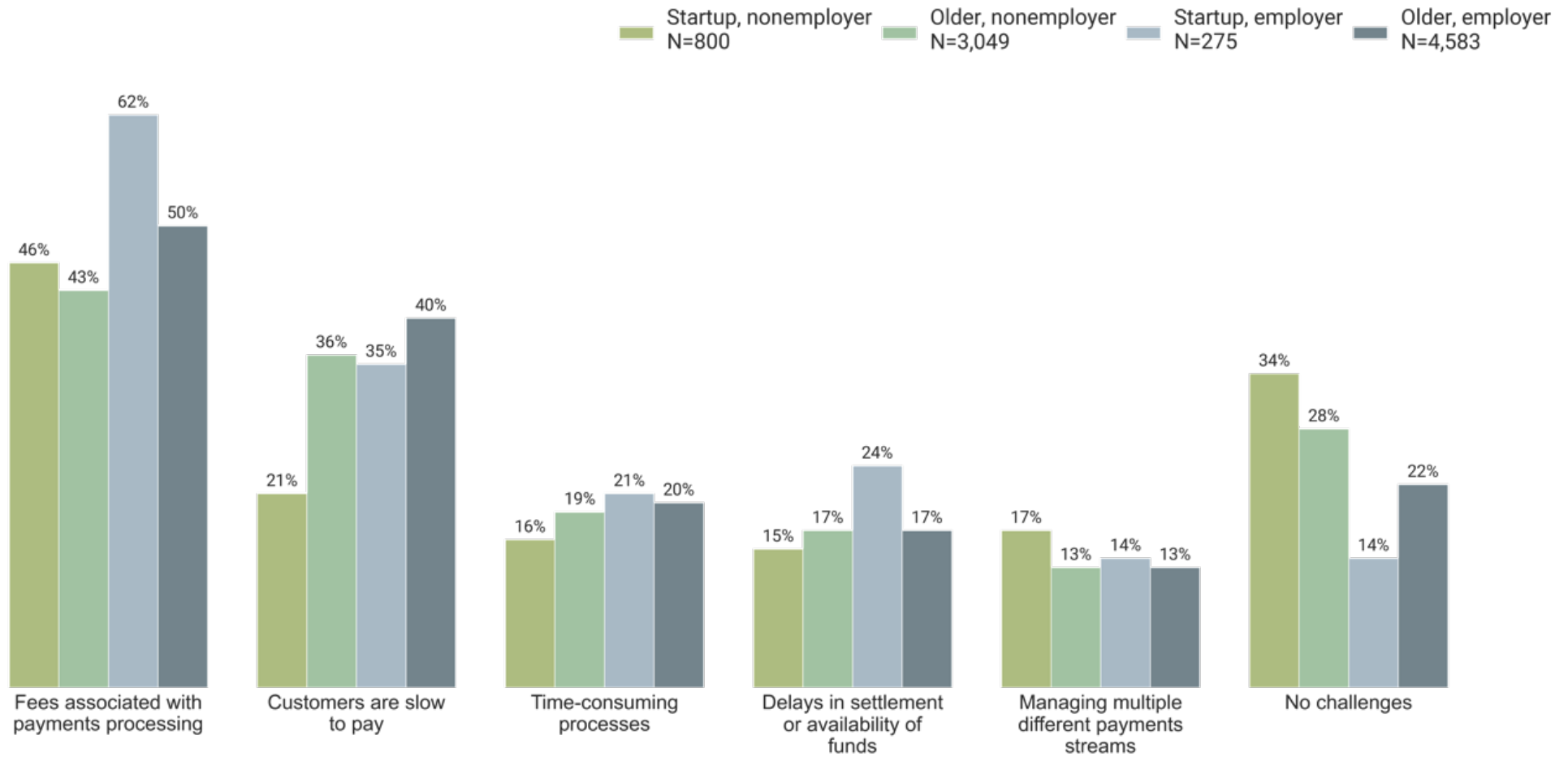|	Startup, nonemployer	Older, nonemployer	Startup, employer	Older, employer
Cash	68%	60%	68%	64%
Checks	64%	81%	67%	83%
Credit card	63%	56%	76%	73%
Digital/mobile payments	57%	47%	43%	32%
Debit cards	56%	45%	63%	57%
ACH	40%	45%	47%	59%

Notes: Data on payments are drawn from an optional end-of-survey module (approximately 80% of employer firms and 86% of nonemployer firms opted to answer in 2023). Respondents could select multiple options. Select response options shown. Examples of "digital/mobile payments" provided to respondents include PayPal, Venmo, and ApplePay. ACH is an electronic money transfer made between depository institutions across the Automated Clearing House (ACH) network.

Payments-related challenges
(% of firms)

Legend: Startup, nonemployer N=800 · Older, nonemployer N=3,049 · Startup, employer N=275 · Older, employer N=4,583

	Startup, nonemployer	Older, nonemployer	Startup, employer	Older, employer
Fees associated with payments processing	46%	43%	62%	50%
Customers are slow to pay	21%	36%	35%	40%
Time-consuming processes	16%	19%	21%	20%
Delays in settlement or availability of funds	15%	17%	24%	17%
Managing multiple different payments streams	17%	13%	14%	13%
No challenges	34%	28%	14%	22%

Notes: Data on payments are drawn from an optional end-of-survey module (approximately 80% of employer firms and 86% of nonemployer firms opted to answer in 2023). Respondents could select multiple options. Select response options shown.
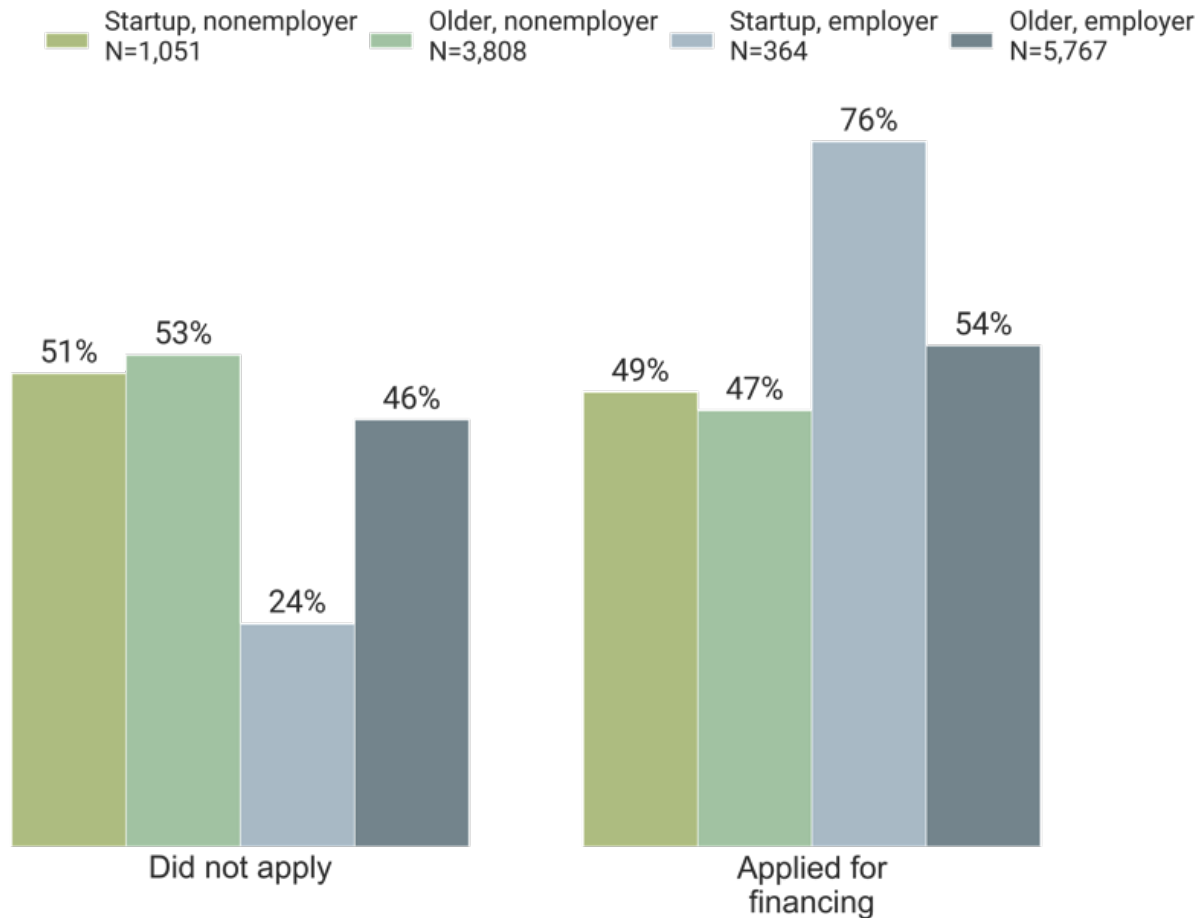
Financing

**Financing applications
and outcomes**

Demand for financing, prior 12 months
(% of firms)

Legend:
- Startup, nonemployer N=1,051
- Older, nonemployer N=3,808
- Startup, employer N=364
- Older, employer N=5,767

Did not apply: 51%, 53%, 24%, 46%
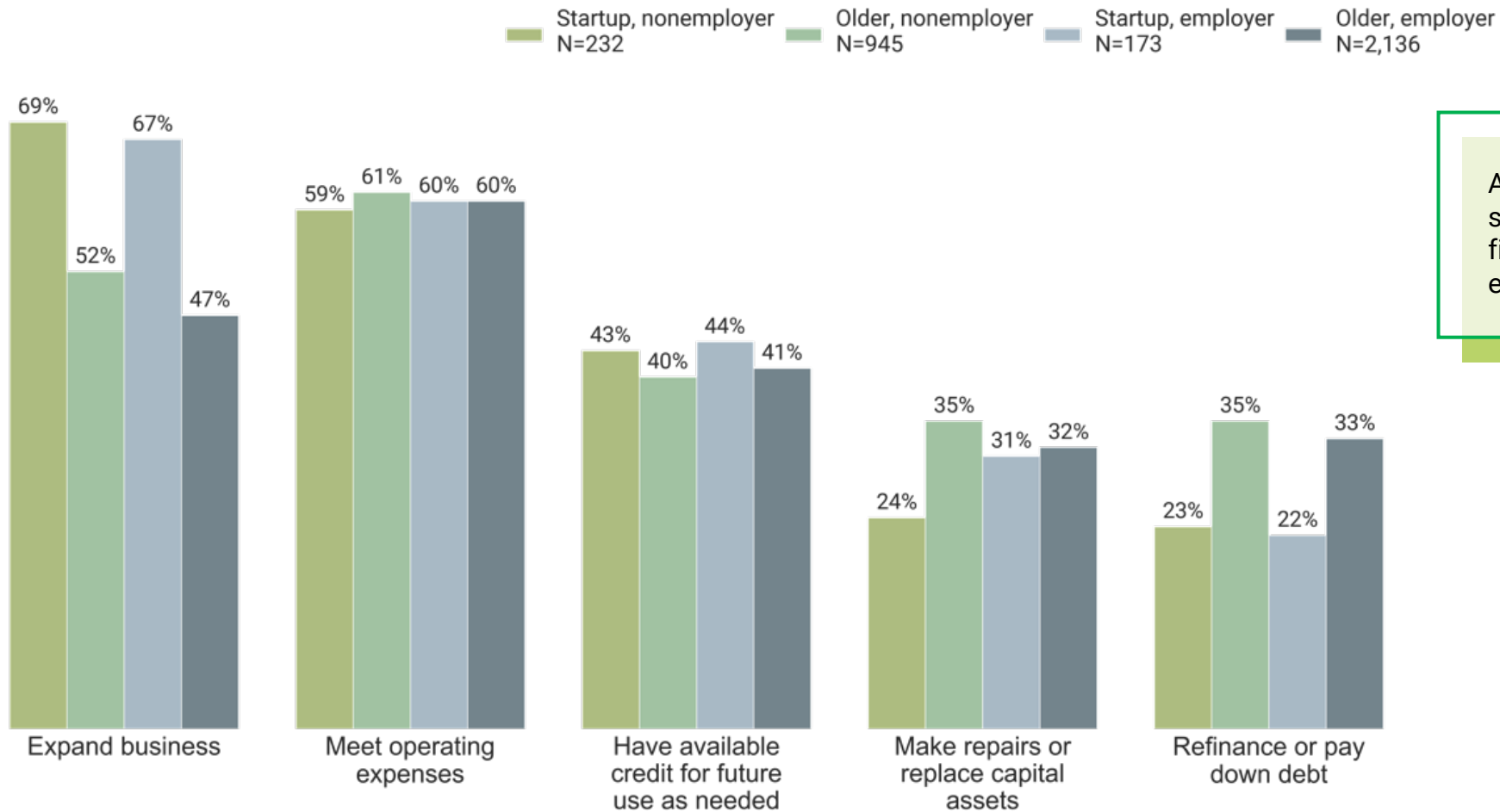
Applied for financing: 49%, 47%, 76%, 54%

Startup employer firms were more likely than other firms to have sought financing in the prior 12 months.

Notes: Includes financing applications for loans, lines of credit, merchant cash advances, leases, trade credit, credit cards, and factoring.
See Appendix for definitions of SBCS time references.

Reasons for seeking financing, prior 12 months
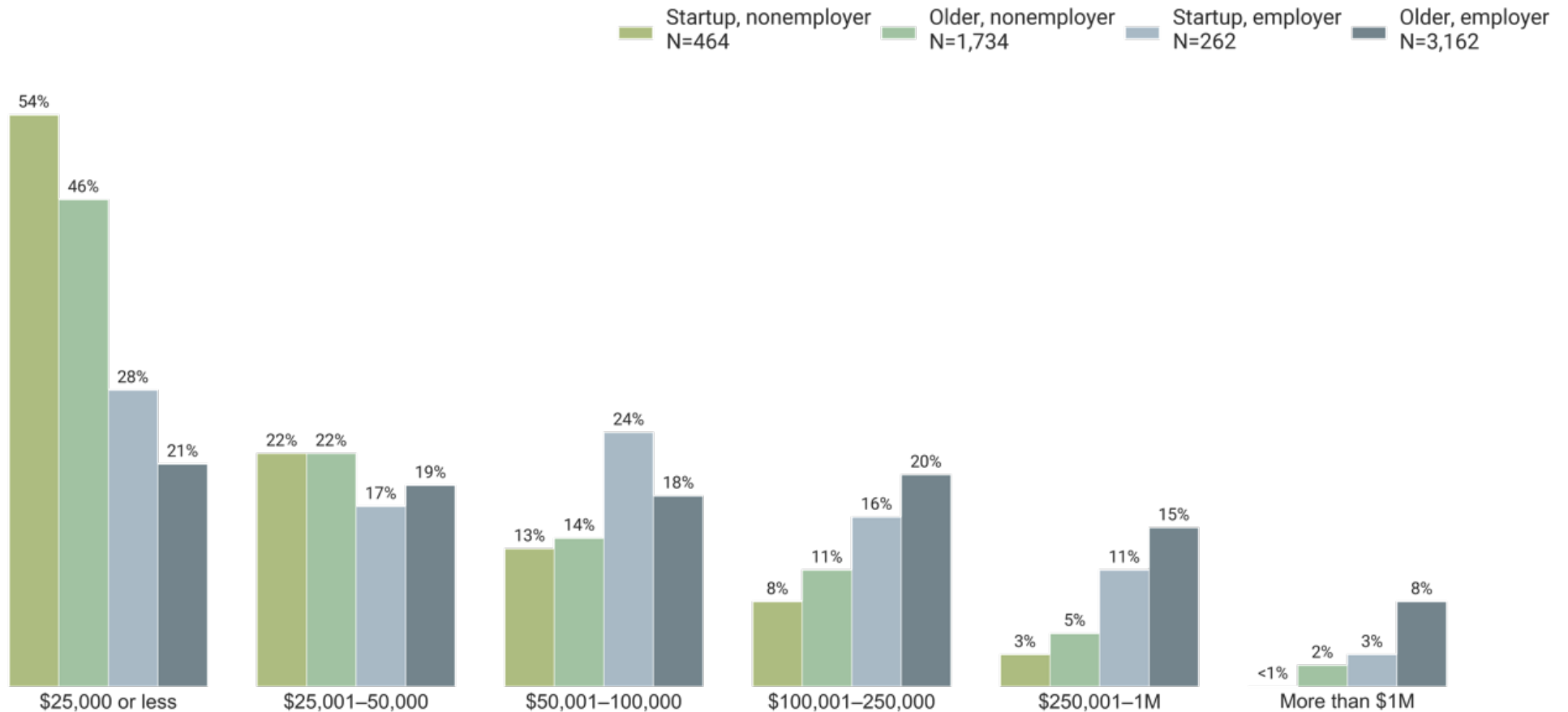(% of applicants)

Startup, nonemployer
N=232

Older, nonemployer
N=945

Startup, employer
N=173

Older, employer
N=2,136

Expand business
- 69%
- 52%
- 67%
- 47%

Meet operating expenses
- 59%
- 61%
- 60%
- 60%

Have available credit for future use as needed
- 43%
- 40%
- 44%
- 41%

Make repairs or replace capital assets
- 24%
- 35%
- 31%
- 32%

Refinance or pay down debt
- 23%
- 35%
- 22%
- 33%

> About two-thirds of startup firms that sought financing cited business expansion as a reason.

Notes: Respondents could select multiple options. Select response options shown. See Appendix for definitions of SBCS time references.

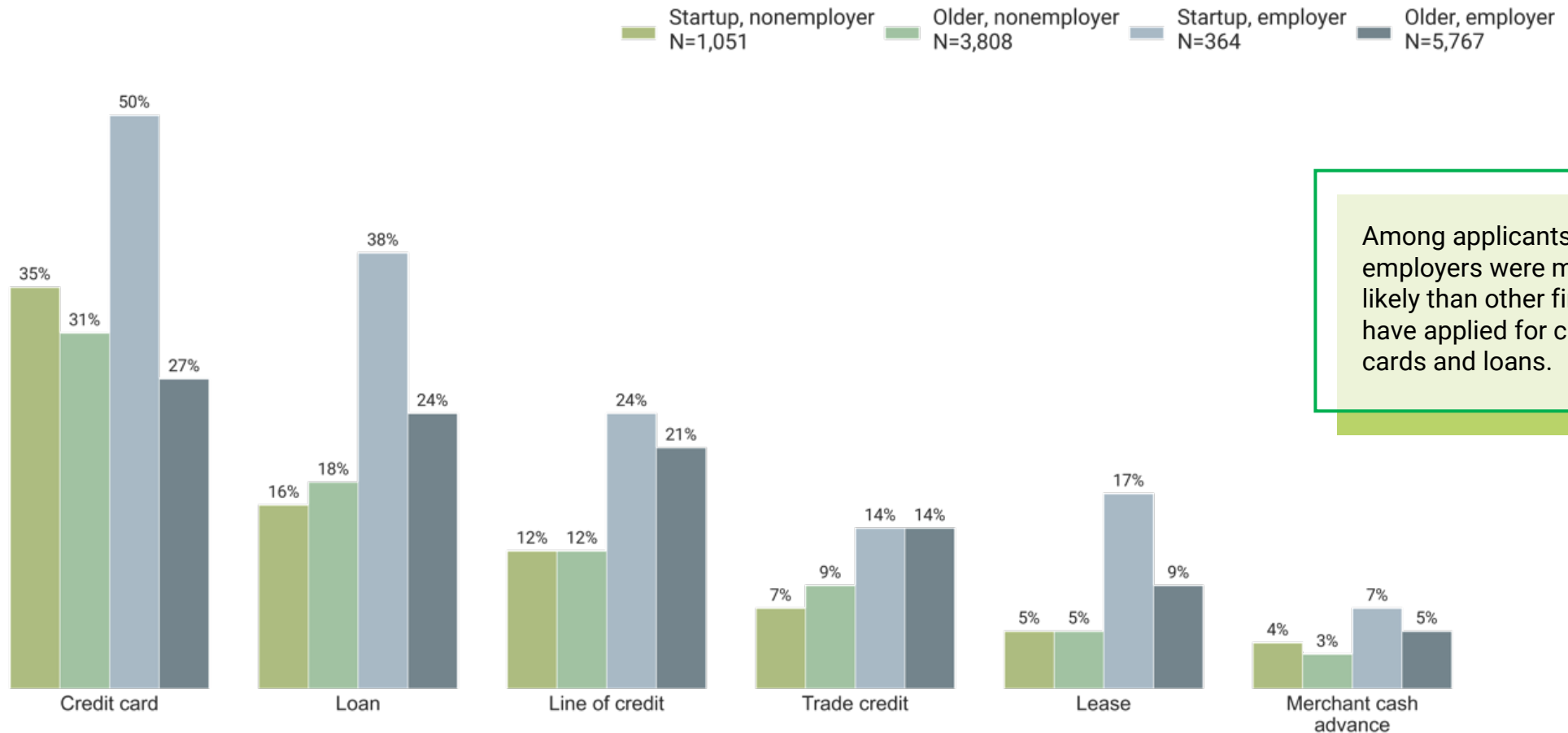# Total amount of financing sought, prior 12 months
(% of applicants)

Legend:
- Startup, nonemployer N=464
- Older, nonemployer N=1,734
- Startup, employer N=262
- Older, employer N=3,162

Category	Startup, nonemployer	Older, nonemployer	Startup, employer	Older, employer
$25,000 or less	54%	46%	28%	21%
$25,001–50,000	22%	22%	17%	19%
$50,001–100,000	13%	14%	24%	18%
$100,001–250,000	8%	11%	16%	20%
$250,001–1M	3%	5%	11%	15%
More than $1M	<1%	2%	3%	8%

Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. See Appendix for definitions of SBCS time references.

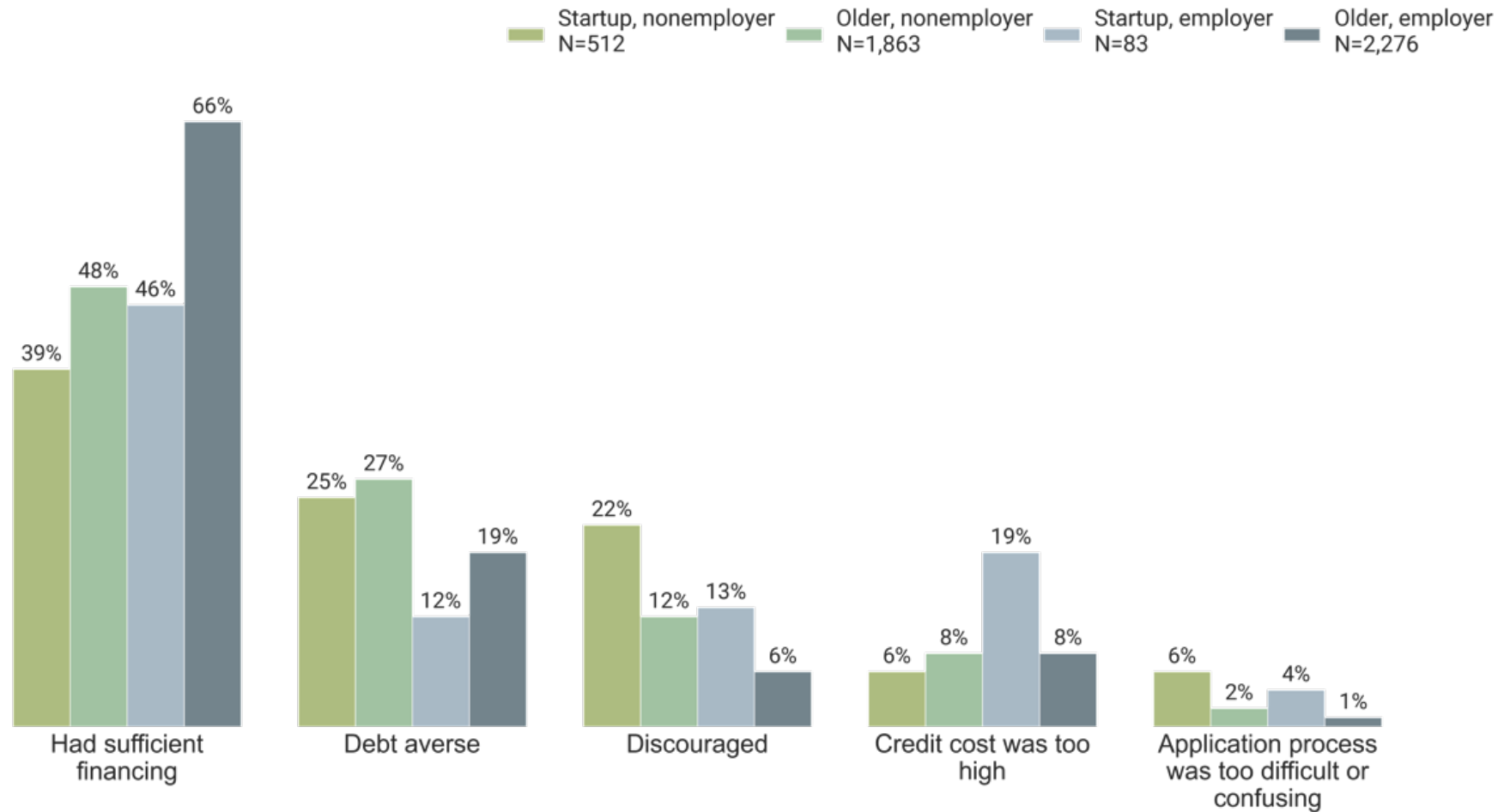# Financing and credit products sought, prior 12 months
(% of applicants)

Legend:
- Startup, nonemployer N=1,051
- Older, nonemployer N=3,808
- Startup, employer N=364
- Older, employer N=5,767

Credit card: 35% / 31% / 50% / 27%
Loan: 16% / 18% / 38% / 24%
Line of credit: 12% / 12% / 24% / 21%
Trade credit: 7% / 9% / 14% / 14%
Lease: 5% / 5% / 17% / 9%
Merchant cash advance: 4% / 3% / 7% / 5%

Among applicants, startup employers were much more likely than other firms to have applied for credit cards and loans.

Notes: Respondents could select multiple options. Select response options shown. See Appendix for definitions of SBCS time references.
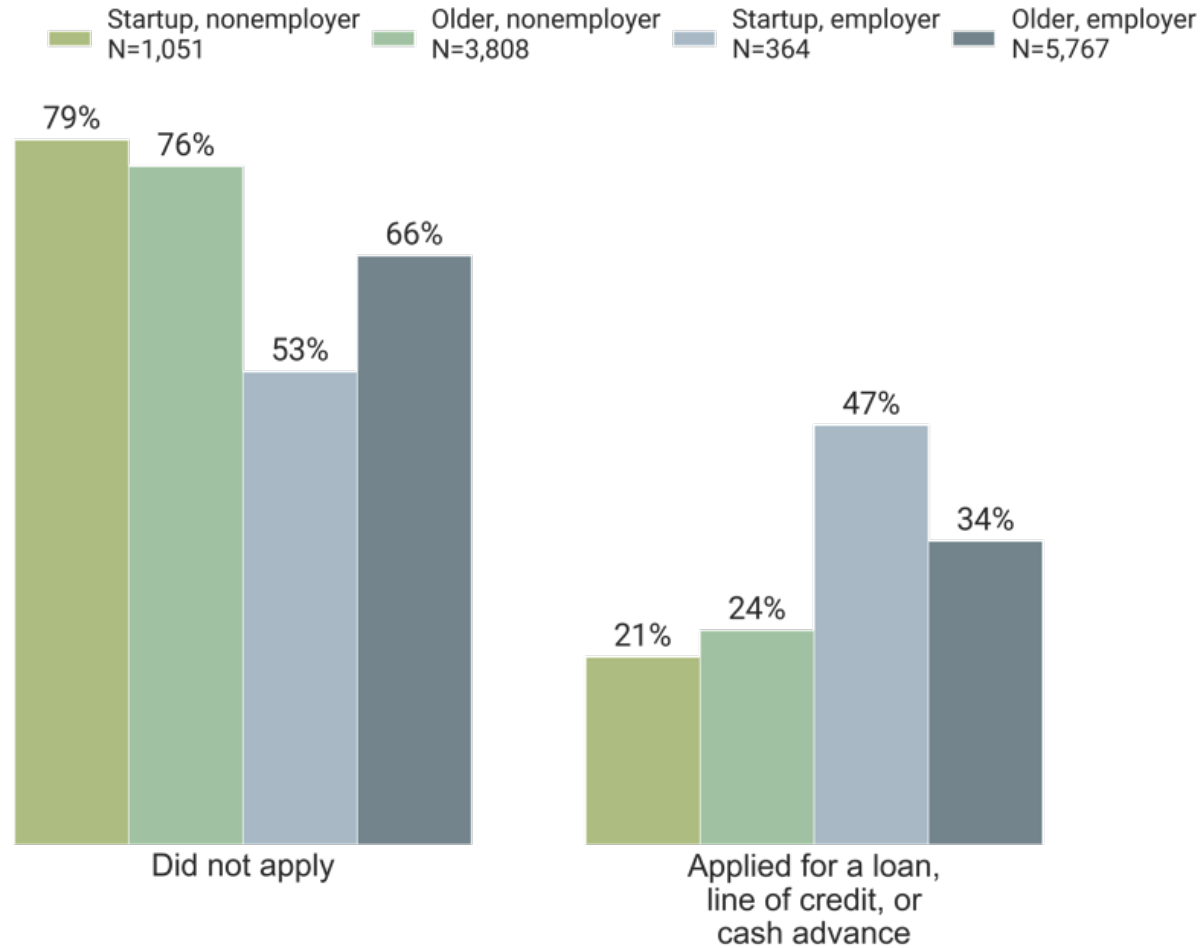
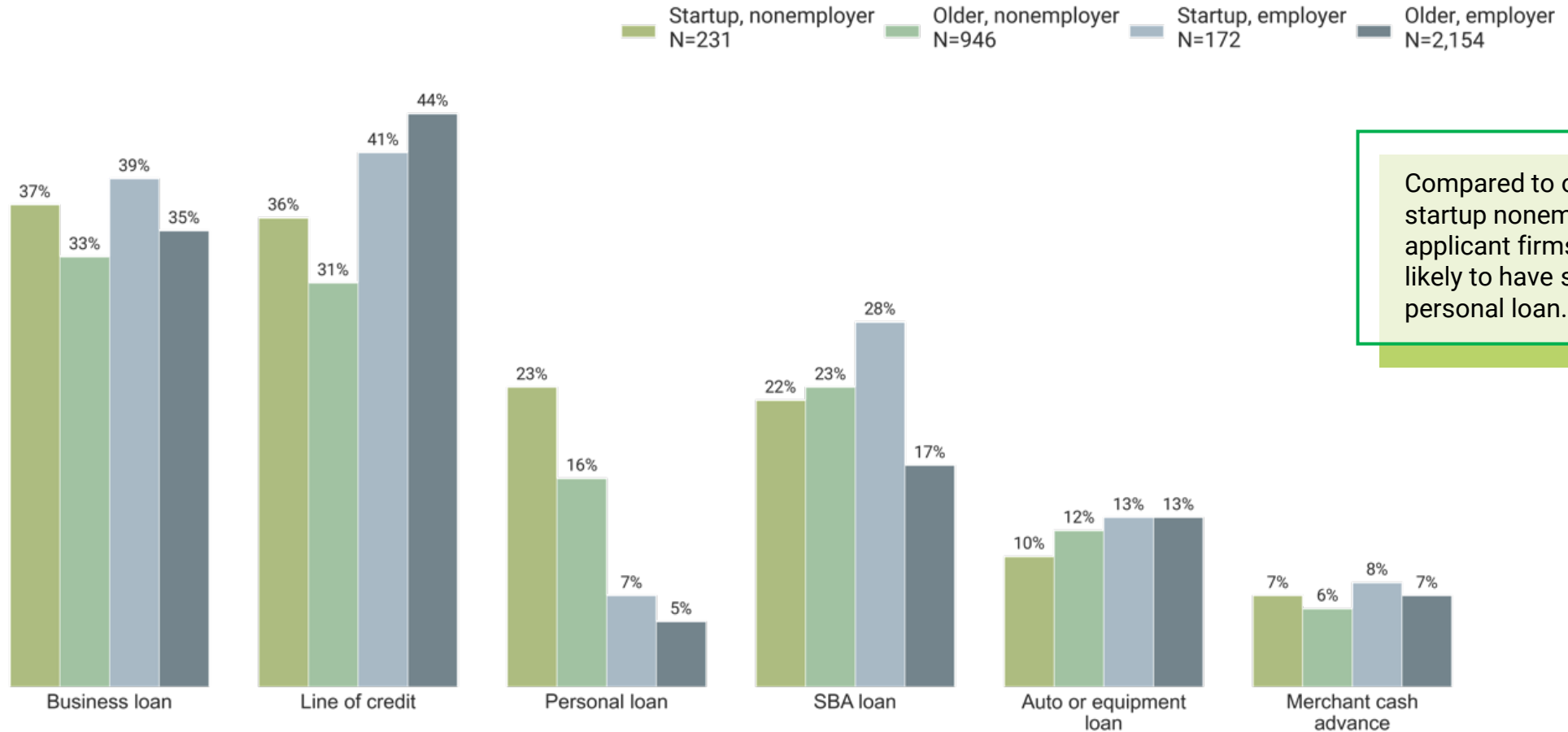# Top reasons for not applying for financing, prior 12 months
(% of nonapplicants)

Legend:
- Startup, nonemployer N=512
- Older, nonemployer N=1,863
- Startup, employer N=83
- Older, employer N=2,276

Had sufficient financing: 39%, 48%, 46%, 66%
Debt averse: 25%, 27%, 12%, 19%
Discouraged: 22%, 12%, 13%, 6%
Credit cost was too high: 6%, 8%, 19%, 8%
Application process was too difficult or confusing: 6%, 2%, 4%, 1%

Notes: "Nonapplicants" are firms that did not apply for financing in the prior 12 months. Respondents were asked to select the primary reason they chose not to apply for financing. Percentages across response options may not sum to 100 within firm categories because of rounding and because response option "other" is not shown. See Appendix for definitions of SBCS time references.

Share of firms that applied for a loan, line of credit, or MCA, prior 12 months (% of firms)

Startup, nonemployer
N=1,051

Older, nonemployer
N=3,808

Startup, employer
N=364

Older, employer
N=5,767

Did not apply
- 79%
- 76%
- 53%
- 66%

Applied for a loan, line of credit, or cash advance
- 21%
- 24%
- 47%
- 34%

Notes: "MCA" is a merchant cash advance. See Appendix for definitions of SBCS time references.

Applications by type of loan, line of credit, or MCA product, prior 12 months (% of applicants)

Legend:
- Startup, nonemployer N=231
- Older, nonemployer N=946
- Startup, employer N=172
- Older, employer N=2,154

Business loan: 37%, 33%, 39%, 35%
Line of credit: 36%, 31%, 41%, 44%
Personal loan: 23%, 16%, 7%, 5%
SBA loan: 22%, 23%, 28%, 17%
Auto or equipment loan: 10%, 12%, 13%, 13%
Merchant cash advance: 7%, 6%, 8%, 7%

Compared to other firms, startup nonemployer applicant firms were more likely to have sought a personal loan.

Notes: "MCA" is a merchant cash advance. "SBA" refers to the US Small Business Administration. Respondents could select multiple options. Select response options shown. See Appendix for definitions of SBCS time references.
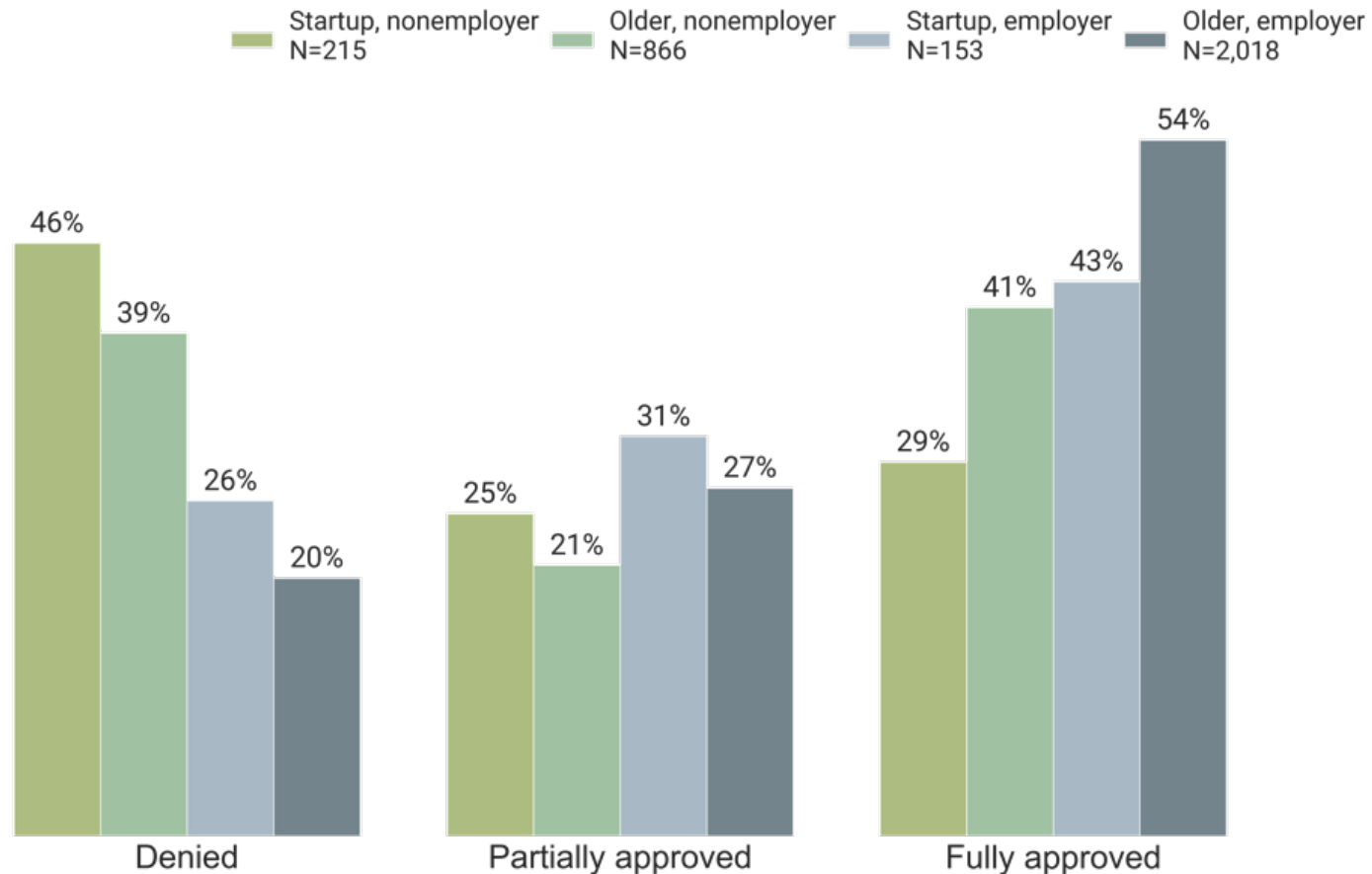
Applications by loan, line of credit, and MCA source, prior 12 months (% of applicants)

Legend:
- Startup, nonemployer N=227
- Older, nonemployer N=923
- Startup, employer N=171
- Older, employer N=2,134

Online lender
- 36%
- 30%
- 27%
- 22%

Large bank
- 34%
- 38%
- 48%
- 43%

Credit union
- 20%
- 13%
- 8%
- 7%

Small bank
- 19%
- 17%
- 20%
- 30%

Finance company
- 13%
- 14%
- 16%
- 14%

CDFI
- 8%
- 6%
- 11%
- 4%
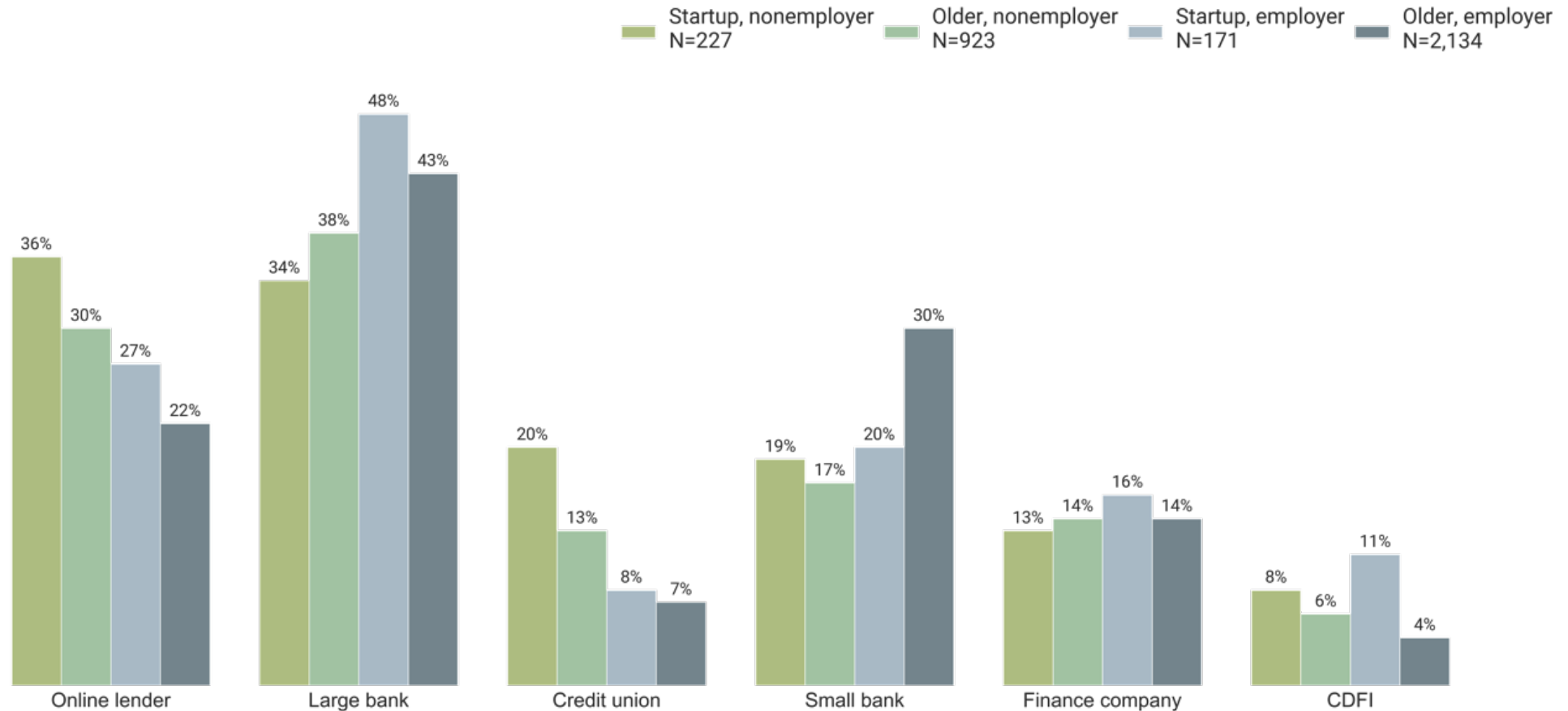
Notes: "MCA" is a merchant cash advance. Respondents could select multiple options. Response option "other" not shown. See Appendix for lender descriptions and definitions of SBCS time references.

Outcomes for loan, line of credit, and MCA applicants, prior 12 months (% of applicants)

Legend:
- Startup, nonemployer N=215
- Older, nonemployer N=866
- Startup, employer N=153
- Older, employer N=2,018

Denied
- 46%
- 39%
- 26%
- 20%

Partially approved
- 25%
- 21%
- 31%
- 27%

Fully approved
- 29%
- 41%
- 43%
- 54%

Nonemployers—both startups and older firms—were more likely than employer firms to be denied financing when they applied.

Notes: "MCA" is a merchant cash advance. Percentages across response options may not sum to 100 within firm categories because of rounding. See Appendix for definitions of SBCS time references.

Other types of funding sought and received, prior 12 months
(% of firms)

Legend:
- Startup, nonemployer N=1,021
- Older, nonemployer N=3,689
- Startup, employer N=347
- Older, employer N=5,600

Did not seek other type of funding
- 39%
- 54%
- 46%
- 59%

Sought other type of funding, but did not receive
- 18%
- 16%
- 12%
- 10%

Received other type of funding
- 43%
- 30%
- 42%
- 30%
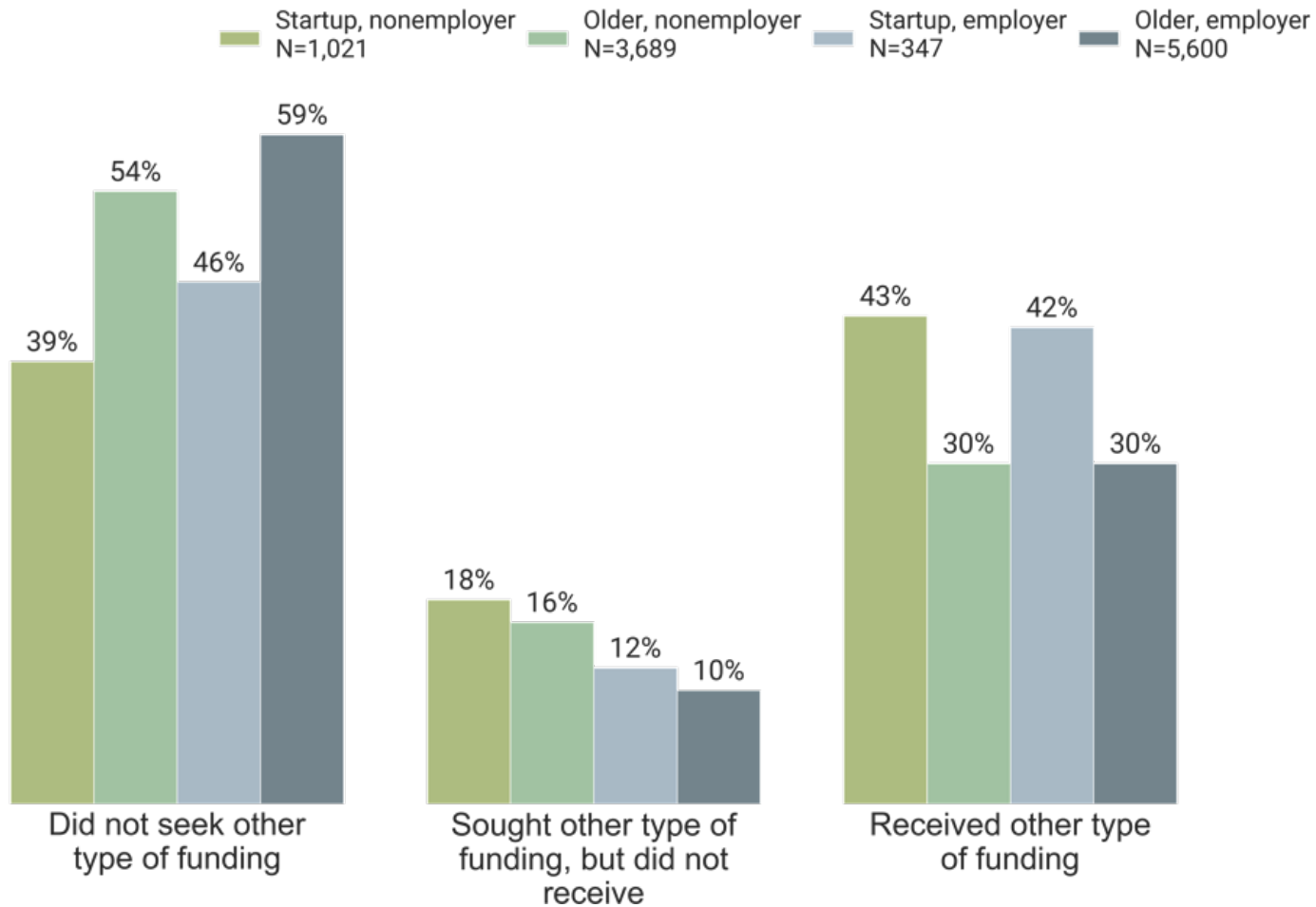
Notes: "Other types of funding" includes funds from the owner(s), loans from family or friends, grants, equity investments, and fundraising or donations. See Appendix for definitions of SBCS time references.

Other types of funding received, prior 12 months
(% of firms)

Legend:
- Startup, nonemployer N=1,021
- Older, nonemployer N=3,689
- Startup, employer N=347
- Older, employer N=5,600

Funds from owner
- 33%
- 21%
- 28%
- 22%

Loan from family or friends
- 11%
- 8%
- 15%
- 6%

Grant
- 4%
- 5%
- 4%
- 5%

Fundraising or donations
- 2%
- 1%
- 1%
- 1%

Equity investment (including friends/family)
- 2%
- 1%
- 3%
- 1%
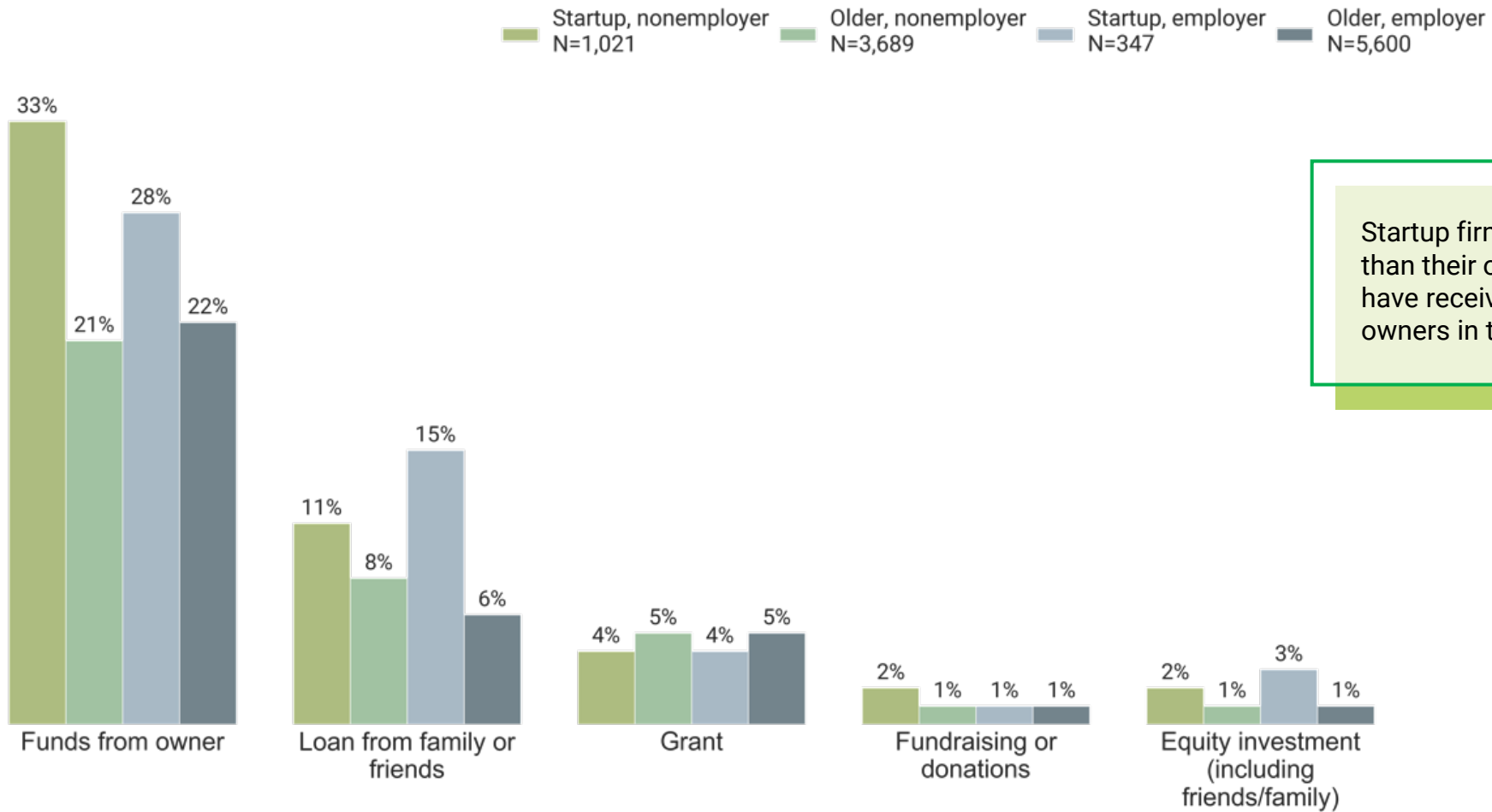
Startup firms were more likely than their older counterparts to have received funds from their owners in the prior 12 months.

Notes: Respondents could select multiple options. Select response options shown. See Appendix for definitions of SBCS time references.

Demographics

Firm and owner characteristics

Age of primary owner
(% of firms)
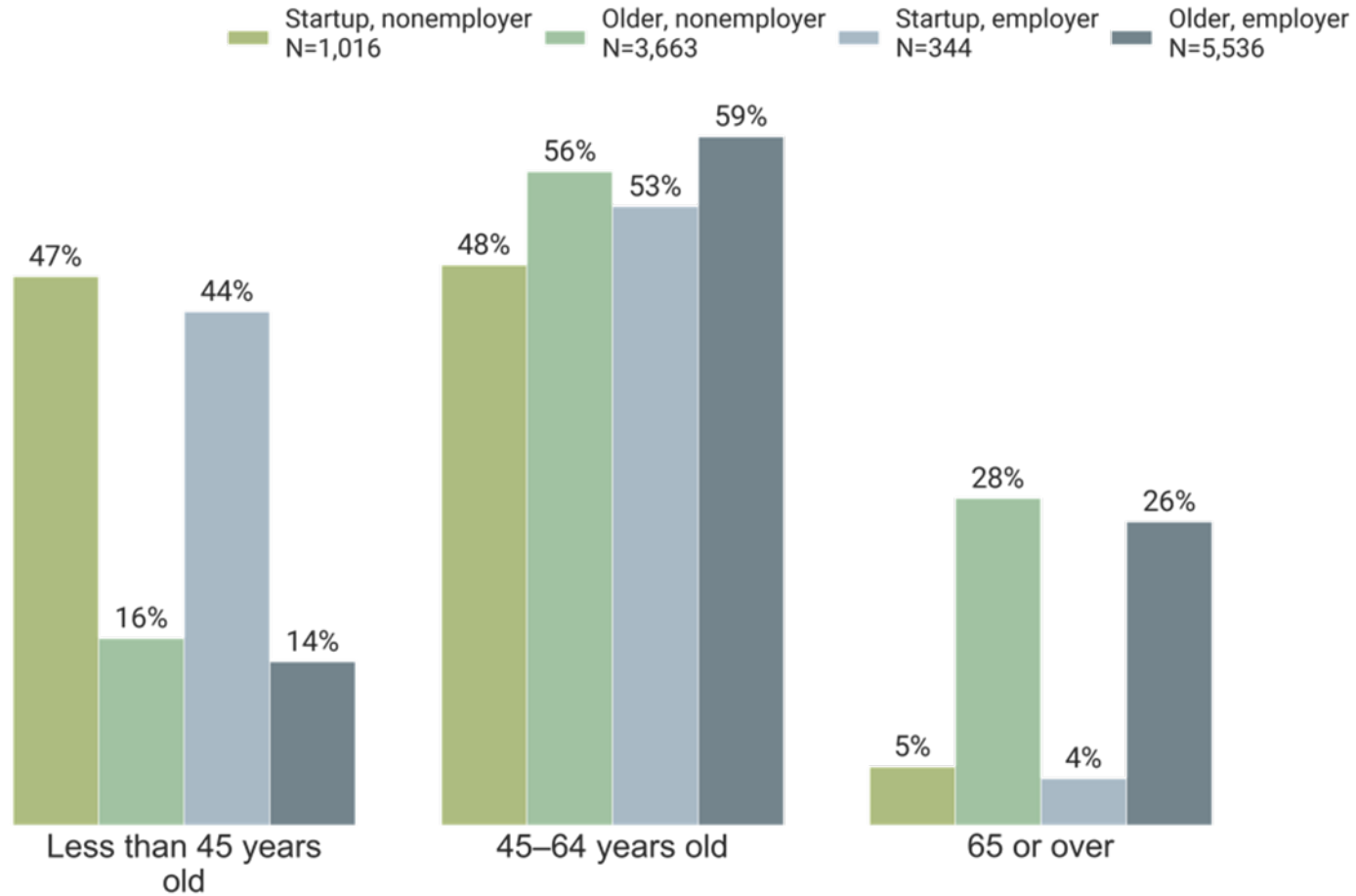
Legend: Startup, nonemployer N=1,016 · Older, nonemployer N=3,663 · Startup, employer N=344 · Older, employer N=5,536

Less than 45 years old: 47%, 16%, 44%, 14%

45–64 years old: 48%, 56%, 53%, 59%

65 or over: 5%, 28%, 4%, 26%

Note: Percentages across response options may not sum to 100 within firm categories because of rounding.
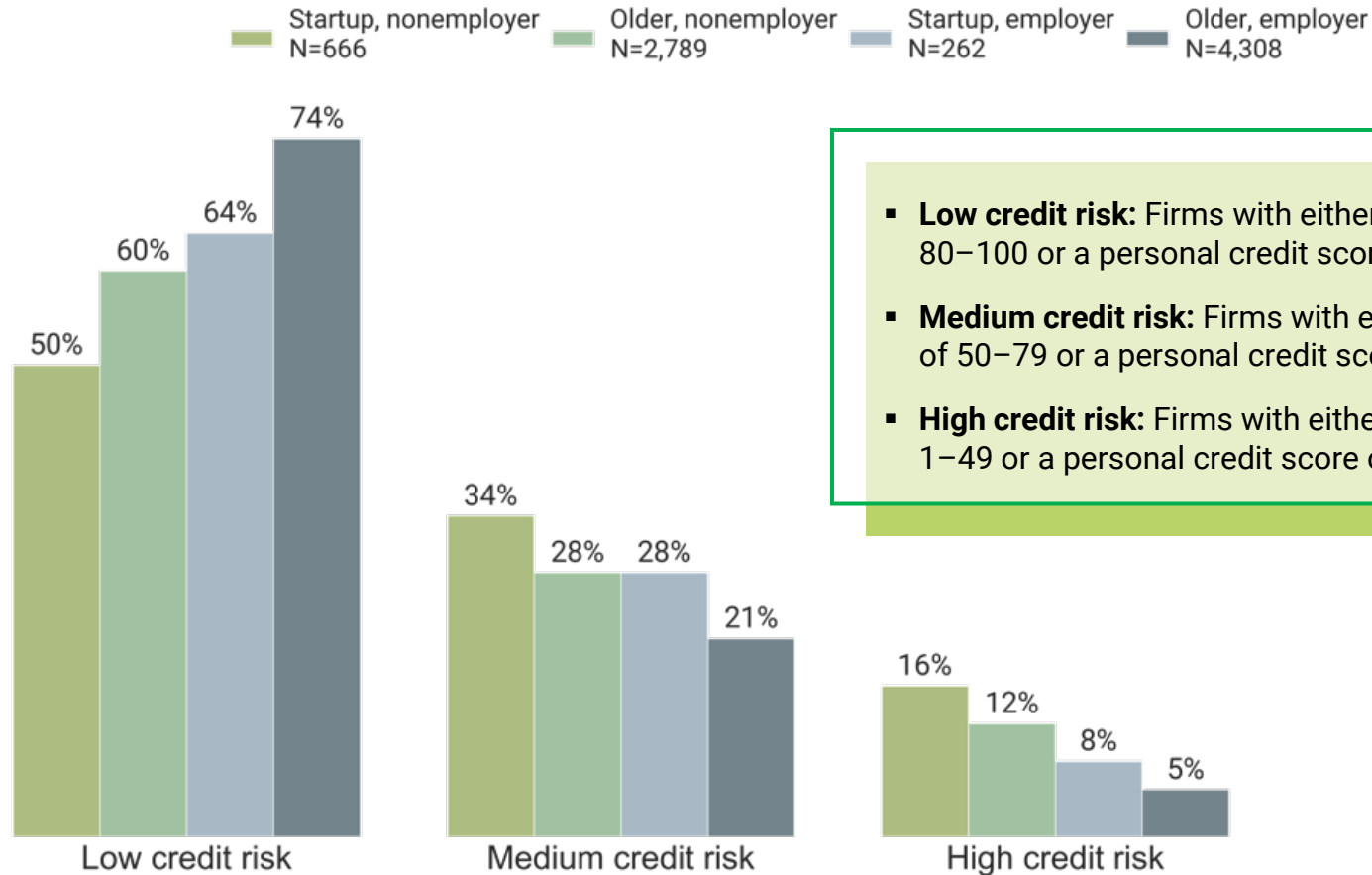
Annual revenues
(% of firms)

Legend: Startup, nonemployer N=749 | Older, nonemployer N=3,779 | Startup, employer N=301 | Older, employer N=5,716
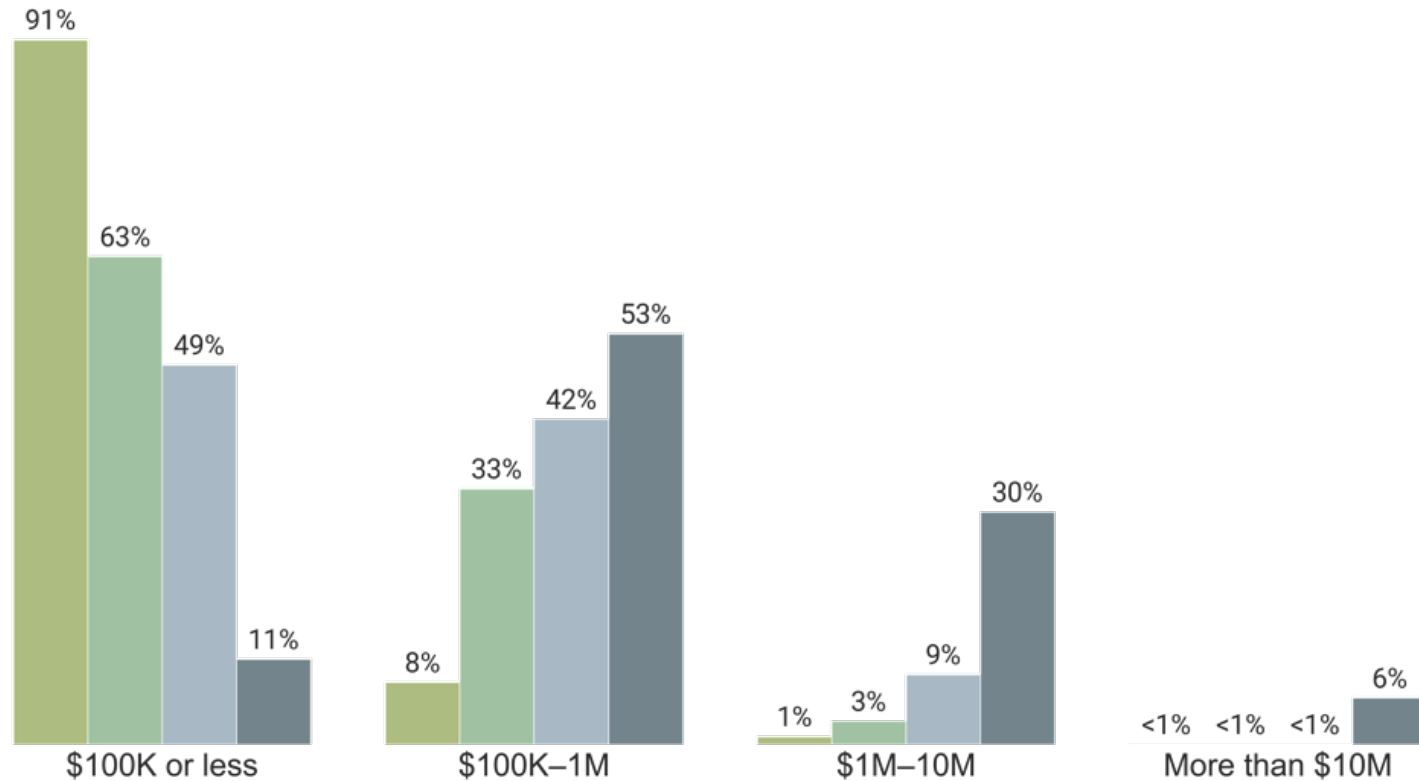
$100K or less: 91%, 63%, 49%, 11%
$100K–1M: 8%, 33%, 42%, 53%
$1M–10M: 1%, 3%, 9%, 30%
More than $10M: <1%, <1%, <1%, 6%

Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. Revenue size categories have been condensed and simplified for readability. Actual categories are ≤$25K, $25,001–$50K, $50,001–$100K, $100,001–$250K, $250,001–$500K, $500,001–$1M, $1,000,001–$5M, $5,000,001–$10M, and >$10M.

Credit risk of firm
(% of firms)

Legend: Startup, nonemployer N=666 | Older, nonemployer N=2,789 | Startup, employer N=262 | Older, employer N=4,308

Low credit risk: 50%, 60%, 64%, 74%
Medium credit risk: 34%, 28%, 28%, 21%
High credit risk: 16%, 12%, 8%, 5%

- **Low credit risk:** Firms with either a business credit score of 80–100 or a personal credit score of 720 or greater

- **Medium credit risk:** Firms with either a business credit score of 50–79 or a personal credit score of 620–719

- **High credit risk:** Firms with either a business credit score of 1–49 or a personal credit score of less than 620

Notes: In the SBCS, "credit risk" refers to a self-reported business credit score or personal credit score, depending on which is used to obtain financing for the business. When firms use both, the weaker credit score is used to categorize the firm.
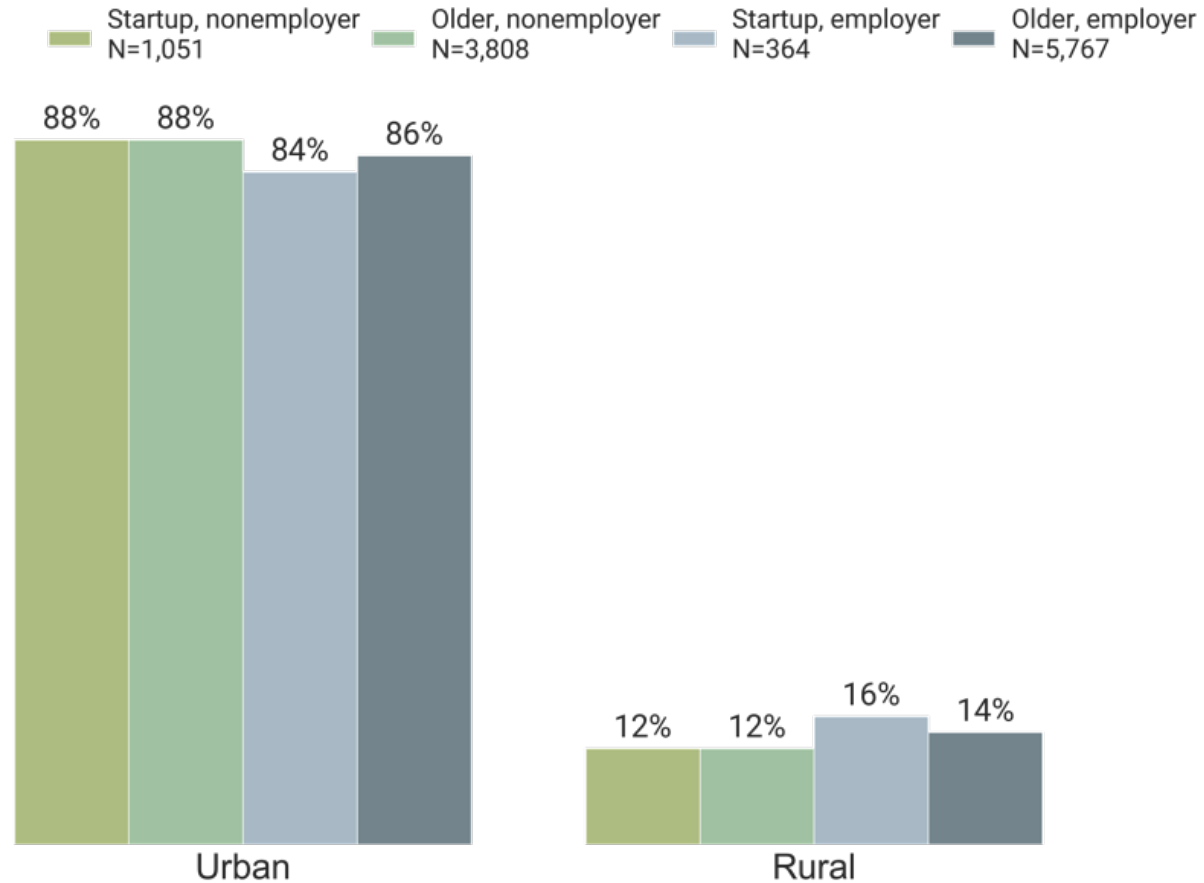
Gender of owner(s)
(% of firms)

Startup, nonemployer N=1,051   Older, nonemployer N=3,808   Startup, employer N=364   Older, employer N=5,767

Women-owned: 50%, 37%, 32%, 20%

Men-owned or equally owned: 50%, 63%, 68%, 80%
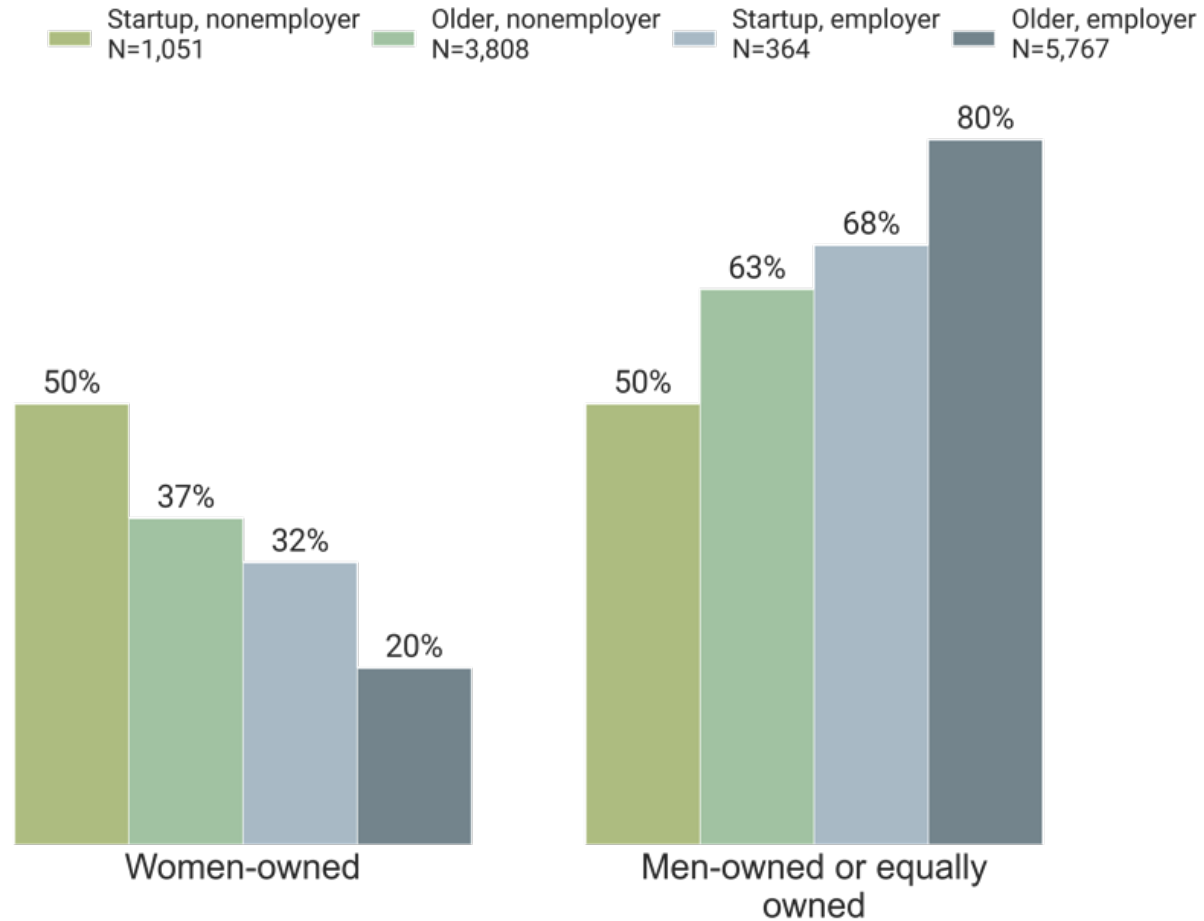
Notes: Because gender of ownership is included in the SBCS weighting dimensions, the shares shown in the figure reflect the weighted distribution as sourced from US Census Bureau data. For details about the weighting methodology, please visit fedsmallbusiness.org/our-data/methodology.

Geography
(% of firms)

Legend: Startup, nonemployer N=1,051 · Older, nonemployer N=3,808 · Startup, employer N=364 · Older, employer N=5,767

Urban: 88% / 88% / 84% / 86%

Rural: 12% / 12% / 16% / 14%

Notes: Urban and rural definitions come from US Department of Agriculture Rural-Urban Commuting Area codes. Because geography is included in the SBCS weighting dimensions, the shares shown in the figure reflect the weighted distribution as sourced from US Census Bureau data. For details about the weighting methodology, please visit fedsmallbusiness.org/our-data/methodology.

Industry

(% of firms)

Legend:
- Startup, nonemployer N=1,051
- Older, nonemployer N=3,808
- Startup, employer N=364
- Older, employer N=5,767

Non-manufacturing goods production and associated services: 23%, 27%, 16%, 19%

Professional services and real estate: 22%, 28%, 20%, 20%

Business support and consumer services: 21%, 19%, 15%, 15%

Healthcare and education: 12%, 9%, 20%, 11%

Retail: 10%, 7%, 13%, 13%

Leisure and hospitality: 8%, 6%, 13%, 11%
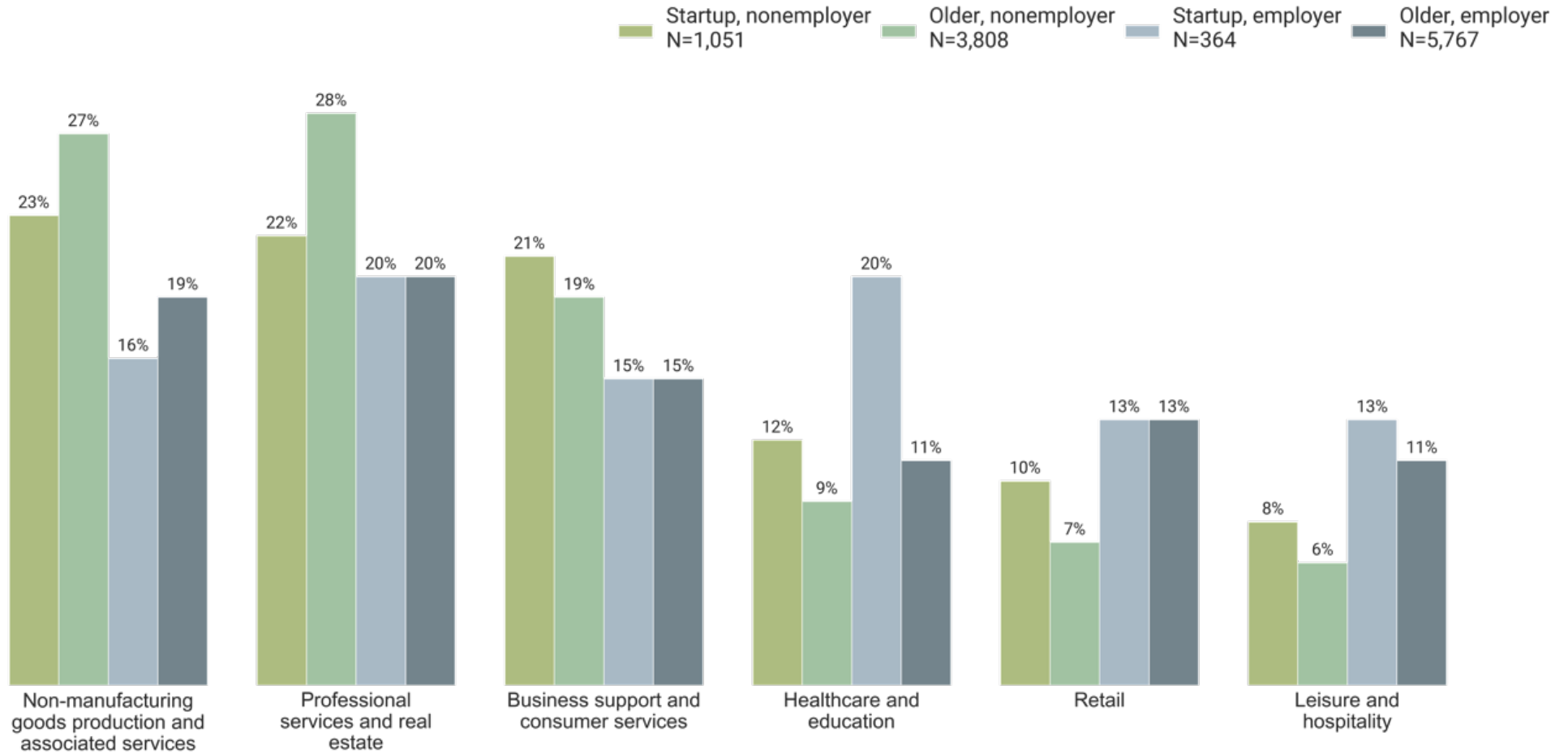
Notes: Select industries shown. See Appendix for industry definitions. Because industry is included in the SBCS weighting dimensions, the shares shown in the figure reflect the weighted distribution as sourced from US Census Bureau data. For details about the weighting methodology, please visit fedsmallbusiness.org/our-data/methodology.

Race and ethnicity of owner(s)
(% of firms)

Legend:
- Startup, nonemployer N=1,051
- Older, nonemployer N=3,808
- Startup, employer N=364
- Older, employer N=5,767

White
- 55%
- 69%
- 72%
- 82%

Hispanic
- 22%
- 12%
- 12%
- 5%

Black or African American
- 14%
- 10%
- 6%
- 2%

Asian
- 7%
- 8%
- 10%
- 11%

American Indian or Alaska Native
- 2%
- 1%
- <1%
- <1%
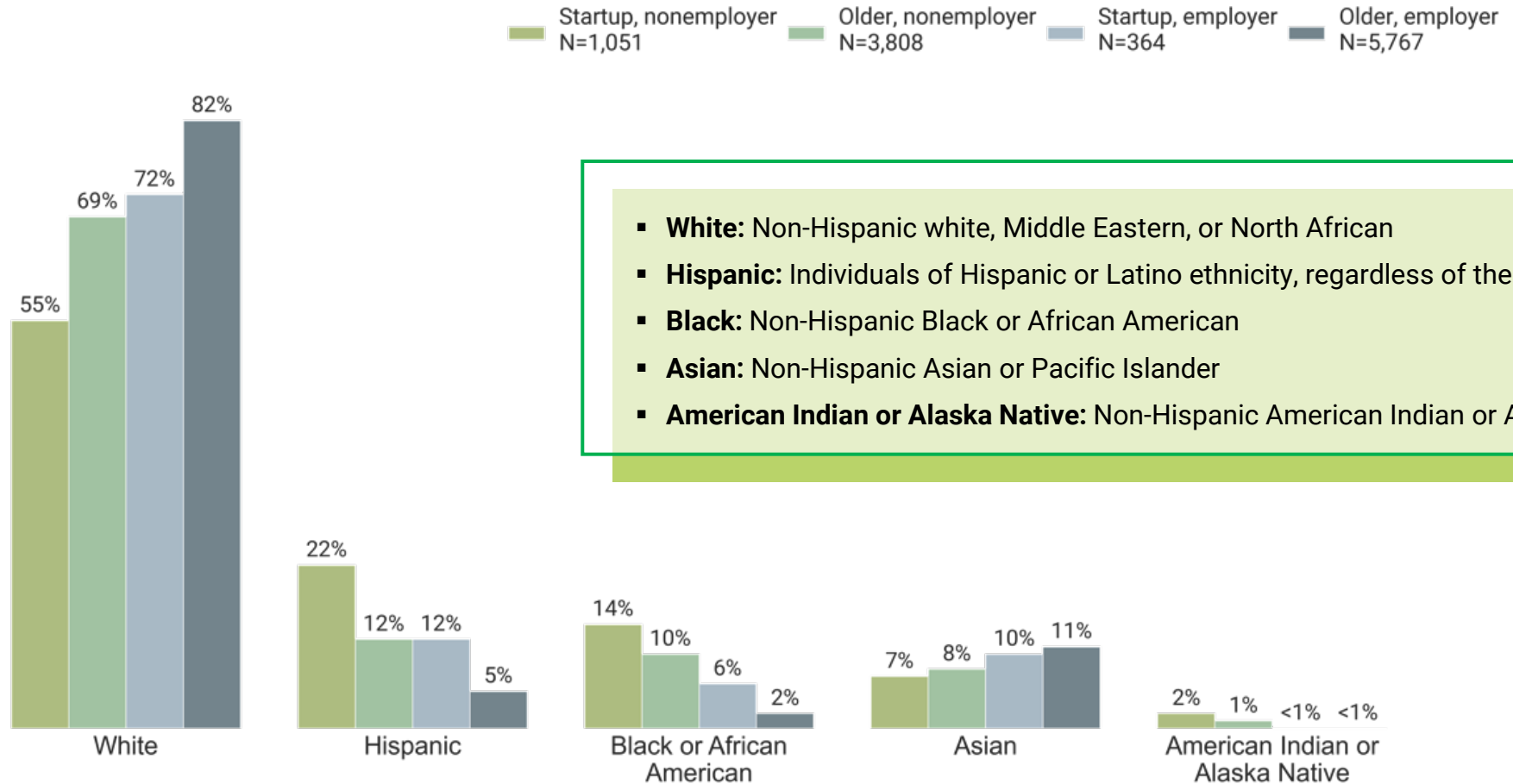
- **White:** Non-Hispanic white, Middle Eastern, or North African
- **Hispanic:** Individuals of Hispanic or Latino ethnicity, regardless of their race
- **Black:** Non-Hispanic Black or African American
- **Asian:** Non-Hispanic Asian or Pacific Islander
- **American Indian or Alaska Native:** Non-Hispanic American Indian or Alaska Native

Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. Because owner race and ethnicity are included in the SBCS weighting dimensions, the shares shown in the figure reflect the weighted distribution as sourced from US Census Bureau data. The SBCS uses simplified, mutually exclusive race/ethnicity labels to indicate that more than 50% of the business is held by owner(s) of the given race/ethnicity.

Use of contract workers
(% of firms)
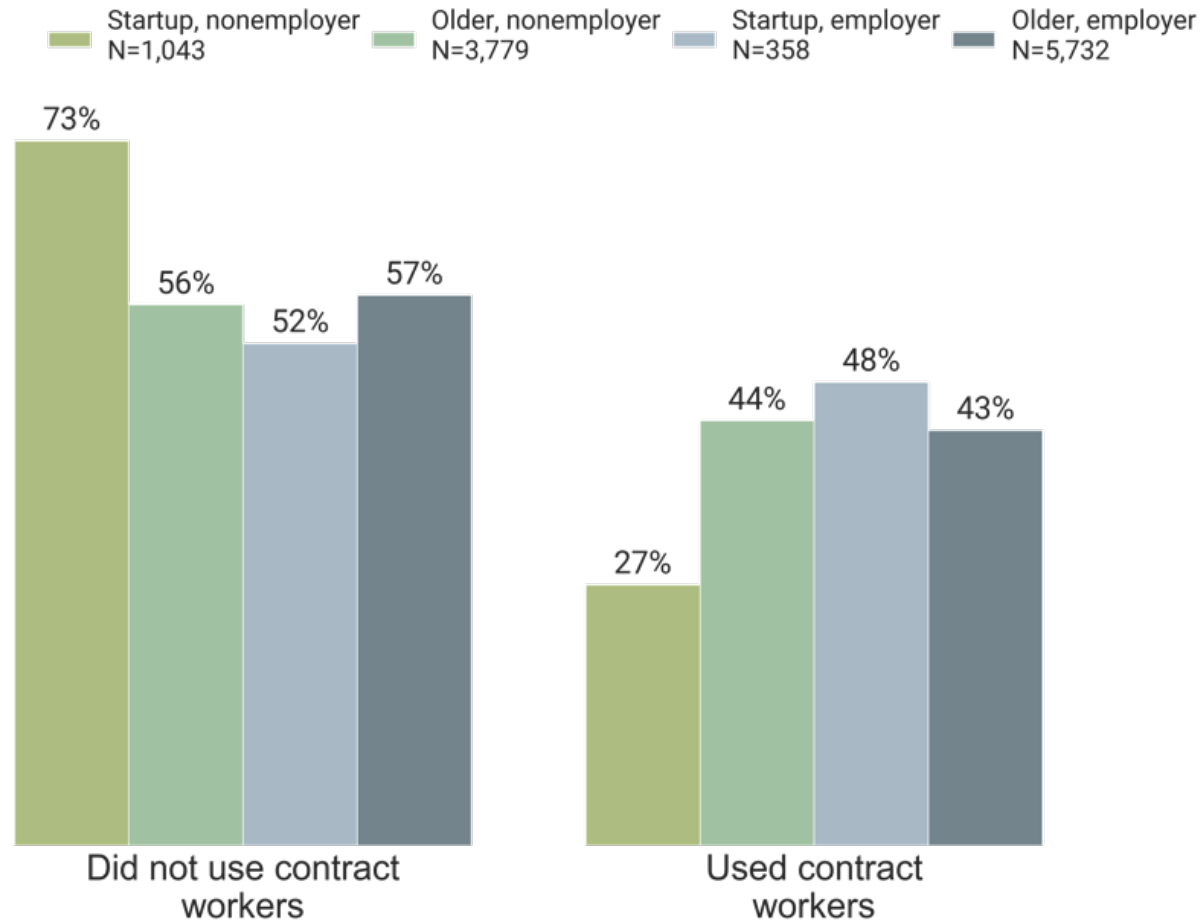
Additional characteristics of nonemployer firms
(% of nonemployer firms)

38% of nonemployers are startup firms that have been in business for 0−2 years.

Share of nonemployers that	Startup nonemployers	Older nonemployers
are legally incorporated	79%	73%
work as independent contractors for other businesses or agencies	41%	45%
consider the work done for their business to be "gig" work	18%	15%

Notes: For comparison, 22% of employer firms have been in business 0−2 years. SBCS statistics in the table are available for nonemployer firms only. Gig work is defined in the SBCS as a single project or task for which a worker is hired, sometimes through a digital marketplace, to work on demand.

Appendix

SBCS definitions

Financial services providers and lenders

Questions in the SBCS ask respondents about their use of and experiences with lenders and other financial services providers. Because respondents may not have a uniform understanding of the terms used in the SBCS, the questionnaire provides examples and explanatory information about the response options. The financial services providers, lenders, and lender categories referenced in the survey are defined as follows:

Category	Definition
Large bank, small bank	Large banks are defined as those with at least $10 billion in total assets; small banks are defined as those with less than $10 billion in total assets. For applicable questions, respondents are shown a list of large banks operating in their state to assist them with proper classification of their institution.
Finance company	Finance companies are nonbanks that provide loans, leases, and other financial services. Examples include mortgage companies, equipment dealers, insurance companies, and auto finance companies.
Financial company that is not a bank	Examples of financial companies that are not banks include payroll services and payment-processing companies, fintech lenders, and finance companies.
Online lender/fintech lender	Online lenders/fintech lenders are nonbanks that operate online. Examples include OnDeck, CAN Capital, PayPal Working Capital, and Kabbage.
CDFI	Community development financial institutions, or CDFIs, are financial institutions that provide credit and financial services to underserved markets and populations. CDFIs are certified by the CDFI Fund at the US Department of the Treasury.

Industry categories

Industry	NAICS codes	Examples of businesses
Business support and consumer services	56, 81	Barbers, business-event planners, cleaning services, repair services, salons, spas, and travel agencies
Finance and insurance	52	Loan brokers and portfolio-management firms
Healthcare and education	61, 62	Counseling services, daycare services, dentists, professional training services, sports instruction, and tutoring services
Leisure and hospitality	71, 72	Bars, caterers, fitness centers, gyms, hotels, and performing arts venues
Manufacturing	31, 32, 33	Electronics manufacturers, engraving services, packaging services, print shops, and textile manufacturers
Nonmanufacturing goods production and associated services	11, 21, 22, 23, 42, 48, 49	Construction, farming, logistics, mining, taxis, wholesale suppliers and distributors, and warehousing
Professional services and real estate	51, 53, 54, 55	Book publishers, consulting services, notaries, real estate agents, and vehicle rental services
Retail	44, 45	Boutiques, craft stores, ecommerce providers, grocers, and hardware stores

Time references

Survey questions in the SBCS ask respondents to reference specific time periods. Most questions ask about respondents' experiences in the 12 months prior to the time of their response. Some questions ask about conditions at the time of their response. Finally, some questions ask about respondents' expectations in the 12 months following the time of their response. The time periods referenced in the survey are defined as follows throughout this report:

Prior 12 months	Time of survey	Next 12 months
The 12 months prior to the fielding of the survey. For the 2023 SBCS, this is approximately September–November 2022 through September–November 2023.	September through November 2023.	The 12 months following the fielding of the survey. For the 2023 SBCS, this is approximately September–November 2023 through September–November 2024.