2026 REPORT ON EMPLOYER FIRMS:

Findings from the
2025 Small Business Credit Survey

FEDERAL RESERVE BANKS *of*

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ACKNOWLEDGMENTS

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EXECUTIVE SUMMARY

INTRODUCTION

The 2025 Small Business Credit Survey (SBCS) finds that many performance metrics remained stable year over year, though expectations for future revenue and employment growth declined to their lowest levels since the 2020 survey. In the 12 months leading up to the survey, small employer firms (hereafter "firms" or "businesses") experienced challenges growing their sales and with increased costs.

Nearly half of firms said they source at least some inputs from outside the United States, and a large majority of those firms reported that foreign inputs increased in price from 2024 to 2025. Firms reported responding to these price increases in a variety of ways, including by passing on at least some of the increases to customers and absorbing some of the increases themselves. Relatively few firms reported changing suppliers or onshoring production.

Special questions on artificial intelligence (AI) in the 2025 survey found that just under half of firms were using AI in some capacity. The most common uses were writing or marketing, individual productivity, and planning or analysis. While most firms had not experienced changes to their labor costs as a result of AI adoption, a majority reported increases in productivity.

The survey also provides insights on firms' funding needs and their access to financing in order to meet those needs. About half of firms had their funding needs met, either with or without external financing; about one-third faced a funding gap despite applying for financing, while the remainder needed financing but did not apply.

Regarding credit applicants, the survey finds that the share of firms that applied for loans, lines of credit, or merchant cash advances remained steady overall, while the share that applied at online lenders increased for the fifth consecutive survey year. Large banks remained the top source at which firms applied. Among firms that borrowed from online lenders, 60% reported higher-than-expected borrowing costs, a greater percentage than among firms that borrowed from other types of lenders.

The 2025 SBCS was fielded from September 3 to November 14, 2025. It yielded 6,525 responses from a nationwide convenience sample of small employer firms with 1–499 full- or part-time employees across all 50 states and the District of Columbia.[1] This report includes findings about the performance, challenges, and credit-seeking experiences of businesses across the United States.

SURVEY FINDINGS

Firm performance and challenges

- Revenue and employment growth held steady between the 2024 and 2025 surveys. Firms continued to be slightly more likely to report that revenues decreased rather than increased in the prior 12 months. These performance indices have recovered somewhat from their pandemic-era lows but remain below prepandemic levels.

- Expectations for revenue and employment growth in the 12 months following the survey both declined to their lowest levels since the 2020 survey. The revenue expectations index fell six points year over year, from 39 to 33, and the employment expectations index fell three points, from 26 to 23.

- Reaching customers and growing sales was the most commonly reported operational challenge, followed by hiring or retaining qualified staff.

- Rising costs of goods, services, and/or wages was the most common financial challenge reported in the prior 12 months. Additionally, more than four in 10 firms reported that increased costs associated with tariffs were a financial challenge. Seventy-seven percent of firms reported one or both of these challenges. Tariff-related cost challenges were most prevalent in the retail (69%) and manufacturing (62%) industries.

International trade

- Forty-eight percent of firms reported that they sourced at least some of their inputs from outside the United States in 2024, while 14% said they did so for more than half of their inputs.

- A large majority of firms with foreign inputs reported year-over-year increases in the prices of those inputs. Firms responded to these cost increases in a variety of ways. Seventy-six percent of such firms reported passing at least some of these higher costs on to customers, while 60% reported absorbing at least some of these cost increases. Relatively few firms reported changing to domestic (13%) or different foreign (8%) suppliers or relocating their production to the United States (3%).

- About one in five firms had sales to international customers in 2024; for most of these firms, their international customers accounted for less than 10% of their total sales. Firms were more likely to expect a decrease (40%) than an increase (16%) in their annual 2025 international customer sales, compared to their 2024 sales.

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1   *The Small Business Credit Survey collects information from both employer and nonemployer firms. The 2025 survey yielded 5,223 responses from nonemployer firms; the findings for nonemployers will be explored in a separate report.*

Debt and credit demand

- The share of firms with no outstanding debt (31%) has grown moderately since the 2020 survey (21%), returning to prepandemic levels. Of firms that have debt, 59% used a personal guarantee to secure their debt, while 51% used business assets.

- Eighty-six percent of firms use financing on a regular basis, with the most common products being credit cards and loans.

- Sixty percent of firms applied for financing in the 12 months leading up to the survey. The most common reasons firms sought financing were to meet operating expenses (56%) or to pursue an expansion or new opportunity (46%).

- Forty-two percent of applicants received the full amount of financing they sought, 36% received some or most, and 22% received none.

- Among the firms that did not seek financing, most said that they did not apply because they already had sufficient funding.

Financing applications and outcomes

- Thirty-eight percent of firms applied for a loan, line of credit, or merchant cash advance in the prior 12 months, nearly unchanged from the 2024 survey.

- The share of applicants fully approved was steady year over year, though it remained below prepandemic levels.

- Among firms that applied for loans, lines of credit, or cash advances, applicants most often sought financing at large banks, followed by online lenders and small banks. The share of applicants that sought financing at online fintech lenders has increased over the last five years, from 17% in the 2020 survey to 29% in the 2025 survey.

- Applicants that sought financing at small banks were more likely to be fully approved (57%) than those that sought financing from other lenders.

- Most applicants that were approved accepted the financing offered. Sixty percent of those that borrowed from online lenders reported that actual borrowing costs were higher than expected, while 4% found them to be lower than expected. Borrowers at small and large banks were less likely to report higher-than-expected borrowing costs (37% and 32%, respectively).

- Credit union and bank applicants were more satisfied with their experiences than were online lender and finance company applicants. Compared to other applicants, those that sought financing at online lenders were more likely to experience challenges with their lender. High interest rates and unfavorable repayment terms were the most common challenges at online lenders.

Use of artificial intelligence

- Nearly half of firms (46%) reported that their business or its employees currently use AI, while an additional 15% planned to begin using it in the next 12 months. One-third of firms have no plans to use AI.

- Of those that use AI, about half said their business is experimenting with AI, while another 44% had partially integrated AI into their business processes. Just 7% of AI users had fully integrated AI into their business.

- The most common tasks for which businesses reported using AI are writing or marketing (83%), followed by individual productivity (61%) and planning or analysis (51%).

- While the vast majority of firms that use AI experienced no change in their labor costs because of AI, 71% said its use led to increased productivity, 39% noted improved quality of goods and services, and 31% reported higher sales.

- For AI users, the top challenges were accuracy (46%) and adapting tools to meet business needs (43%). For firms that plan to use AI in the next 12 months, the top challenges were finding tools to meet business needs (54%) and the time required to implement or train employees on AI (37%).

- Among the 33% of businesses with no plans to adopt AI, over half reported that it is not applicable to their business, while 30% said they prefer not to use it.

ABOUT THE SURVEY

The 12 Reserve Banks of the Federal Reserve System launched the SBCS to provide timely insights on small business conditions to policymakers, service providers, and lenders. The SBCS is an annual survey of firms with fewer than 500 employees. These types of firms represented 99.7% of employer establishments in the United States in 2023.[2] Respondents are asked to report information about their business performance, financing needs and choices, and borrowing experiences. Responses to the SBCS provide insights into 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 www.fedsmallbusiness.org/our-data/methodology.

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2   *US Census Bureau, County Business Patterns, 2023.*

NOTES AND DEFINITIONS

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. In some cases, questions ask about experiences in the last full calendar year or conditions at the time of their response. Finally, other 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. The 12 months prior to the fielding of the survey. For the 2025 SBCS, this is approximately September–November 2024 through September–November 2025.

At Time of Survey. September through November 2025.

Next 12 Months. The 12 months following the fielding of the survey. For the 2025 SBCS, this is approximately September–November 2025 through September–November 2026.

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.[1] The financial services providers, lenders, and lender categories referenced in the survey are defined as follows:

Large bank, small bank. Large banks are defined as those with at least $10B in total assets; small banks are those with less than $10B 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 include payroll services and payments 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, and PayPal Working Capital.

Community development financial institution (CDFI). 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.

CREDIT RISK

Credit risk is determined by the self-reported business credit score or personal credit score, depending on which is used to obtain financing for the business. If a firm uses both, the higher risk rating is used. "Low credit risk" is an 80–100 business credit score or 720+ personal credit score. "Medium credit risk" is a 50–79 business credit score or a 620–719 personal credit score. "High credit risk" is a 1–49 business credit score or a <620 personal credit score.

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1   *For more details, see the 2025 SBCS questionnaire at www.fedsmallbusiness.org/our-data/questionnaires.*

PERFORMANCE AND CHALLENGES
Firm Performance, Prior 12 Months

Just under half of firms were operating at a profit at the end of 2024. The net share of firms reporting revenue and employment growth held largely steady year over year.

EMPLOYER FIRM PERFORMANCE, *2025 Survey*[1,2] (% of employer firms)

PROFITABILITY,
End of 2024   N=6,280

At a profit	47%
Break-even	19%
At a loss	34%

REVENUE CHANGE,
Prior 12 Months   N=6,288

Increased	40%
No change	18%
Decreased	42%

EMPLOYMENT CHANGE,
Prior 12 Months   N=6,361

Increased	28%
No change	47%
Decreased	24%
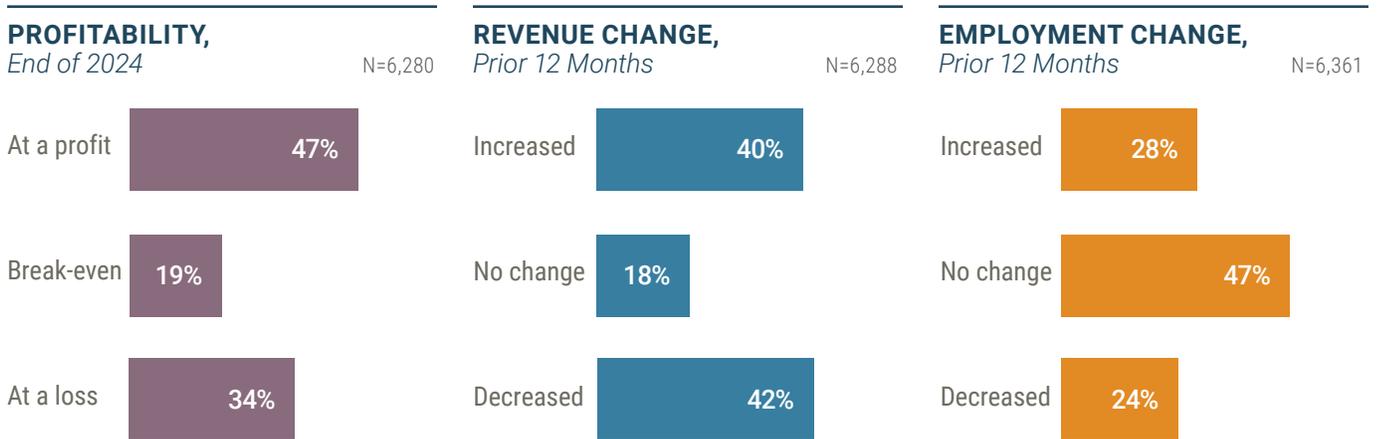
EMPLOYER FIRM PERFORMANCE INDICES, *Prior 12 Months, By Survey Year*[1,3]
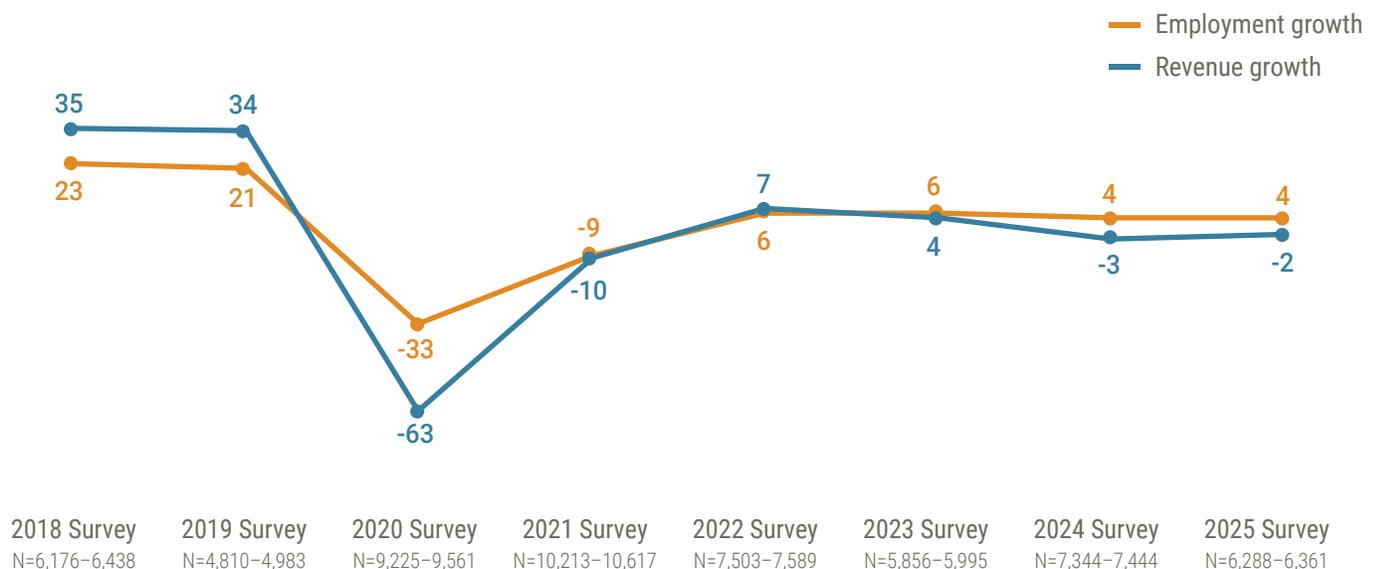
Legend: Employment growth, Revenue growth

	2018 Survey	2019 Survey	2020 Survey	2021 Survey	2022 Survey	2023 Survey	2024 Survey	2025 Survey
Revenue growth	35	34	-63	-10	7	4	-3	-2
Employment growth	23	21	-33	-9	6	6	4	4
N	6,176–6,438	4,810–4,983	9,225–9,561	10,213–10,617	7,503–7,589	5,856–5,995	7,344–7,444	6,288–6,361

1   See *Notes and Definitions* for details on time period definitions used in the SBCS.
2   Percentages may not sum to 100 because of rounding.
3   The revenue and employment growth diffusion indices are the shares reporting growth minus the shares reporting a reduction in the prior 12 months. Questions were asked separately; therefore, the number of observations may differ slightly between questions.

The survey's revenue expectations and employment expectations indices declined year over year.

EMPLOYER FIRM EXPECTATIONS, *2025 Survey*[1,2] (% of employer firms)

EXPECTED REVENUE CHANGE, *Next 12 Months*

N=6,389

Will increase	56%
Will not change	21%
Will decrease	23%

EXPECTED EMPLOYMENT CHANGE, *Next 12 Months*

N=6,421

Will increase	36%
Will not change	51%
Will decrease	13%
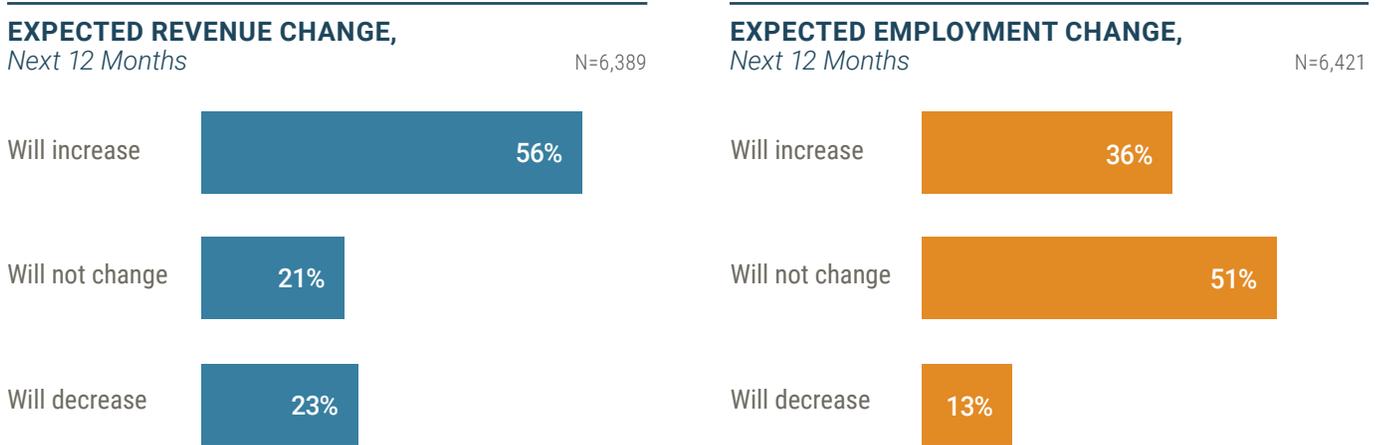
EMPLOYER FIRM EXPECTATIONS INDICES, *Next 12 Months, By Survey Year*[1,2]
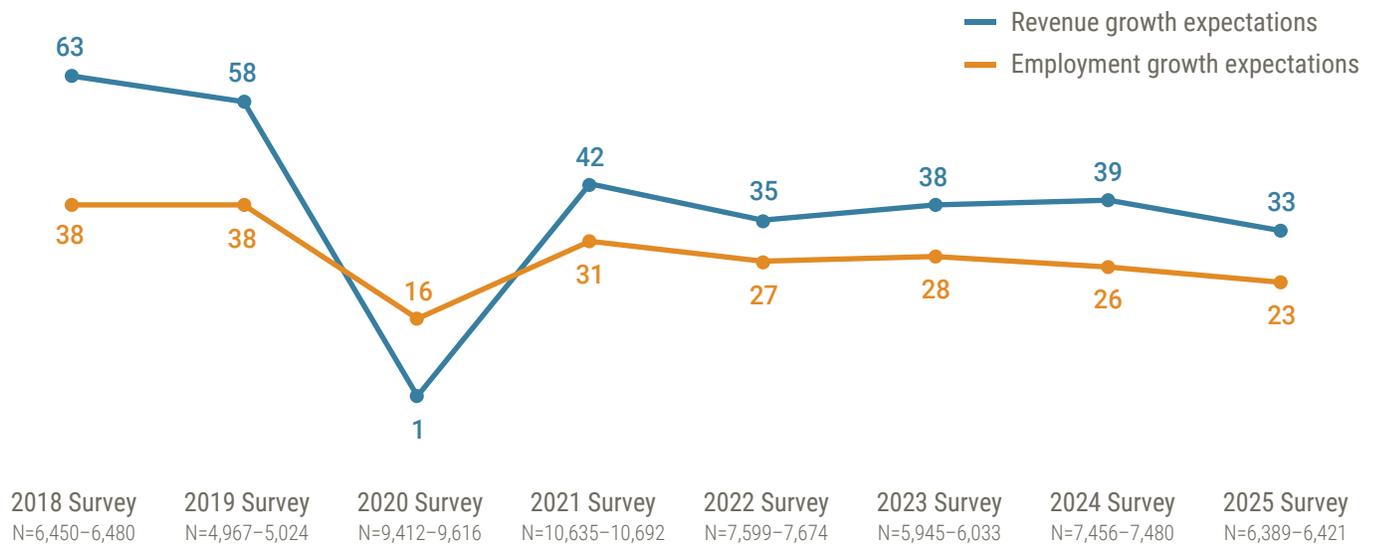
— Revenue growth expectations
— Employment growth expectations

	2018 Survey	2019 Survey	2020 Survey	2021 Survey	2022 Survey	2023 Survey	2024 Survey	2025 Survey
Revenue growth expectations	63	58	1	42	35	38	39	33
Employment growth expectations	38	38	16	31	27	28	26	23

2018 Survey	2019 Survey	2020 Survey	2021 Survey	2022 Survey	2023 Survey	2024 Survey	2025 Survey
N=6,450–6,480	N=4,967–5,024	N=9,412–9,616	N=10,635–10,692	N=7,599–7,674	N=5,945–6,033	N=7,456–7,480	N=6,389–6,421

1   See *Notes and Definitions* for details on time period definitions used in the SBCS.
2   *Percentages may not sum to 100 because of rounding.*
3   *The revenue and employment expectations diffusion indices are the shares expecting growth minus the shares expecting a reduction in the next 12 months. Questions were asked separately; therefore, the number of observations may differ slightly between questions.*

Reaching customers and growing sales was the most common operational challenge firms experienced in the prior 12 months, and increased costs was the top financial challenge.

OPERATIONAL CHALLENGES, *Prior 12 Months*[1,2]
(% of employer firms)   N=6,425

Challenge	%
Reaching customers/growing sales	57%
Hiring or retaining qualified staff	46%
Supply chain issues	30%
Utilizing technology	29%
Complying with government regulations	25%
Ensuring health/safety of customers or employees	8%
Did not experience any operational challenges	11%
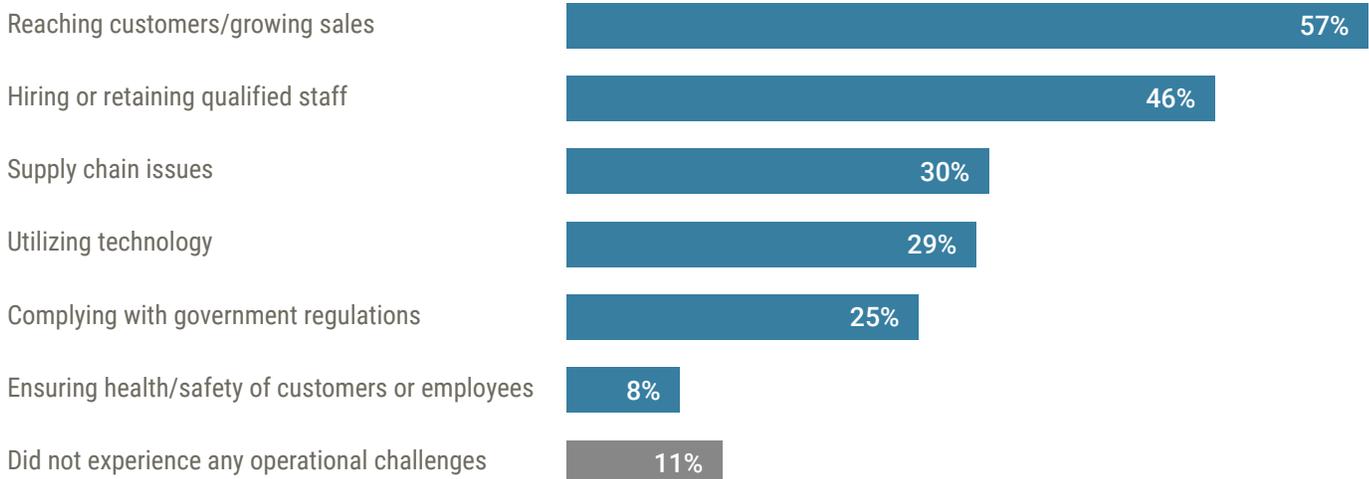
FINANCIAL CHALLENGES, *Prior 12 Months*[1,3]
(% of employer firms)   N=6,500
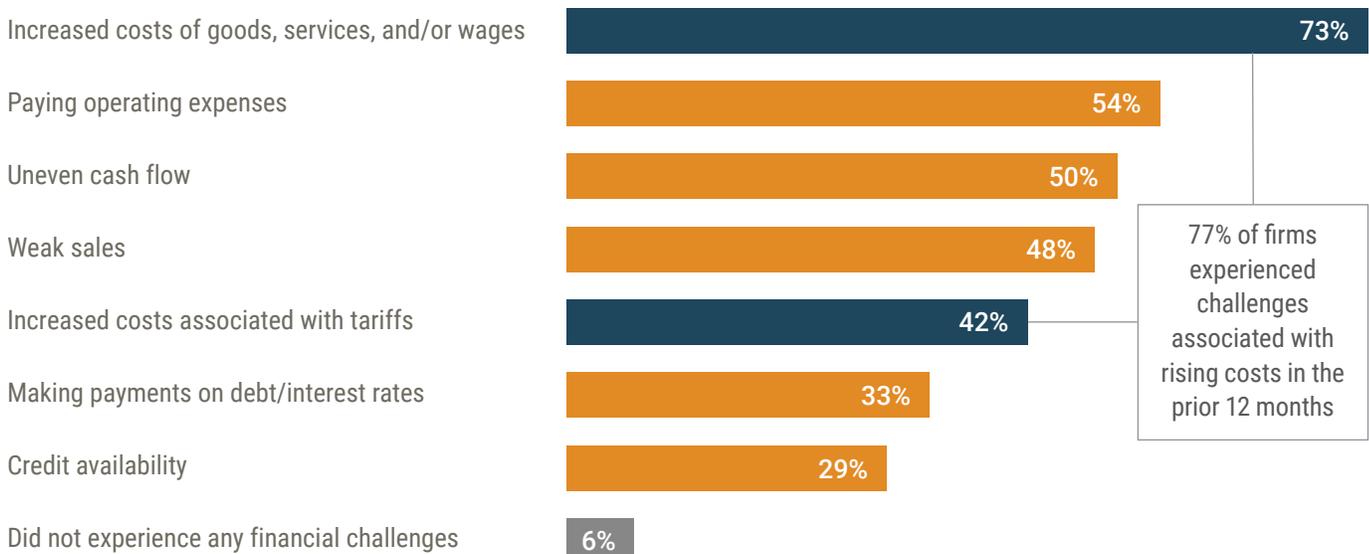
Challenge	%
Increased costs of goods, services, and/or wages	73%
Paying operating expenses	54%
Uneven cash flow	50%
Weak sales	48%
Increased costs associated with tariffs	42%
Making payments on debt/interest rates	33%
Credit availability	29%
Did not experience any financial challenges	6%

77% of firms experienced challenges associated with rising costs in the prior 12 months

1   *Respondents could select multiple options. Response option "other" not shown. See Appendix for more details. See Notes and Definitions for details on time period definitions used in the SBCS.*
2   *"Utilizing technology" includes e-commerce, cyber security, social media, and website issues.*
3   *"Uneven cash flow" includes collecting on receivables. Examples presented for "paying operating expenses" include payroll, rent, and inventory costs. "Increased costs associated with tariffs" was added as a response option in 2025. Because of changes in the 2025 questionnaire, data on financial challenges are not directly comparable to prior years.*

Across industries, rising costs of goods, services, and/or wages was the most common financial challenge.

TOP FINANCIAL CHALLENGES, *Prior 12 Months, Select Industries*[1,2] (% of employer firms)

	Most common financial challenge	Second most common financial challenge	Third most common financial challenge
Leisure and hospitality N=879	90%	68%	61%
Retail N=760	86%	69%	62%
Manufacturing N=858	80%	62%	57%
Healthcare and education N=724	70%	67%	56%
Professional services and real estate N=1,253	60%	56%	45%

Increased costs of goods, services, and/or wages

Paying operating expenses

Weak sales

Increased costs associated with tariffs

Uneven cash flow
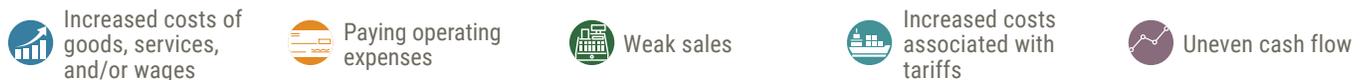
ACTIONS TAKEN IN RESPONSE TO FINANCIAL CHALLENGES, *Prior 12 Months*[2,3]
(% of employer firms with financial challenges)   N=6,183

Used personal funds	54%
Raised prices the business charges	48%
Used cash reserves	47%
Reduced costs	47%
Took out debt	36%
Downsized operations	31%
Made a late payment or did not pay	24%
No action	5%
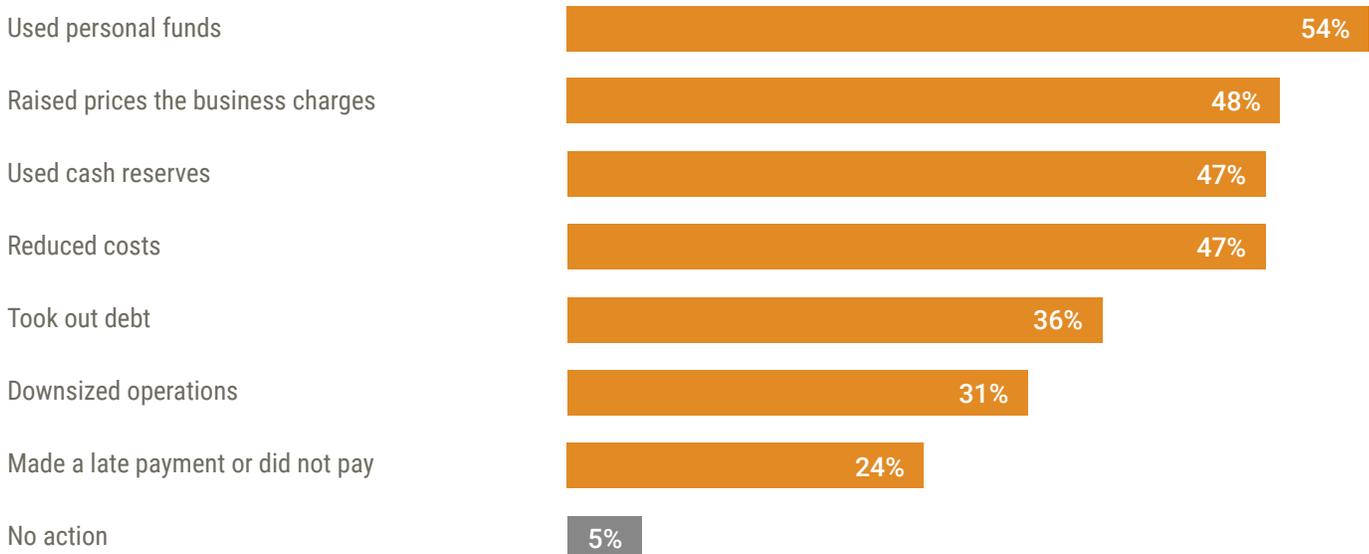
1   *Select industries and top response options shown. See Appendix for more details.*
2   *Respondents could select multiple options.*
3   *Response option "other" not shown. See Appendix for more details. See Notes and Definitions for details on time period definitions used in the SBCS. Response categories have been edited for brevity; response options in the questionnaire were "Downsized operations (e.g., cut staff, operating hours, and/or service area)," "Reduced costs (e.g., cut advertising, changed suppliers, automated/outsourced tasks)," and "Took out debt (e.g., loans)." Because of changes in the 2025 questionnaire, data on financial challenges are not directly comparable to prior years.*

CUSTOMERS AND TRADE
Inputs Sourced from Outside the US

Nearly half of employer firms reported that they sourced at least some of their inputs from outside the US in 2024. Of those that did, 84% reported increases in those input prices in 2025 compared with 2024.

SHARE OF BUSINESS'S TOTAL INPUTS THAT WERE SOURCED FROM OUTSIDE THE US IN 2024[1,2]
(% of employer firms)   N=4,683

No inputs sourced from outside the US	52%
1–10% of inputs	15%
11–25% of inputs	10%
26–50% of inputs	9%
More than 50% of inputs	14%
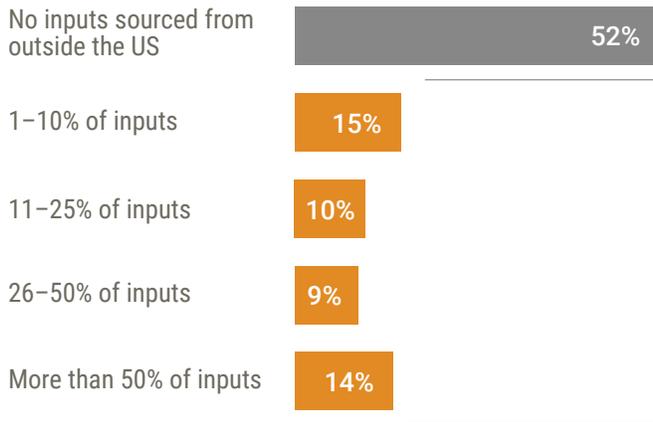
CHANGE IN PRICE OF INPUTS SOURCED FROM OUTSIDE THE US IN 2025 COMPARED TO 2024[1,2]
(% of employer firms that source inputs from outside the US)   N=2,354

- 2% Decreased
- 13% No change
- 84% Increased
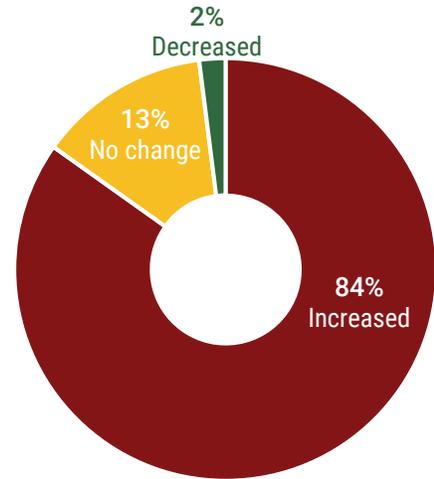
ACTIONS TAKEN IN RESPONSE TO HIGHER PRICES OF INPUTS SOURCED FROM OUTSIDE THE US[1,3]
(% of employer firms reporting increased costs for inputs sourced from outside the US)   N=2,006
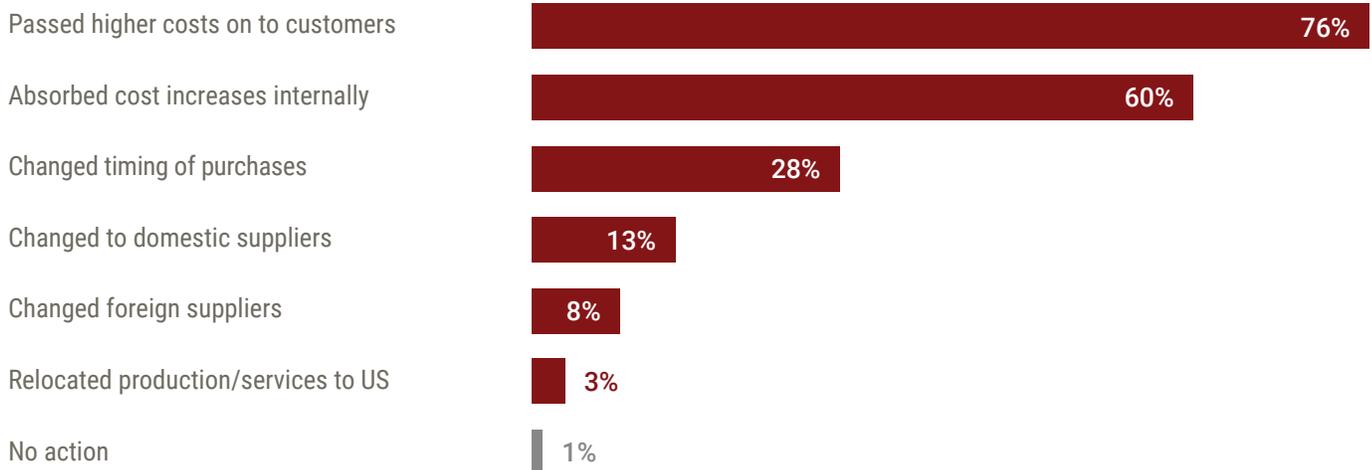
Passed higher costs on to customers	76%
Absorbed cost increases internally	60%
Changed timing of purchases	28%
Changed to domestic suppliers	13%
Changed foreign suppliers	8%
Relocated production/services to US	3%
No action	1%

1   Data on customers and trade are drawn from an optional end-of-survey module (approximately 81% of employer firm respondents opted to answer in 2025). Respondents were asked to consider the inputs to their products or services, including finished and unfinished goods, sourced directly or indirectly (if known) from outside the US.
2   Percentages may not sum to 100 because of rounding.
3   Respondents could select multiple options. Response option "other" not shown. See Appendix for more details.

CUSTOMERS AND TRADE
Types of Customers and Changes in Sales

TYPES OF CUSTOMERS ACCOUNTING FOR 10% OR MORE OF BUSINESS'S SALES IN 2024[1,2]

(% of employer firms)   N=5,238
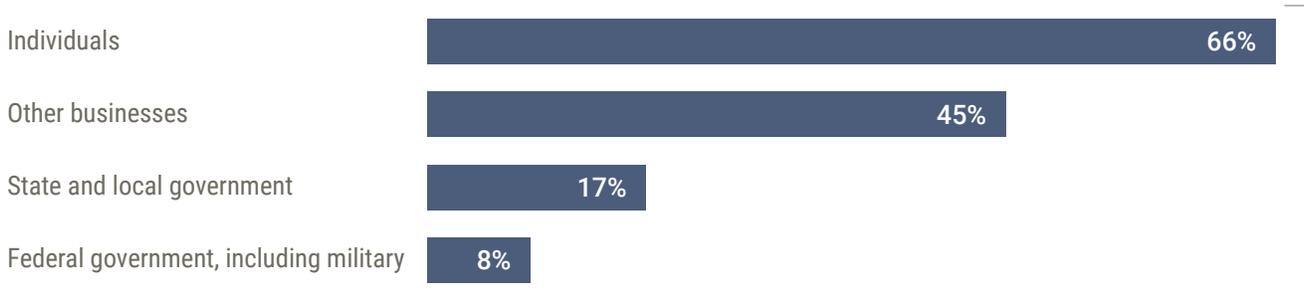
Individuals	66%
Other businesses	45%
State and local government	17%
Federal government, including military	8%

> For each of the customer types that accounted for 10% or more of their business's sales in 2024, respondents were asked how their expected total annual sales would change by the end of 2025, compared to 2024. On net, respondents anticipated that their firms' annual sales in 2025 would be higher than in 2024 for all customer types except federal government.

EXPECTED CHANGES IN SALES BY TYPE OF CUSTOMER,

Expectations for Sales in 2025 Compared to Actual Sales in 2024[1,3] (% of employer firms with sales to customer type)
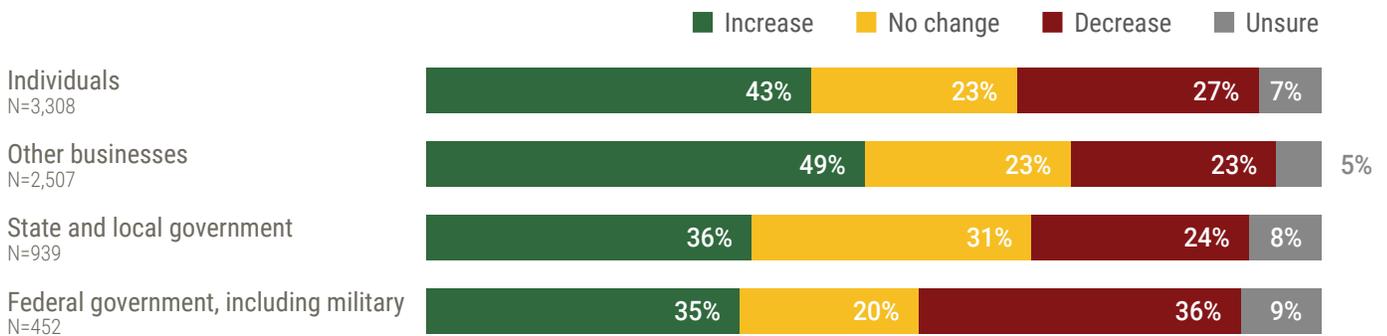
	Increase	No change	Decrease	Unsure
Individuals N=3,308	43%	23%	27%	7%
Other businesses N=2,507	49%	23%	23%	5%
State and local government N=939	36%	31%	24%	8%
Federal government, including military N=452	35%	20%	36%	9%

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1   *Data on customers and trade are drawn from an optional end-of-survey module (approximately 81% of employer firm respondents opted to answer in 2025).*
2   *Respondents could select multiple options. "Other businesses" includes organizations and distributors; "state and local government" includes school districts and transportation authorities. "Business did not have any sales" not shown. See Appendix for more details.*
3   *Respondents were asked how their expected total annual sales would change by the end of 2025, compared to 2024, for each of the customer types that accounted for 10% or more of their business's sales in 2024. Percentages may not sum to 100 because of rounding.*

CUSTOMERS AND TRADE
Sales to International Customers

About 20% of firms had sales to international customers in 2024. Most of those firms expected such sales to remain unchanged or to decrease year over year by the end of 2025.

SHARE OF BUSINESS'S TOTAL SALES THAT WERE TO INTERNATIONAL CUSTOMERS IN 2024[1,2]

(% of employer firms)   N=5,039
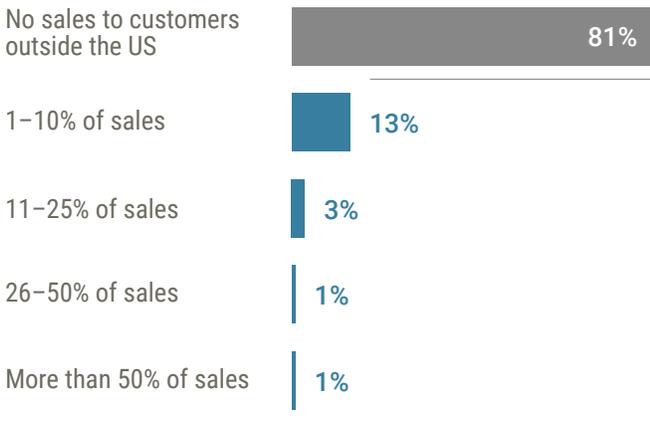
No sales to customers outside the US	81%
1–10% of sales	13%
11–25% of sales	3%
26–50% of sales	1%
More than 50% of sales	1%

EXPECTED CHANGE IN TOTAL ANNUAL SALES TO INTERNATIONAL CUSTOMERS IN 2025 COMPARED TO 2024[1,2]

(% of employer firms with sales outside the US)   N=1,052

- 8% Unsure
- 16% Increase
- 37% No change
- 40% Decrease
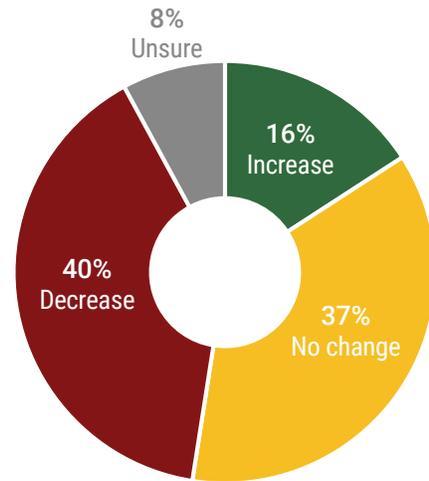
SALES TO INTERNATIONAL CUSTOMERS, *By Industry*[1,2,3]

	Share of Firms with Sales 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)			
		Increase	No change	Decrease	Unsure
Manufacturing N=702 and 269	31%	23%	41%	30%	6%
Leisure and hospitality N=656 and 141	21%	7%	31%	52%	10%
Professional services and real estate N=1,000 and 216	20%	20%	39%	32%	10%
Retail N=600 and 122	20%	7%	33%	53%	6%
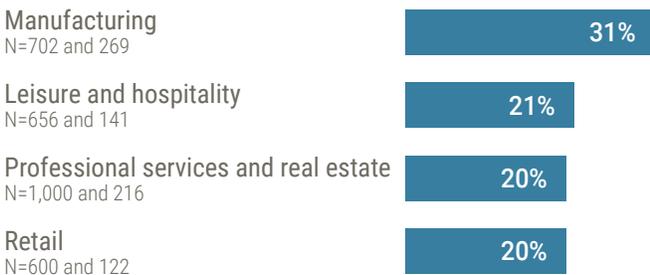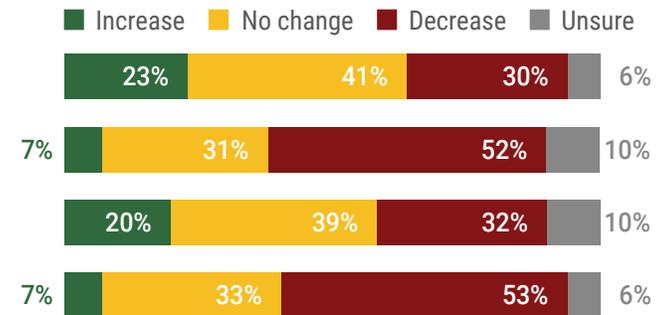
1   *Data on customers and trade are drawn from an optional end-of-survey module (approximately 81% of employer firm respondents opted to answer in 2025).*
2   *Percentages may not sum to 100 because of rounding.*
3   *Select industry categories shown. See Appendix for more details. Number of observations varies by question.*

Outstanding debt levels remained mostly steady year over year. Nearly one-third of firms held no outstanding debt.

AMOUNT OF OUTSTANDING DEBT, *At Time of Survey, By Survey Year*[1] (% of employer firms)

	No outstanding debt	≤$100K	>$100K
2018 Survey N=6,451	30%	38%	32%
2019 Survey N=5,063	29%	40%	31%
2020 Survey N=9,433	21%	35%	45%
2021 Survey N=10,679	26%	34%	40%
2022 Survey N=7,708	28%	32%	40%
2023 Survey N=6,059	28%	32%	39%
2024 Survey N=7,565	29%	33%	39%
2025 Survey N=6,447	31%	32%	38%
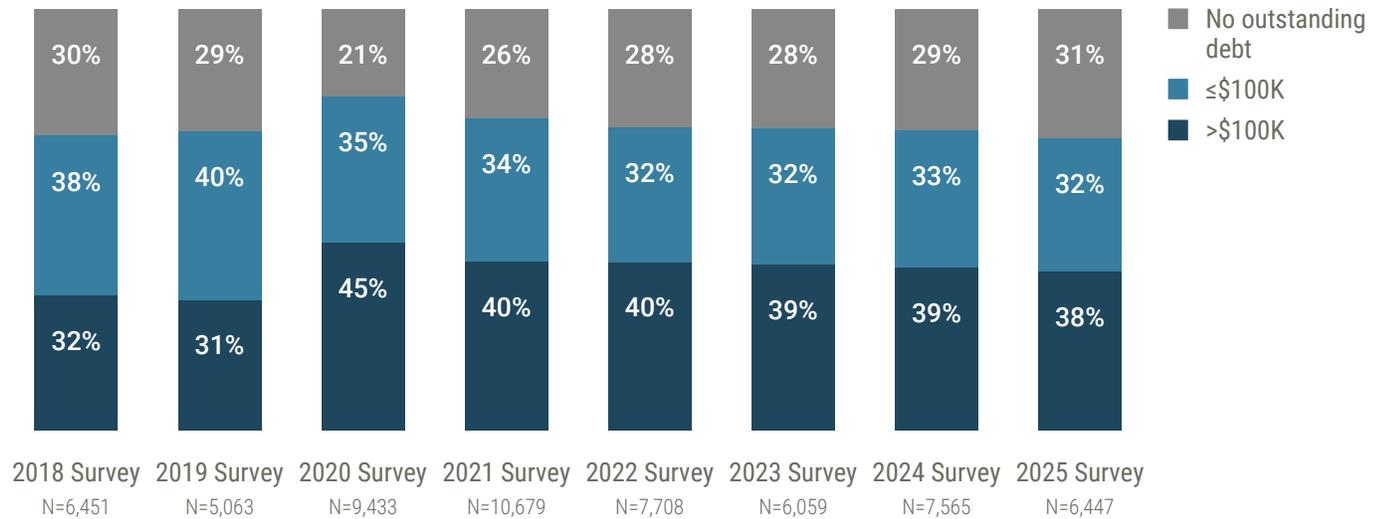
AMOUNT OF DEBT, *At Time of 2025 Survey*[1,2] (% of employer firms)   N=6,447

63% held $100K or less

- No outstanding debt: 31%
- ≤$25K: 10%
- $25K–$50K: 10%
- $50K–$100K: 12%

37% held more than $100K

- $100K–$250K: 15%
- $250K–$1M: 15%
- >$1M: 8%
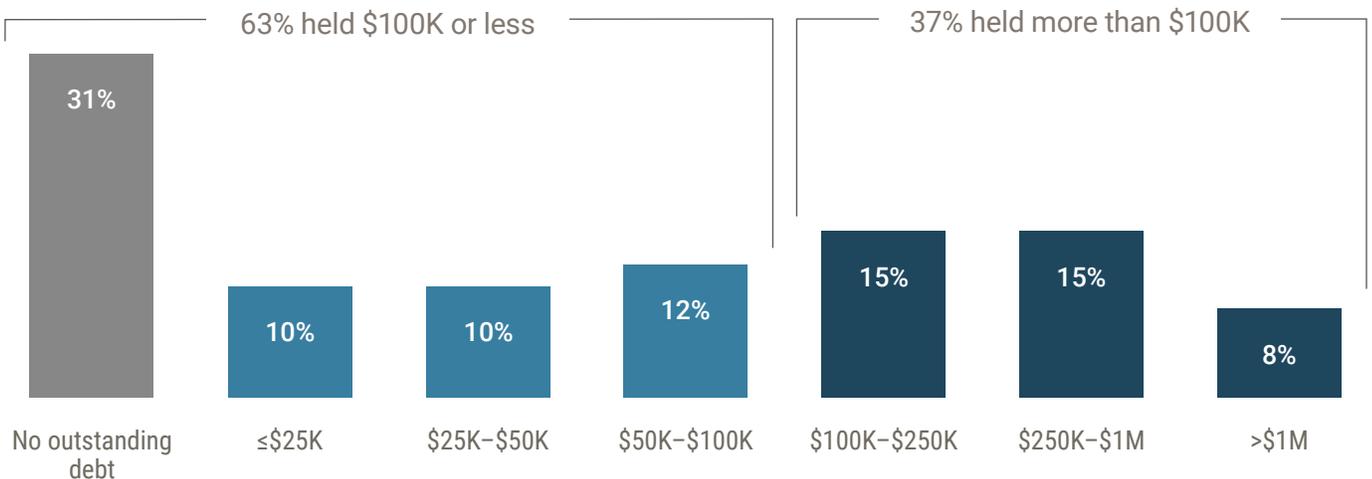
1   Respondents were instructed to consider funds borrowed from external parties, including formal borrowing from financial institutions and loans from friends and family. In the 2020 and 2021 surveys, respondents were instructed to exclude loans they expected would be forgiven from their outstanding debt (for example, Paycheck Protection Program loans). Percentages may not sum to 100 because of rounding. See Notes and Definitions for details on time period definitions used in the SBCS.

2   Categories have been simplified for readability. Actual categories are: ≤$25K, $25,001–$50K, $50,001–$100K, $100,001–$250K, $250,001–$1M, and >$1M. Percentages may not sum to 100 because of rounding.

DEBT AND FINANCING
Collateral and Types of Financing Used

59% of debtholders secured their debt with a personal guarantee.

TYPES OF COLLATERAL USED TO SECURE DEBT[1,2] (% of employer firms with debt)   N=4,651

Personal guarantee	**59%**
Business assets	**51%**
Personal assets	**38%**
Portions of future sales	**10%**
No collateral or guarantee	**10%**
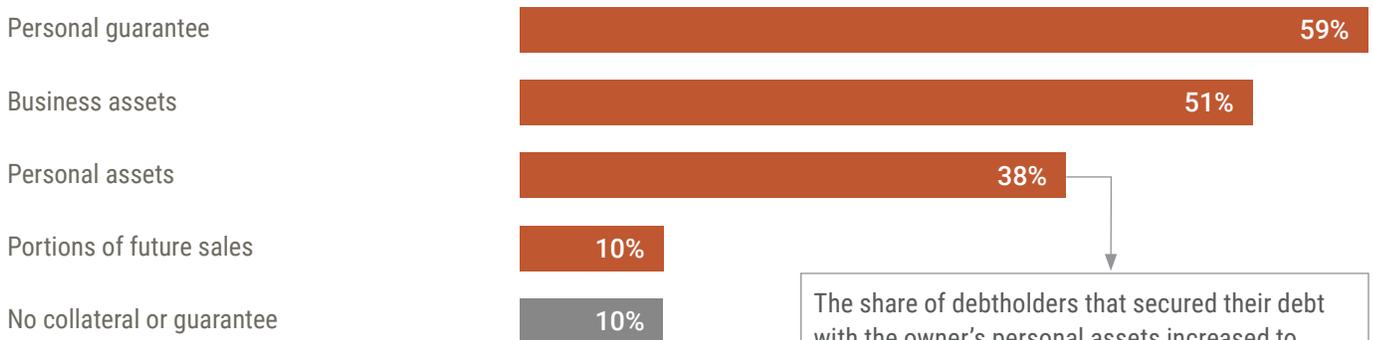
The share of debtholders that secured their debt with the owner's personal assets increased to 38% from 31% in 2019 when this question was last included in the SBCS.

USE OF FINANCING AND CREDIT, *Products Used on a Regular Basis*[1,3] (% of employer firms)   N=6,525

Credit card	**62%**
Loan	**44%**
Line of credit	**36%**
Trade credit	**19%**
Lease	**14%**
Merchant cash advance	**7%**
Factoring	**3%**
Business does not use external financing	**14%**
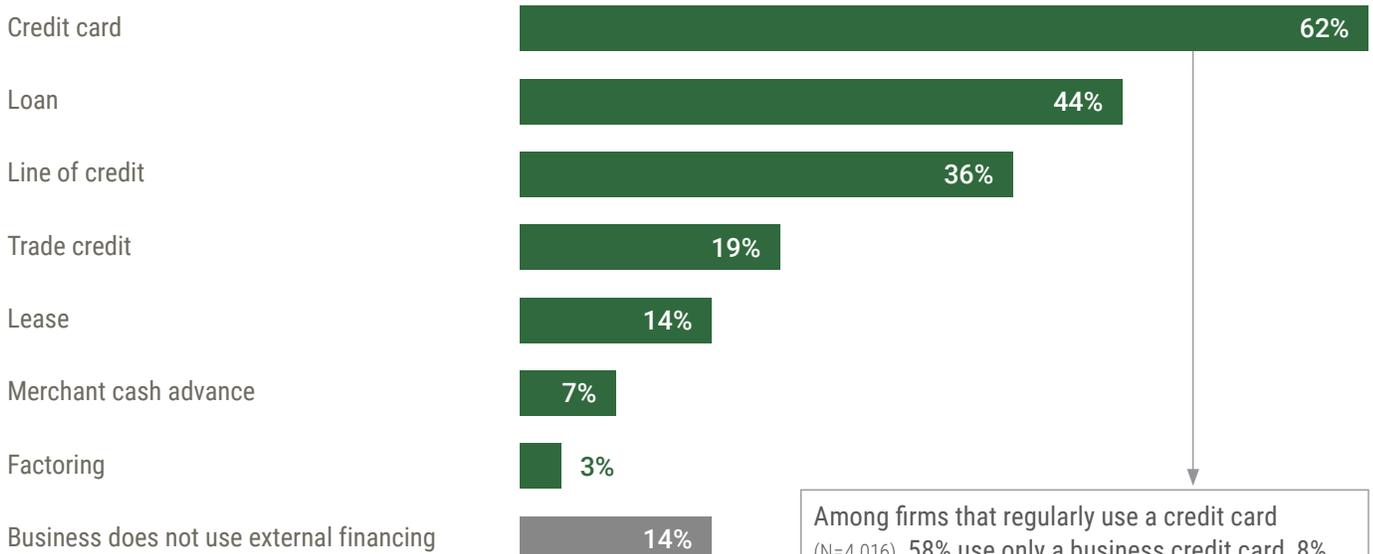
Among firms that regularly use a credit card (N=4,016), 58% use only a business credit card, 8% use only a personal credit card, and 34% use both.

1   *Respondents could select multiple options. Response option "other" not shown. See Appendix for more details.*
2   *In addition to the 31% of debtholders in the 2019 survey that secured their debt with personal assets, 59% used a personal guarantee, 49% used business assets, 8% used portions of future sales, and 17% pledged no collateral/guarantee.*
3   *"Loan" includes mortgage for the business.*

DEBT AND FINANCING
Demand for Financing

60% of firms sought some type of financing in the 12 months prior to the survey. Firms most often applied for financing to pay operating expenses.

SHARE THAT APPLIED FOR FINANCING,
Prior 12 Months[1,2] (% of employer firms)   N=6,525

40% Did not apply

60% Applied
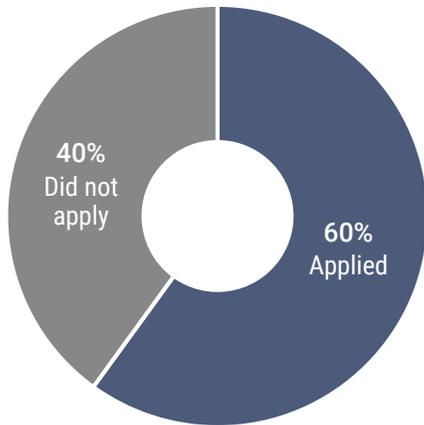
REASONS FOR APPLYING,
Prior 12 Months[1,2] (% of applicants)   N=3,638

Reason	%
Meet operating expenses	56%
Expand business, pursue new opportunity, or acquire business assets	46%
Have available credit for future use as needed	42%
Refinance or pay down debt	28%
Make repairs or replace capital assets	26%
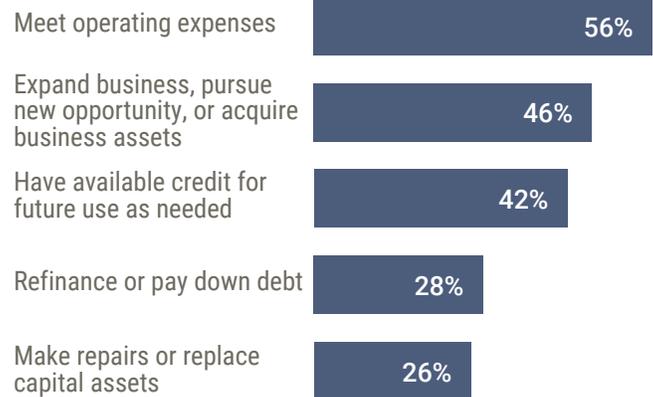
PERFORMANCE OF APPLICANT AND NONAPPLICANT FIRMS, *Prior 12 Months*[1,3] (% of applicants and nonapplicants)

■ Applicants N=3,085–3,852
■ Nonapplicants N=1,716–2,671

	Applicants	Nonapplicants
Profitable	41%	56%
In at least fair financial condition	75%	83%
Low credit risk	66%	79%
Growing	23%	17%
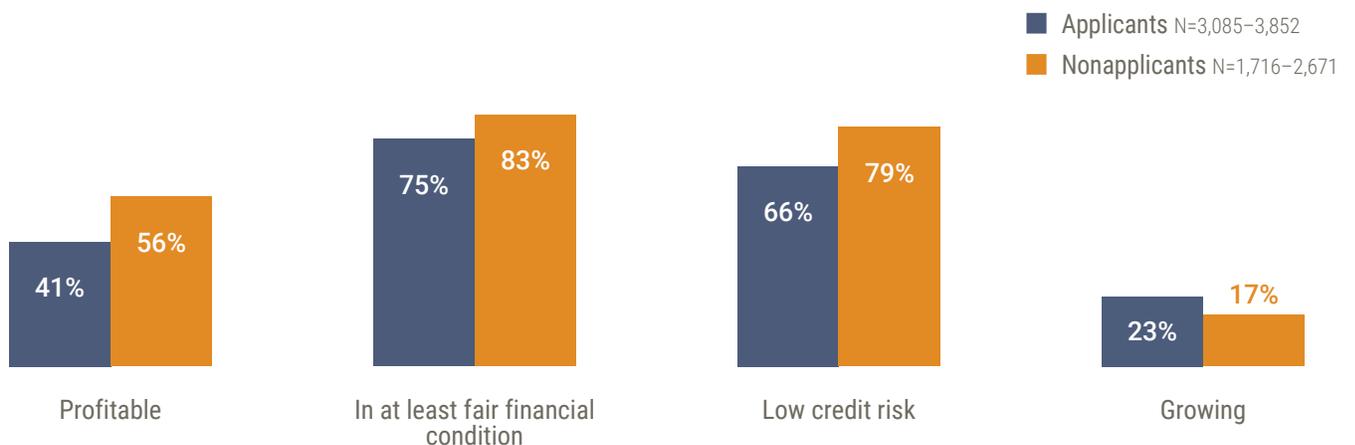
1   *See Notes and Definitions for details on time period definitions used in the SBCS.*
2   *Because of changes to financing questions first implemented in the 2023 SBCS, data on demand for financing are not directly comparable to SBCS findings from surveys prior to 2023. See Methodology for more details.*
3   *Nonapplicants are firms that did not apply for financing in the prior 12 months. Financial condition is self-reported; the shares shown include those in fair, good, very good, or excellent financial condition (as opposed to poor). Growing firms are defined as those that increased their revenues and number of employees in the prior 12 months and that plan to maintain or increase their number of employees in the next 12 months. Number of observations varies by question. See Notes and Definitions for details on credit risk definitions used in the SBCS.*

DEBT AND FINANCING
Nonapplicants

63% of nonapplicants—that is, firms that did not apply for financing in the prior 12 months—chose not to apply because they did not need it. Others were debt averse, discouraged, or said the cost of credit was too high.

SHARE THAT APPLIED FOR FINANCING,
Prior 12 Months[1,2] (% of employer firms)   N=6,525

- 40% Did not apply
- 60% Applied
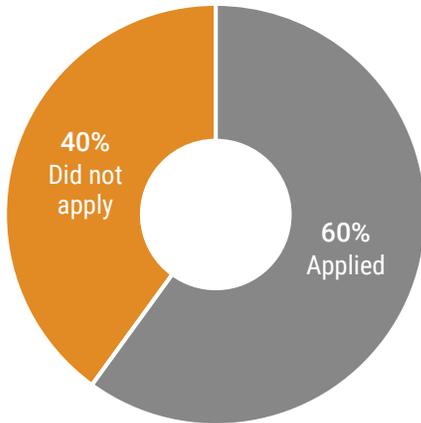
TOP REASONS FOR NOT APPLYING,
Prior 12 Months[1,2,3] (% of nonapplicants)   N=2,556

Reason	%
Not needed / had sufficient financing	63%
Debt averse	17%
Discouraged	10%
Cost of credit too high	7%
Other	3%
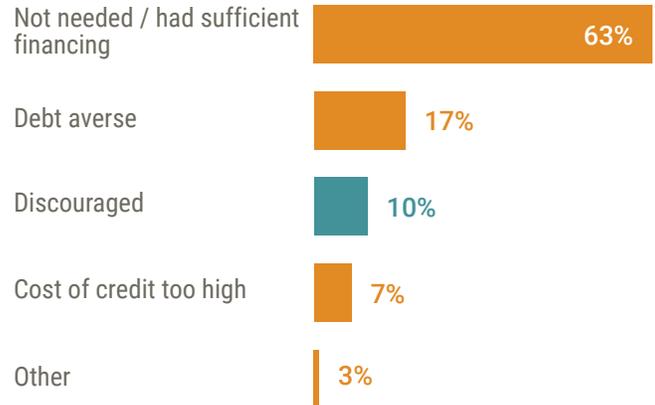
Discouraged nonapplicants—those who did not apply because they did not think they would be approved—most often cited weak business financials as the reason they expected to be denied financing.

REASONS DISCOURAGED FIRMS DID NOT EXPECT TO BE APPROVED[4]
(% of discouraged nonapplicants)   N=227

Weak business financials	Lender requirements too strict	Lenders do not approve financing for businesses like mine	Was denied financing previously	Missing documentation
63%	28%	27%	24%	8%

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1   *See Notes and Definitions for details on time period definitions used in the SBCS.*
2   *Percentages may not sum to 100 due to rounding. See Methodology for more details.*
3   *Response option "other" includes "application process was too difficult or confusing" and other reasons. See Appendix for more details.*
4   *Respondents could select multiple options. Response options "other" and "unsure" not shown. See Appendix for more details.*

DEBT AND FINANCING
Funding Needs and Outcomes

The survey provides insights on firms' funding needs and their access to financing in order to meet those needs. Here we combine applicants' financing outcomes and nonapplicants' reasons for not applying. Firms that had their funding needs met emerge in two forms:

1. Applicant firms that received the full amount of financing sought; and

2. Nonapplicant firms that did not apply for financing because they did not need it and/or already had sufficient funding.

The remaining firms have funding gaps. We consider applicant firms to have a financing shortfall when they did not obtain the full amount of financing sought. We consider nonapplicant firms to have unmet funding needs when they report needing financing but did not apply.

FUNDING NEEDS AND OUTCOMES[1]
(% of employer firms)

N=6,525

60% Applied for financing				40% Did not apply for financing			
13% Received none	**13%** Received some	**9%** Received most	**25%** Received all	**26%** Funding not needed	**7%** Debt averse	**4%** Discouraged	**4%** Other

34% Had a financing shortfall

51% Funding needs met

15% Had unmet funding needs
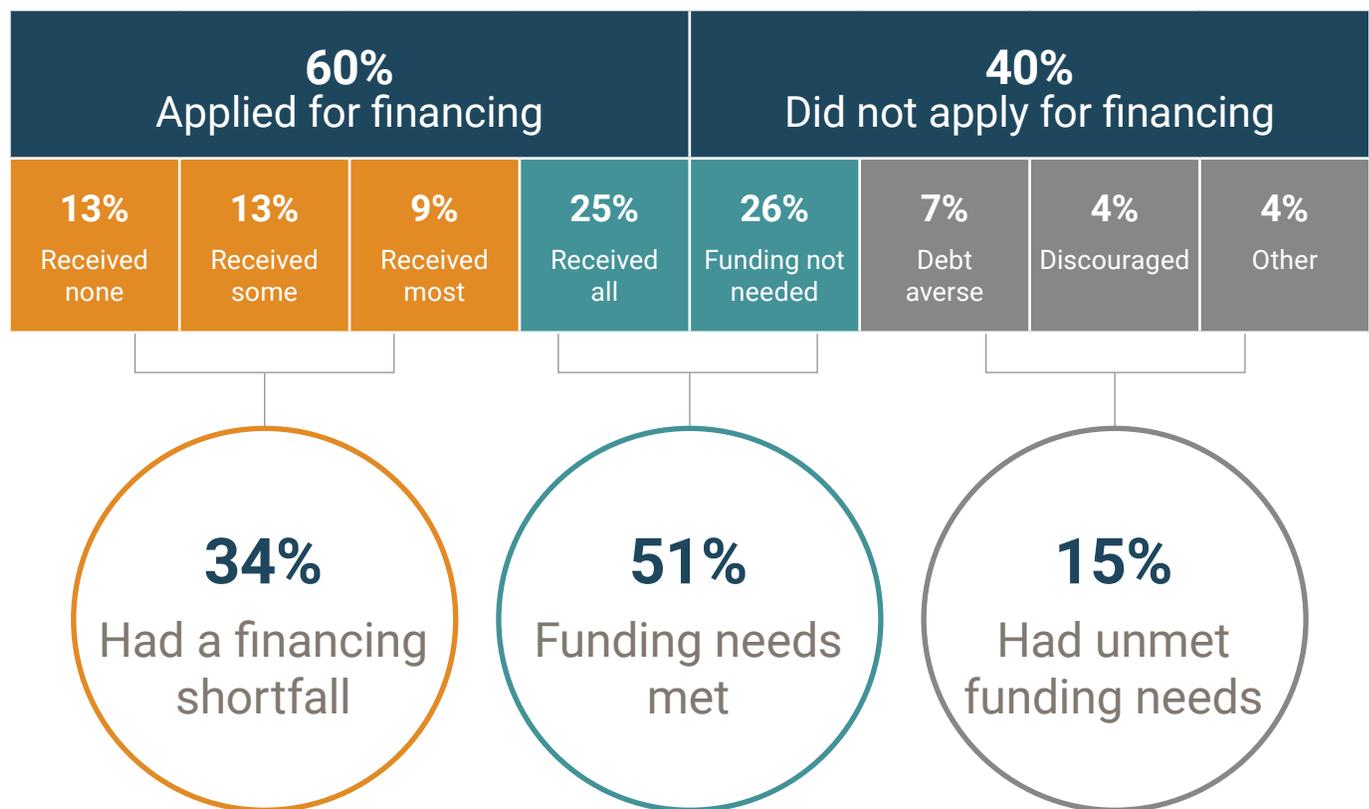
1 Percentages may not sum to 100 due to rounding. Discouraged firms are those that did not apply for financing because they believed they would be turned down. "Other" includes "Credit cost was too high" and "Application process was too difficult or confusing." Applicant and nonapplicant firms that did not respond or answered "unsure" to questions about financing received or reasons they did not apply are excluded from those calculations.

DEBT AND FINANCING
Applications By Product and Amount

Nearly 4 in 10 firms sought a loan, line of credit, or merchant cash advance in the prior 12 months.

FINANCING AND CREDIT PRODUCTS SOUGHT, *Prior 12 Months*[1]

(% of employer firms)   N=6,525

Product	%
Loan, line of credit, or merchant cash advance	38%
Credit card	29%
Trade credit	17%
Lease	11%
Factoring	3%
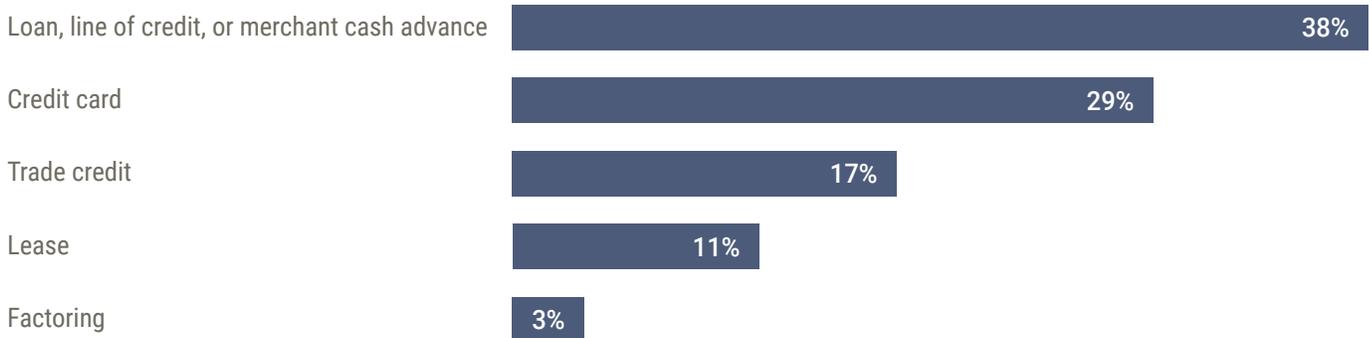
AMOUNT OF FINANCING SOUGHT, *Prior 12 Months*[2]

(% of applicants)   N=3,688

37% of applicants sought less than $50K in financing.

≤$25K	$25K–$50K	$50K–$100K	$100K–$250K	$250K–$1M	>$1M
21%	16%	22%	19%	14%	8%

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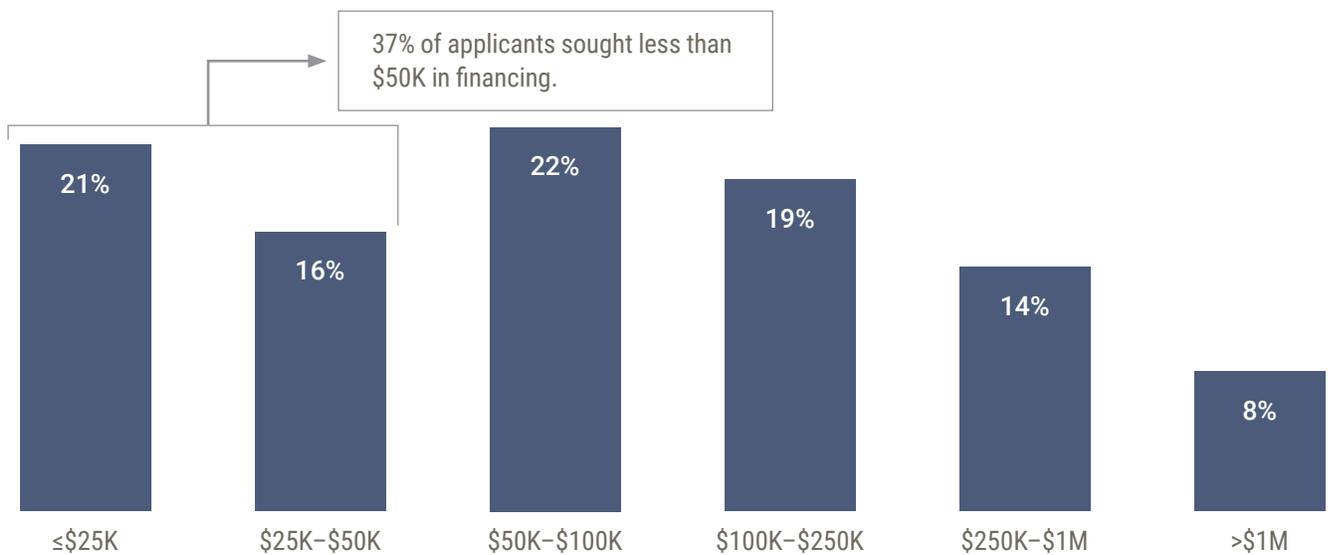
1   *Loans, lines of credit, and merchant cash advances are presented separately in the questionnaire but are combined here to show the total share that applied for at least one of the three. The combined share is intended to provide context for the Financing Applications section of this report, which draws from the survey's more detailed questions on application experiences for these three product types. Reported separately, 26% of firms applied for a loan, 24% applied for a line of credit, and 8% applied for a merchant cash advance. See Appendix for more details. For brevity, merchant cash advances are also referred to as cash advances throughout the report. Respondents could select multiple options. See Notes and Definitions for details on time period definitions used in the SBCS.*

2   *Categories have been simplified for readability. Actual categories are: ≤$25K, $25,001–$50K, $50,001–$100K, $100,001–$250K, $250,001–$1M, and >$1M. Percentages may not sum to 100 because of rounding.*

DEBT AND FINANCING
Financing Received

TOTAL FINANCING RECEIVED, *Prior 12 Months*[1,2] (% of applicants)   N=3,654

42% All	15% Most (51–99%)	21% Some (1–50%)	22% None
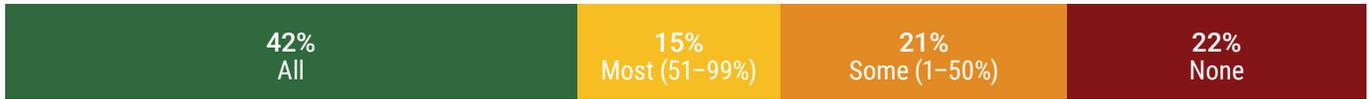
REASONS APPLICANT DID NOT RECEIVE FULL AMOUNT OF FINANCING SOUGHT, *Prior 12 Months*[1,3]

(% of applicants that did not receive all of financing sought)   N=1,936

Business was not approved for at least some of the financing sought	67%
Business did not accept some or all of the approved financing	37%
Application(s) pending	13%
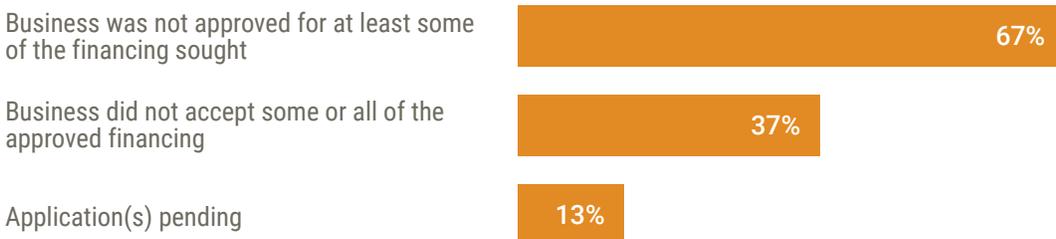
46% of applicants that were not approved for at least some of the financing sought said they were denied because lender requirements were too strict.

REASONS FOR CREDIT DENIAL, *Prior 12 Months*[1,3]

(% of applicants that were not approved for at least some of the financing sought)   N=1,189
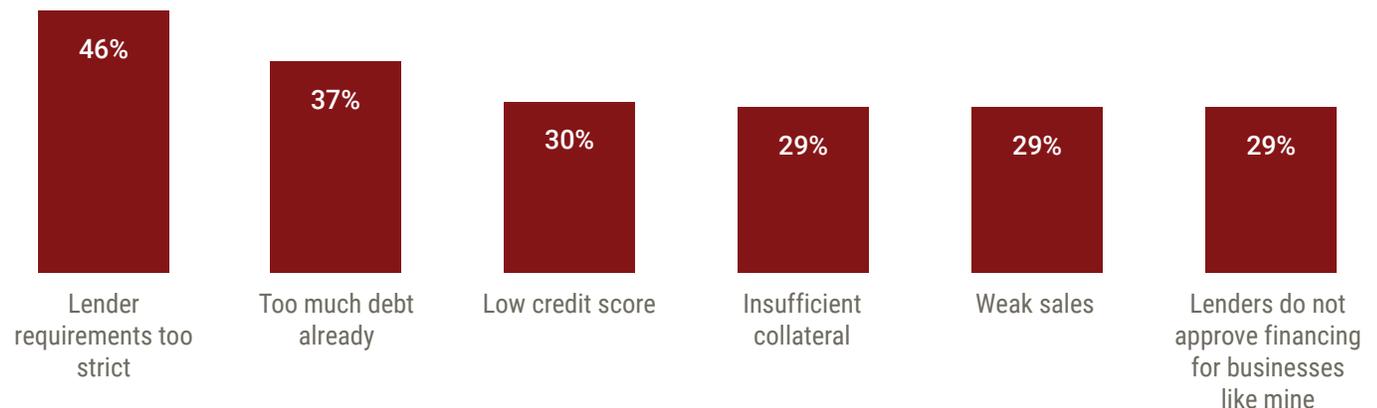
Lender requirements too strict	Too much debt already	Low credit score	Insufficient collateral	Weak sales	Lenders do not approve financing for businesses like mine
46%	37%	30%	29%	29%	29%

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1   *See Notes and Definitions for details on time period definitions used in the SBCS.*
2   *Percentages may not sum to 100 because of rounding.*
3   *Respondents could select multiple options. Top response options shown. See Appendix for more details.*

FINANCING APPLICATIONS
Applications for Loans, Lines of Credit, and Cash Advances

The share of firms that applied for loans, lines of credit, or merchant cash advances was little changed year over year.

SHARE OF FIRMS THAT APPLIED FOR LOANS, LINES OF CREDIT, OR CASH ADVANCES,
Prior 12 Months, By Survey Year[1,2] (% of employer firms)

2018 Survey N=6,614	2019 Survey N=5,154	2020 Survey N=9,407	2021 Survey N=10,580	2022 Survey N=7,864	2023 Survey N=6,131	2024 Survey N=7,653	2025 Survey N=6,525
36%	37%	28%	25%	40%	37%	37%	38%
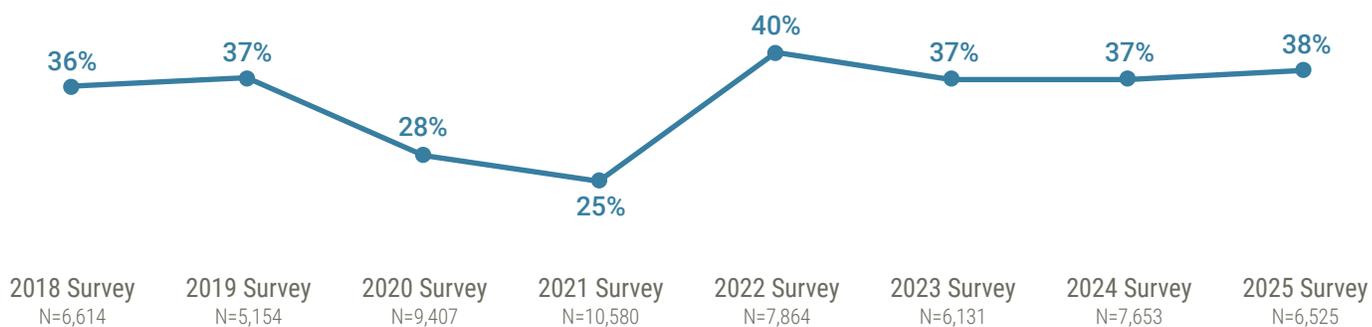
APPLICATION RATE BY TYPE OF LOAN, LINE OF CREDIT, OR MERCHANT CASH ADVANCE, *Prior 12 Months*[2]
(% of loan, line of credit, and cash advance applicants)   N=2,450

Type	Rate
Business line of credit	43%
Business loan	32%
SBA loan or line of credit	20%
Auto or equipment loan	12%
Merchant cash advance	12%
Personal loan	8%
Mortgage/real estate loan	6%
Home equity loan or line of credit	5%
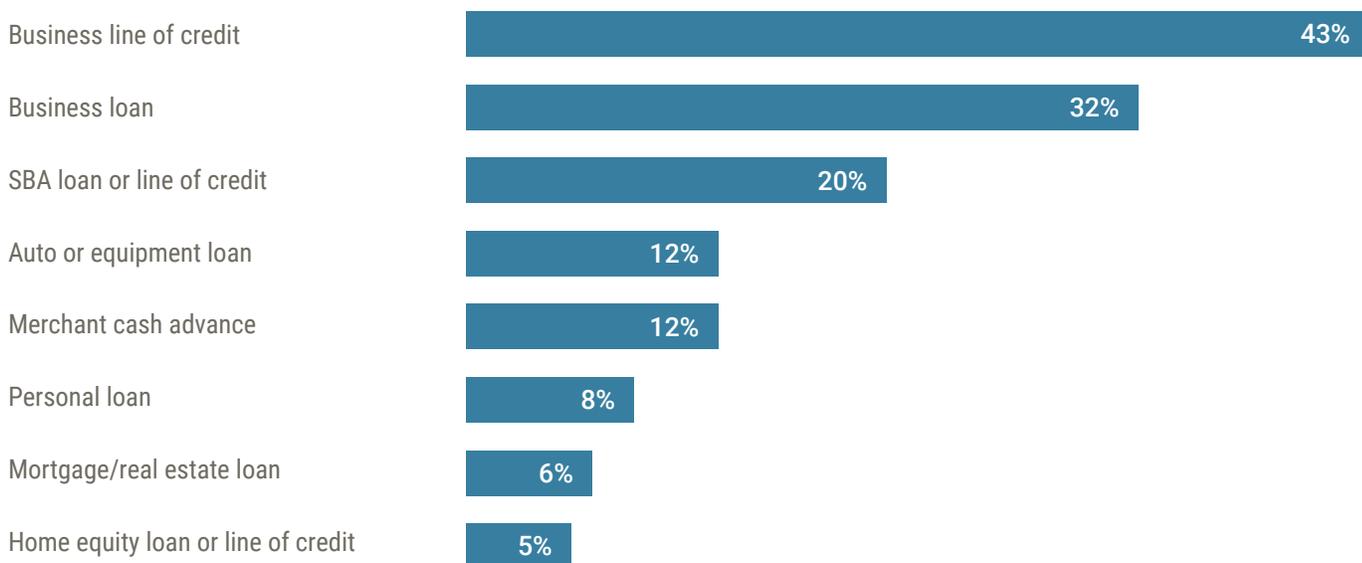
1   For applicable survey years, the application rate excludes demand for pandemic-related assistance programs (e.g., the Paycheck Protection Program). See *Notes and Definitions* for time period definitions used in the SBCS.

2   Respondents that submitted more than one application could select multiple products. Response option "other product" not shown. See *Appendix* for more details. See *Notes and Definitions* for time period definitions and lender descriptions used in the SBCS.

FINANCING APPLICATIONS
Loan/Line of Credit/Cash Advance Sources

Applicants most often sought financing at large banks; the share that applied at online lenders has increased over the last five years.

CREDIT SOURCES APPLIED TO, *By Survey Year*[1,2] (% of loan, line of credit, and cash advance applicants)

Legend: Large bank, Small bank, Online lender, Finance company, Credit union, CDFI

	2019 Survey N=1,901	2020 Survey N=2,574	2021 Survey N=2,607	2022 Survey N=3,226	2023 Survey N=2,305	2024 Survey N=2,897	2025 Survey N=2,388
Large bank	35%	40%	40%	43%	44%	39%	41%
Small bank	33%	39%	33%	30%	28%	29%	28%
Online lender	30%	17%	20%	22%	23%	24%	29%
Finance company	15%	12%	15%	13%	14%	13%	14%
Credit union	7%	7%	7%	8%	7%	9%	7%
CDFI	2%	3%	3%	4%	6%	6%	7%
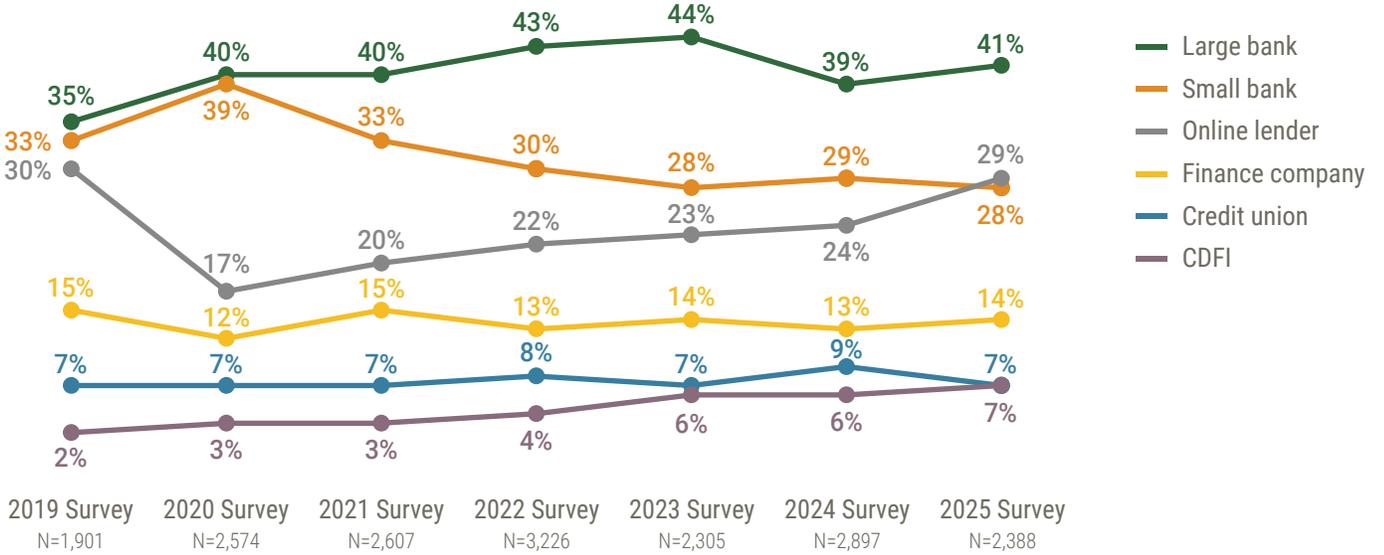
Medium- and high-credit-risk applicants were much more likely than low-risk applicants to apply for financing at online lenders.

CREDIT SOURCES APPLIED TO, *By Credit Risk of Firm, 2025 Survey*[2,3] (% of loan, line of credit, and cash advance applicants)

Legend:
- Low credit risk N=1,229
- Medium/high credit risk N=762

	Large bank	Small bank	Online lender	Finance company	Credit union	CDFI
Low credit risk	45%	30%	19%	13%	9%	7%
Medium/high credit risk	34%	21%	49%	15%	6%	7%

1   *See Notes and Definitions for lender descriptions used in the SBCS.*
2   *Response option "other source" not shown. See Appendix for more details. See Notes and Definitions for details on time period definitions and lender descriptions used in the SBCS.*
3   *See Notes and Definitions for details on credit risk definitions used in the SBCS.*

Large and small bank applicants chose their lender based on their existing relationships, while online lender applicants prioritized speed and their expected chance of being funded.

FACTORS INFLUENCING WHERE FIRMS APPLIED[1] (% of loan, line of credit, and cash advance applicants at source)

Existing relationship with lender
- Large bank: 61%
- Small bank: 62%
- Online lender: 31%
- Finance company: 32%

Chance of being funded
- Large bank: 37%
- Small bank: 33%
- Online lender: 49%
- Finance company: 34%

Cost or interest rate
- Large bank: 31%
- Small bank: 24%
- Online lender: 18%
- Finance company: 33%

Speed or decision of funding
- Large bank: 29%
- Small bank: 28%
- Online lender: 64%
- Finance company: 44%

No collateral was required
- Large bank: 20%
- Small bank: 14%
- Online lender: 38%
- Finance company: 22%

Flexibility of product
- Large bank: 17%
- Small bank: 18%
- Online lender: 24%
- Finance company: 18%

Recommendation or referral
- Large bank: 16%
- Small bank: 20%
- Online lender: 11%
- Finance company: 19%

Denied by other lenders
- Large bank: 12%
- Small bank: 11%
- Online lender: 28%
- Finance company: 18%

Legend:
- Large bank N=957
- Small bank N=635
- Online lender N=693
- Finance company N=313

1   *Select lender categories shown. Respondents could select multiple options. Response option "other" not shown. See Appendix for more details. See Notes and Definitions for details on lender descriptions used in the SBCS.*

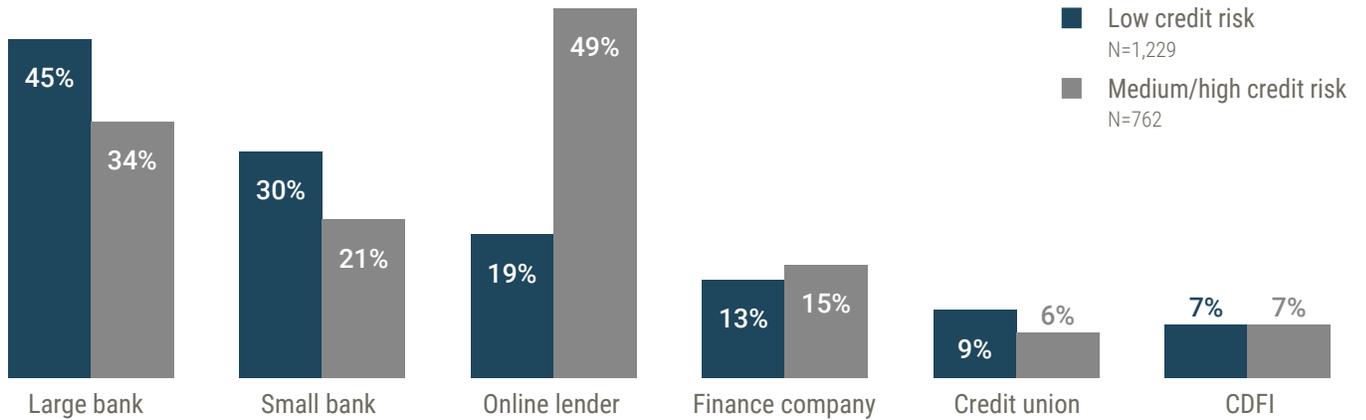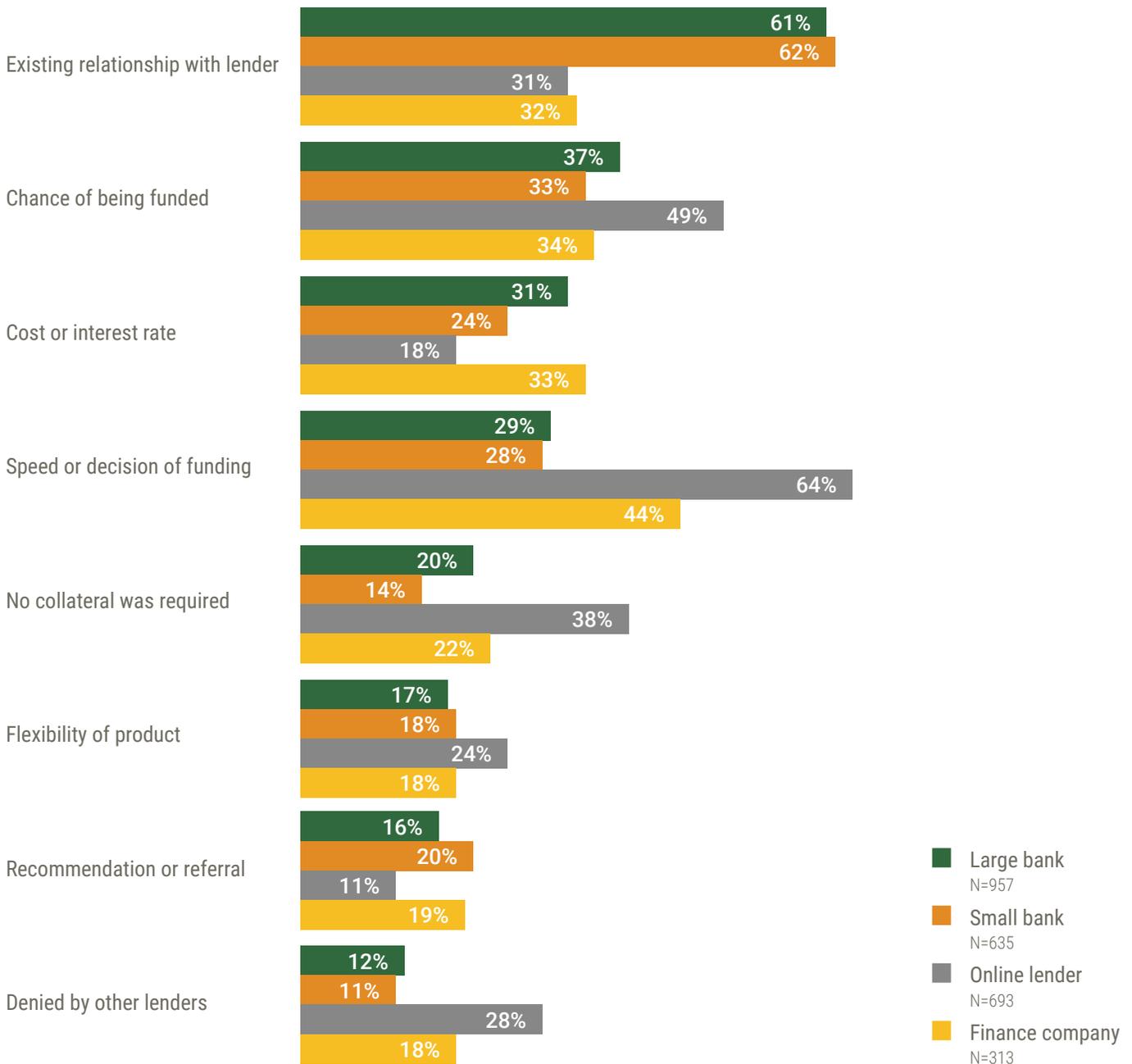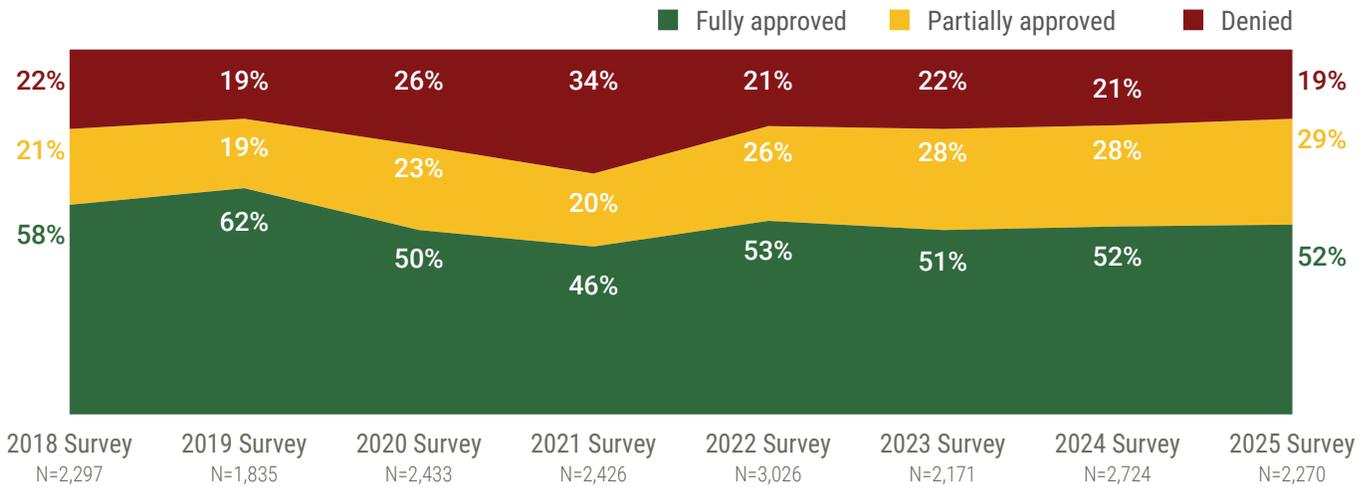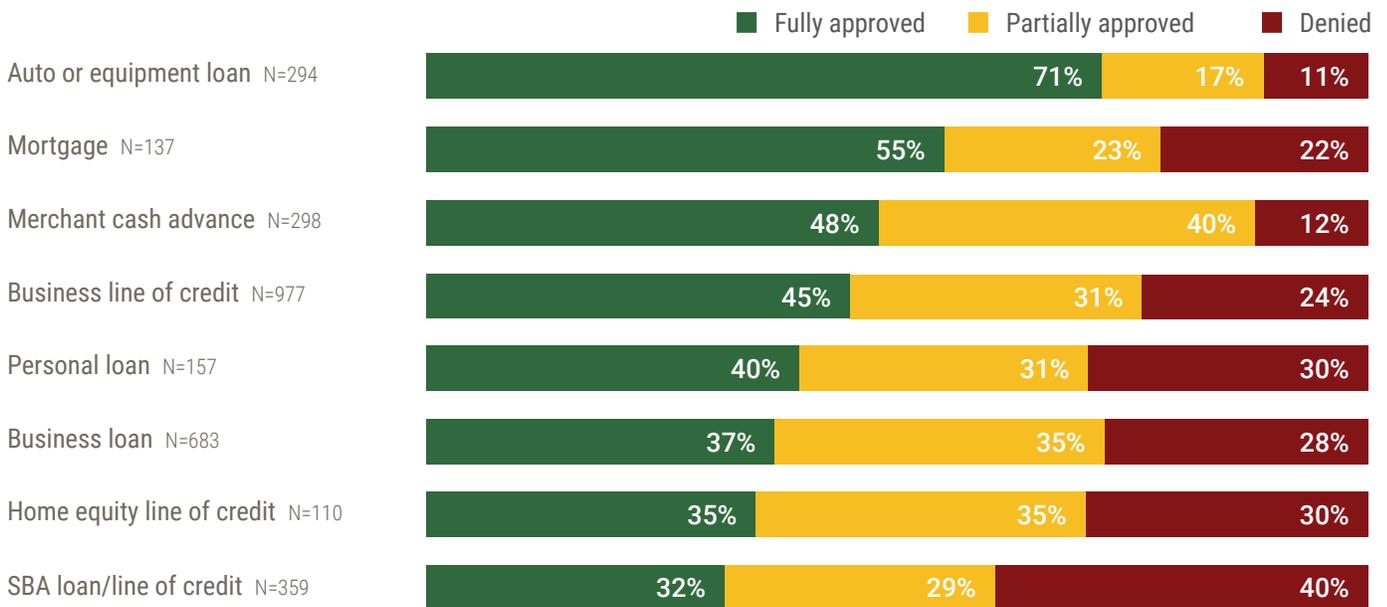# FINANCING APPLICATIONS
Loan/Line of Credit/Cash Advance Application Outcomes

The share of applicants fully approved held steady year over year, but remained below prepandemic levels.

OUTCOMES FOR LOAN, LINE OF CREDIT, OR CASH ADVANCE APPLICANTS, *Prior 12 Months, By Survey Year*[1,2]
(% of loan, line of credit, and cash advance applicants)

■ Fully approved ■ Partially approved ■ Denied

	2018 Survey N=2,297	2019 Survey N=1,835	2020 Survey N=2,433	2021 Survey N=2,426	2022 Survey N=3,026	2023 Survey N=2,171	2024 Survey N=2,724	2025 Survey N=2,270
Denied	22%	19%	26%	34%	21%	22%	21%	19%
Partially approved	21%	19%	23%	20%	26%	28%	28%	29%
Fully approved	58%	62%	50%	46%	53%	51%	52%	52%

OUTCOMES FOR LOAN, LINE OF CREDIT, OR CASH ADVANCE APPLICANTS, *By Product, 2025 Survey*[2,3]
(% of loan, line of credit, and cash advance applicants)

■ Fully approved ■ Partially approved ■ Denied

	Fully approved	Partially approved	Denied
Auto or equipment loan N=294	71%	17%	11%
Mortgage N=137	55%	23%	22%
Merchant cash advance N=298	48%	40%	12%
Business line of credit N=977	45%	31%	24%
Personal loan N=157	40%	31%	30%
Business loan N=683	37%	35%	28%
Home equity line of credit N=110	35%	35%	30%
SBA loan/line of credit N=359	32%	29%	40%

1   *Throughout the Financing Applications section of this report, outcomes exclude pending applications and, for applicable years, applications for pandemic-related assistance programs (e.g., the Paycheck Protection Program). See Notes and Definitions for details on time period definitions used in the SBCS.*
2   *Percentages may not sum to 100 because of rounding.*
3   *Product type "other" not shown. See Appendix for more details.*

Older and larger firms were more likely than younger and smaller ones to be fully approved for the financing they sought.

SHARE OF APPLICANTS THAT WERE FULLY APPROVED, *Prior 12 Months*[1]
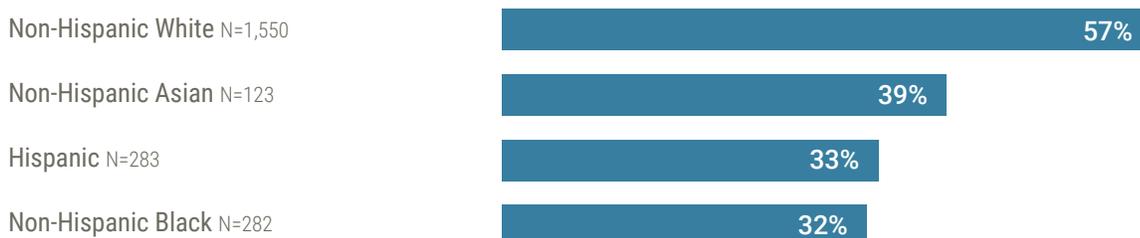(% of loan, line of credit, and cash advance applicants)

By age of firm

0–5 years N=416	48%
6–20 years N=1,085	51%
21+ years N=769	63%

By firm revenue size

≤$100K N=281	37%
$100K–$1M N=984	48%
$1M–$10M N=807	61%
>$10M N=164	76%

By race/ethnicity of owner(s)

Non-Hispanic White N=1,550	57%
Non-Hispanic Asian N=123	39%
Hispanic N=283	33%
Non-Hispanic Black N=282	32%

By industry

Manufacturing N=324	63%
Leisure and hospitality N=310	57%
Retail N=274	55%
Professional services and real estate N=377	51%
Healthcare and education N=247	39%

1 The shares shown are the aggregate percentages by category and are not adjusted to control for characteristics such as firm profitability, credit risk, or other indicators of creditworthiness. Select firm categories shown. See Appendix for more details. 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. American Indian- and Alaska Native-owned firms not shown because of sample size limitations. See Notes and Definitions for details on time period definitions used in the SBCS.

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

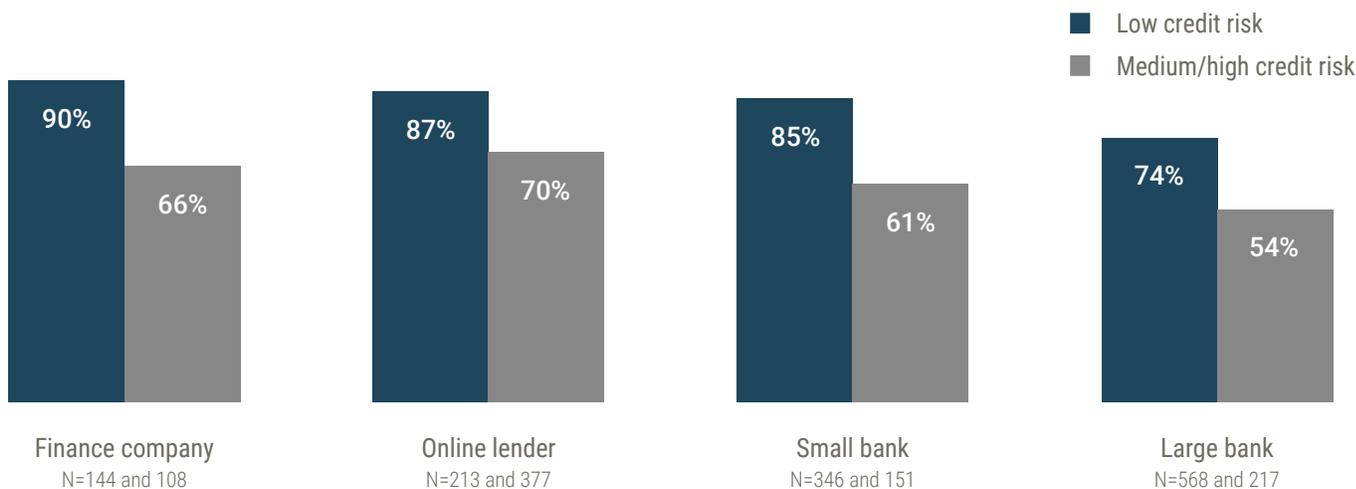**OUTCOMES FOR LOAN, LINE OF CREDIT, OR CASH ADVANCE APPLICANTS,** *By Source, Prior 12 Months*[1,2]
(% of loan, line of credit, and cash advance applicants at source)

Legend: Fully approved | Partially approved | Denied

Source	Fully approved	Partially approved	Denied
Small bank N=597	57%	23%	20%
Finance company N=305	50%	31%	19%
Credit union N=150	44%	26%	29%
Large bank N=919	43%	26%	31%
Online lender N=665	38%	39%	23%
CDFI N=116	27%	39%	34%
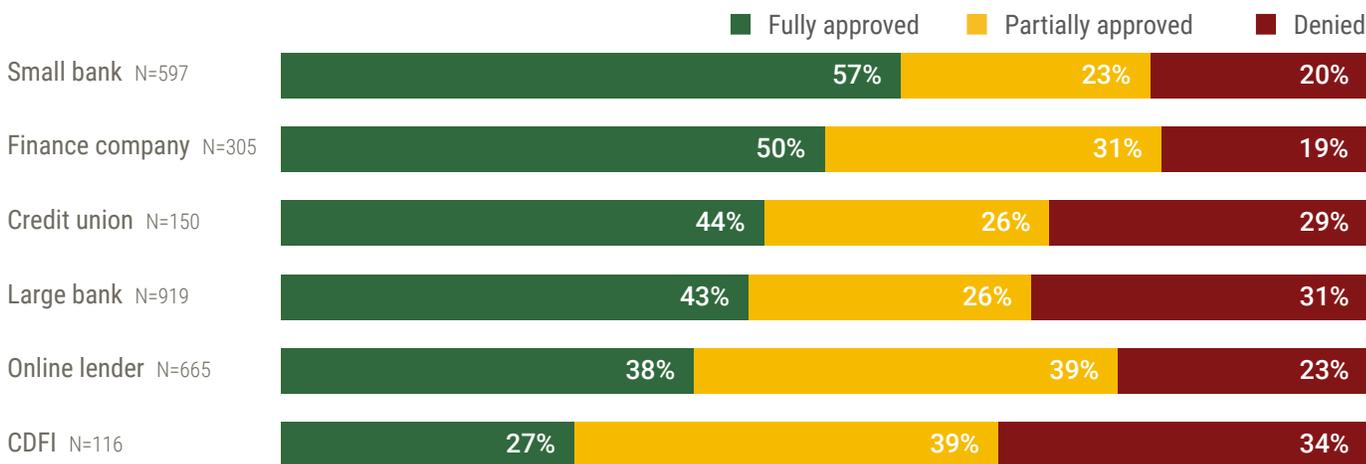
SHARE OF APPLICANTS AT LEAST PARTIALLY APPROVED AT SOURCE, *By Credit Risk of Firm, Prior 12 Months*[2,3]
(% of loan, line of credit, and cash advance applicants at source)

Legend: Low credit risk | Medium/high credit risk

	Low credit risk	Medium/high credit risk
Finance company N=144 and 108	90%	66%
Online lender N=213 and 377	87%	70%
Small bank N=346 and 151	85%	61%
Large bank N=568 and 217	74%	54%

1 Percentages may not sum to 100 because of rounding.
2 Response option "other source" not shown. See *Appendix* for more details. See *Notes and Definitions* for details on time period definitions and lender descriptions used in the SBCS.
3 Number of observations varies by credit risk category; number of observations for low-credit-risk applicants is shown first. See *Notes and Definitions* for details on credit risk definitions used in the SBCS. Credit union and CDFI not shown because of sample size limitations. See *Appendix* for more details.

SHARE OF APPLICANTS AT LEAST PARTIALLY APPROVED AT SOURCE, *By Survey Year*[1,2]
(% of loan, line of credit, and cash advance applicants at source)

Legend:
- Finance company — N=281–370
- Small bank — N=560–912
- Online lender — N=379–755
- Large bank — N=690–1,316

Finance company: 86%, 73%, 69%, 76%, 76%, 79%, 81%
Small bank: 76%, 76%, 68%, 82%, 75%, 76%, 80%
Online lender: 80%, 69%, 54%, 71%, 70%, 75%, 77%
Large bank: 65%, 61%, 49%, 68%, 66%, 69%, 69%

2019 Survey   2020 Survey   2021 Survey   2022 Survey   2023 Survey   2024 Survey   2025 Survey
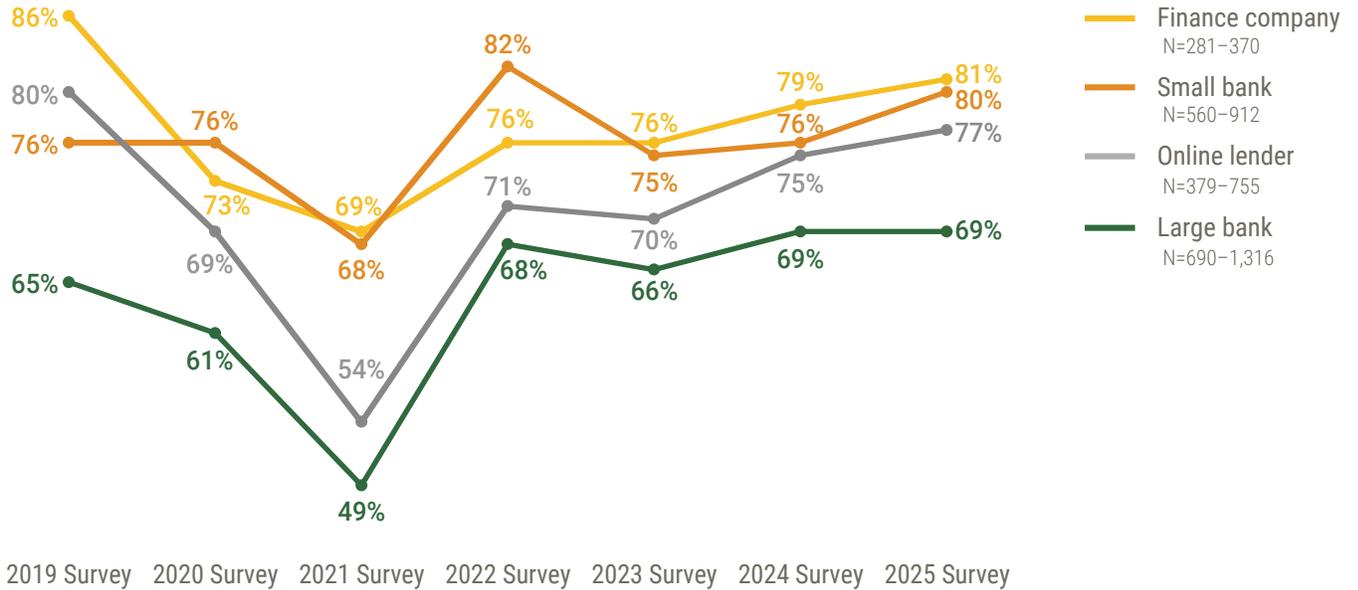
Applicant firms with less than $1 million in annual revenues were less likely to be approved for financing at large banks than at other lenders.

SHARE OF APPLICANTS AT LEAST PARTIALLY APPROVED AT SOURCE, *By Firm Revenue Size, 2025 Survey*[2,3]
(% of loan, line of credit, and cash advance applicants at source)
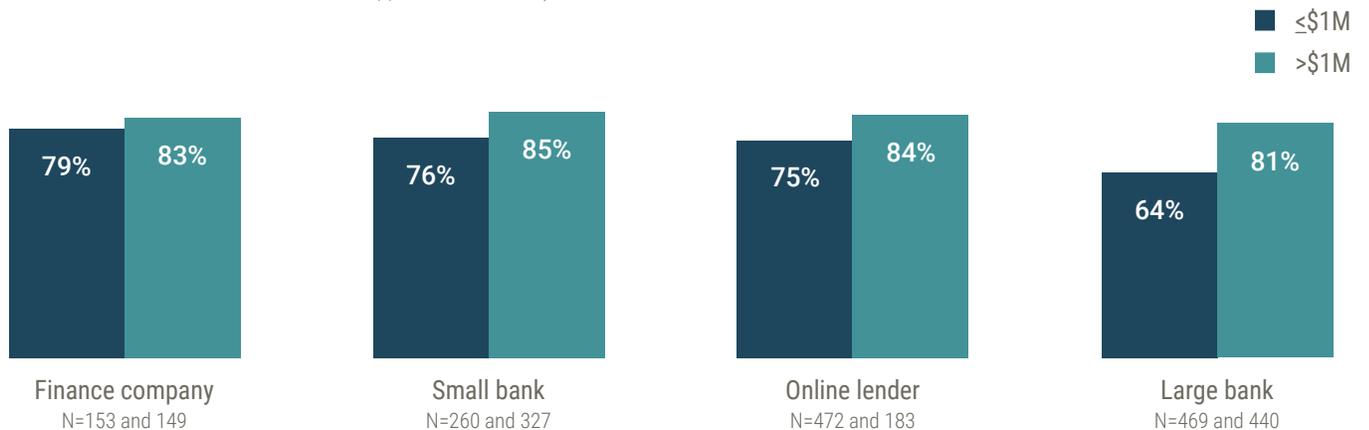
Legend:
- ≤$1M
- >$1M

Finance company — N=153 and 149: ≤$1M 79%, >$1M 83%
Small bank — N=260 and 327: ≤$1M 76%, >$1M 85%
Online lender — N=472 and 183: ≤$1M 75%, >$1M 84%
Large bank — N=469 and 440: ≤$1M 64%, >$1M 81%

1   *See Notes and Definitions for details on time period definitions used in the SBCS.*
2   *Select lender categories shown. See Appendix for more details. See Notes and Definitions for time period definitions and lender descriptions used in the SBCS.*
3   *Number of observations varies by firm size; number of observations for firms with ≤$1M in annual revenues shown first.*
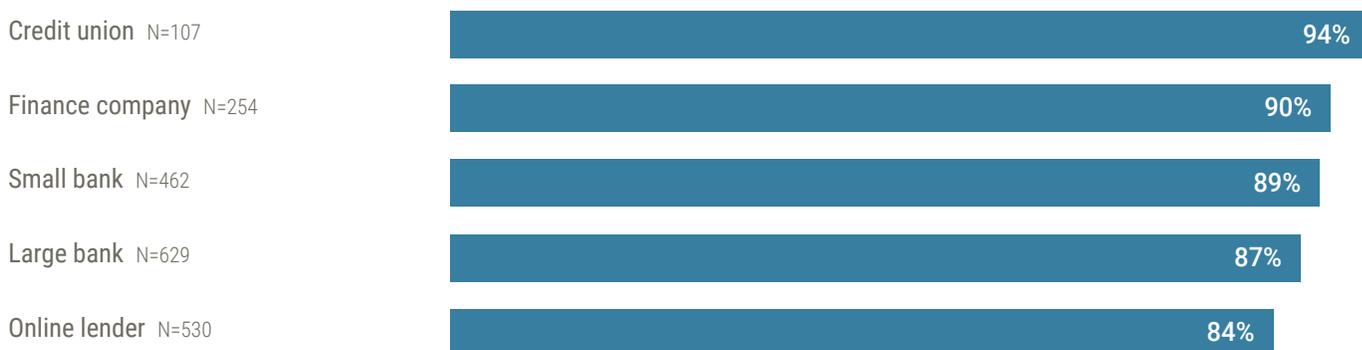
FINANCING APPLICATIONS
Borrowers and Borrowing Costs

When approved, most applicants took the financing offered by their lenders. On net, borrowers found their actual borrowing costs to be higher than they were expecting at the time they accepted the financing.
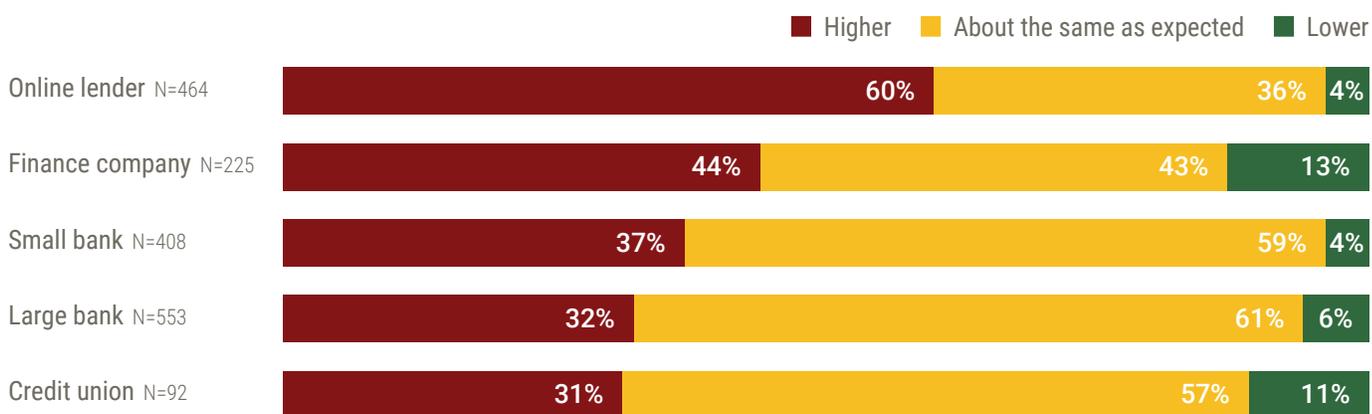
SHARE OF APPLICANTS THAT ACCEPTED APPROVED FINANCING, *Prior 12 Months*[1,2]
(% of loan, line of credit, and cash advance applicants approved for at least some financing at source)

Lender	Share
Credit union N=107	94%
Finance company N=254	90%
Small bank N=462	89%
Large bank N=629	87%
Online lender N=530	84%

ACTUAL BORROWING COST RELATIVE TO EXPECTATIONS[2,3]
(% of loan, line of credit, and cash advance borrowers at source)

■ Higher   ■ About the same as expected   ■ Lower

Lender	Higher	About the same as expected	Lower
Online lender N=464	60%	36%	4%
Finance company N=225	44%	43%	13%
Small bank N=408	37%	59%	4%
Large bank N=553	32%	61%	6%
Credit union N=92	31%	57%	11%

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1   *See Notes and Definitions for time period definitions used in the SBCS.*
2   *Select lender categories shown. See Appendix for more details. See Notes and Definitions for time period definitions and lender descriptions used in the SBCS.*
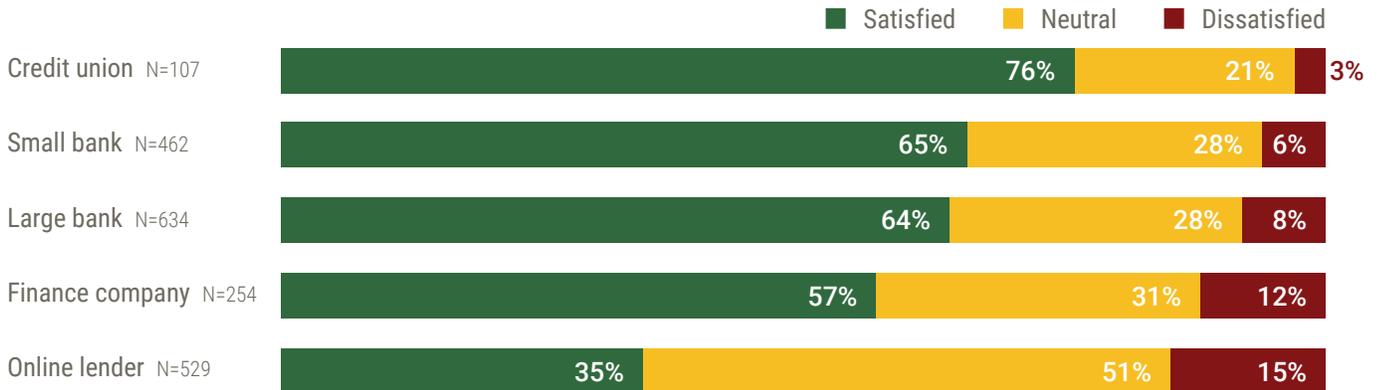3   *Borrowers are defined here as those that accepted approved financing. For borrowing cost, respondents were instructed to consider the total cost of the financing, including interest, fees, penalties, and any other charges their business may be responsible for paying. Excludes response option "unsure or haven't made a payment yet." CDFIs not shown because of insufficient sample size. Percentages may not sum to 100 because of rounding.*
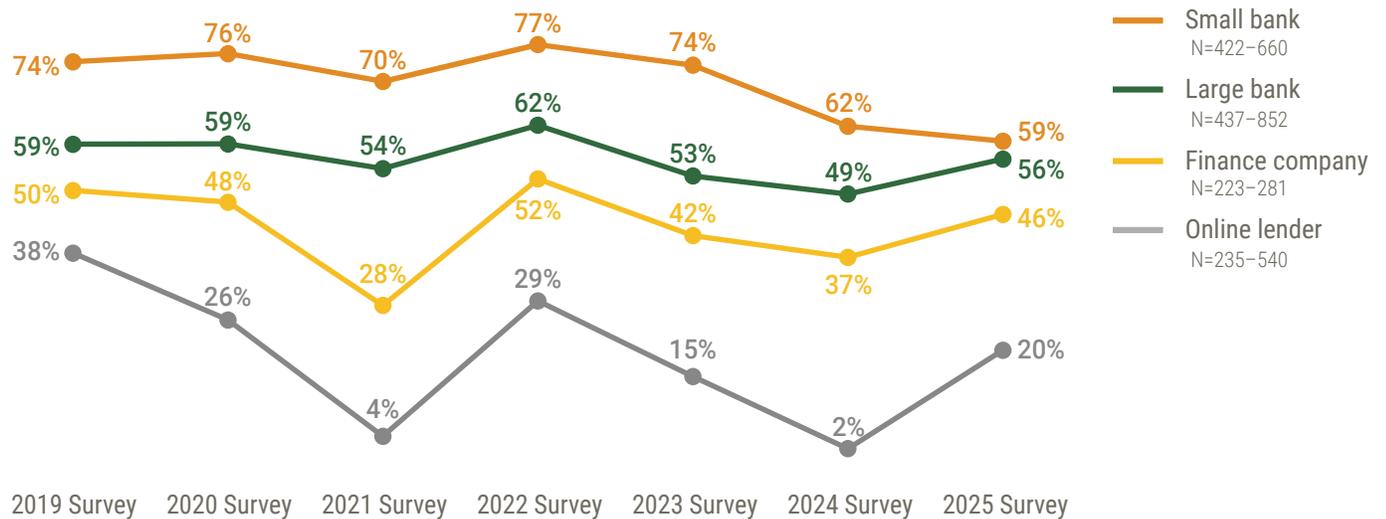
FINANCING APPLICATIONS
Satisfaction with Lenders

SATISFACTION WITH LENDERS[1,2]
(% of loan, line of credit, and cash advance applicants approved for at least some financing at source)

■ Satisfied   ■ Neutral   ■ Dissatisfied

Lender	Satisfied	Neutral	Dissatisfied
Credit union N=107	76%	21%	3%
Small bank N=462	65%	28%	6%
Large bank N=634	64%	28%	8%
Finance company N=254	57%	31%	12%
Online lender N=529	35%	51%	15%

NET SATISFACTION, *By Survey Year*[2,3]
(% of loan, line of credit, and cash advance applicants approved for at least some financing at source)

Small bank N=422–660
Large bank N=437–852
Finance company N=223–281
Online lender N=235–540

	2019 Survey	2020 Survey	2021 Survey	2022 Survey	2023 Survey	2024 Survey	2025 Survey
Small bank	74%	76%	70%	77%	74%	62%	59%
Large bank	59%	59%	54%	62%	53%	49%	56%
Finance company	50%	48%	28%	52%	42%	37%	46%
Online lender	38%	26%	4%	29%	15%	2%	20%

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1   *Percentages may not sum to 100 because of rounding. Select lender categories shown. See Appendix for more details.*
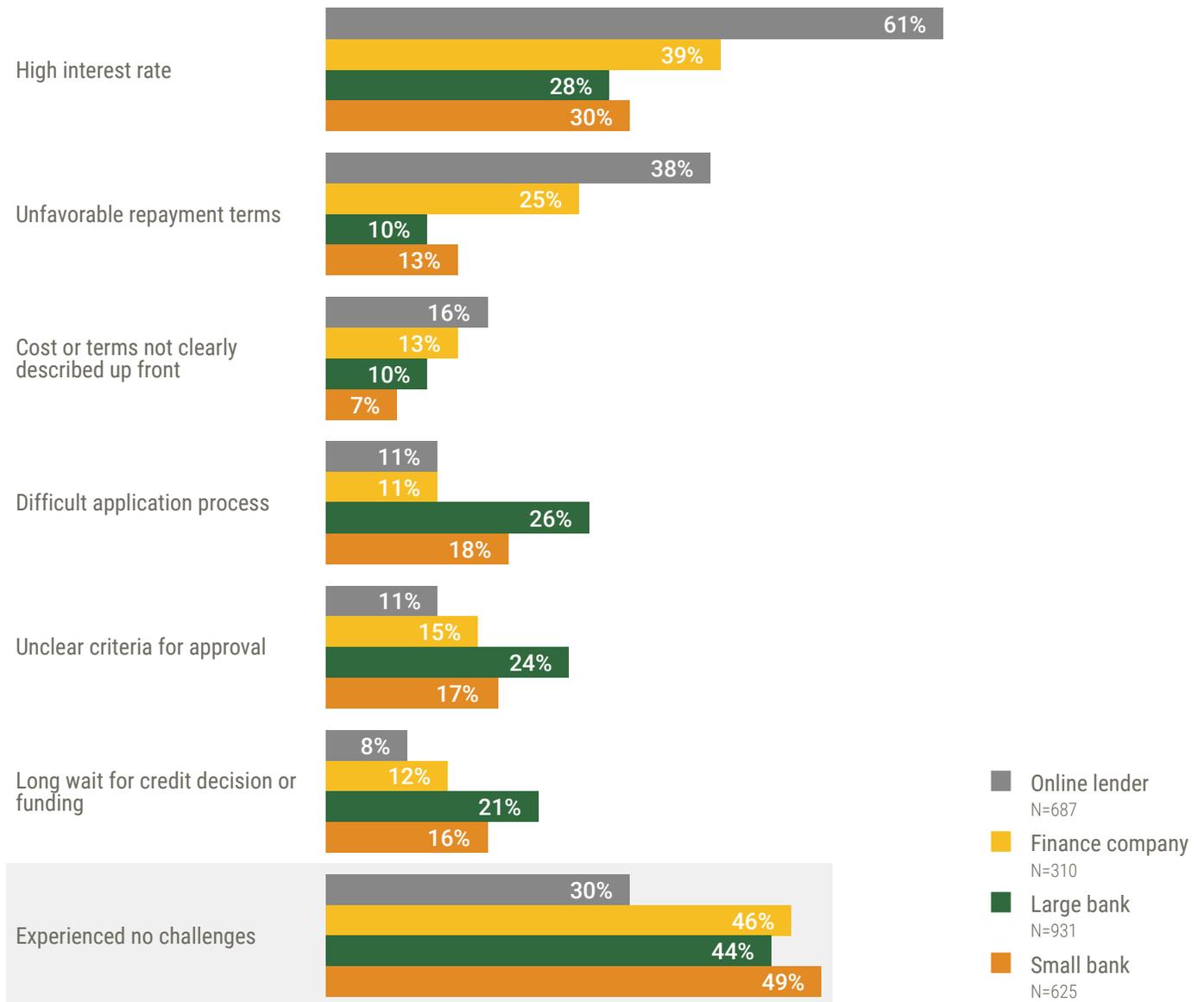2   *See Notes and Definitions for details on lender descriptions used in the SBCS.*
3   *Net satisfaction is the share of firms satisfied minus the share of firms dissatisfied. CDFIs and credit unions not shown because of insufficient sample sizes in multiple survey years. See Notes and Definitions for details on time period definitions used in the SBCS.*

FINANCING APPLICATIONS
Challenges with Lenders

Applicants that sought financing at online lenders were more likely than applicants at other sources to experience challenges with their lender. The most commonly reported challenge was high interest rates.

CHALLENGES WITH LENDERS, *Prior 12 Months*[1]
(% of loan, line of credit, and cash advance applicants at source)

High interest rate
- Online lender: 61%
- Finance company: 39%
- Large bank: 28%
- Small bank: 30%

Unfavorable repayment terms
- Online lender: 38%
- Finance company: 25%
- Large bank: 10%
- Small bank: 13%

Cost or terms not clearly described up front
- Online lender: 16%
- Finance company: 13%
- Large bank: 10%
- Small bank: 7%

Difficult application process
- Online lender: 11%
- Finance company: 11%
- Large bank: 26%
- Small bank: 18%

Unclear criteria for approval
- Online lender: 11%
- Finance company: 15%
- Large bank: 24%
- Small bank: 17%

Long wait for credit decision or funding
- Online lender: 8%
- Finance company: 12%
- Large bank: 21%
- Small bank: 16%

Experienced no challenges
- Online lender: 30%
- Finance company: 46%
- Large bank: 44%
- Small bank: 49%

Legend:
- Online lender N=687
- Finance company N=310
- Large bank N=931
- Small bank N=625

1   *Respondents could select multiple options. Select lender categories and response options shown. Changes to response options in the 2025 questionnaire affect comparability with data from prior years. See Appendix for more details. See Notes and Definitions for details on lender descriptions and time period definitions used in the SBCS.*
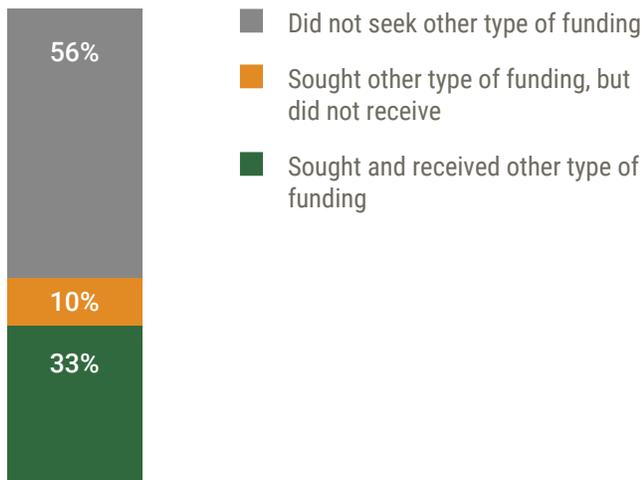
OTHER TYPES OF FUNDING
Funding Sought and Received

About a third of firms sought and received funding other than financing. Among those that received funding, owner funds were the most common, followed by loans from family or friends.

OTHER TYPES OF FUNDING SOUGHT AND RECEIVED, *Prior 12 Months*[1,2,3]
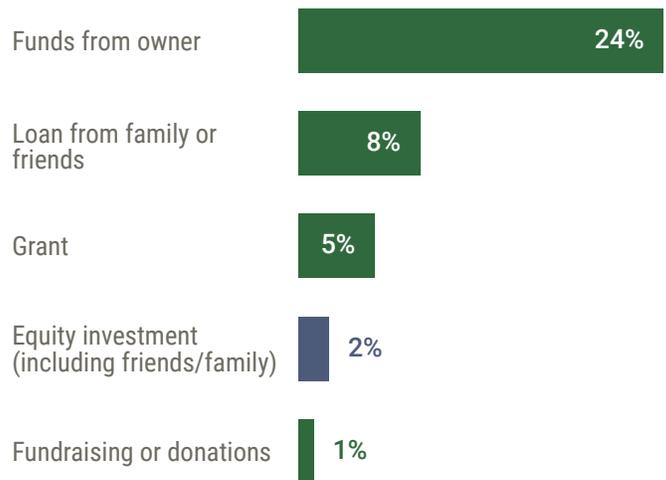(% of employer firms)   N=6,355

- 56% — Did not seek other type of funding
- 10% — Sought other type of funding, but did not receive
- 33% — Sought and received other type of funding

OTHER TYPES OF FUNDING RECEIVED, *Prior 12 Months*[3,4]
(% of employer firms)   N=6,355

Funds from owner	24%
Loan from family or friends	8%
Grant	5%
Equity investment (including friends/family)	2%
Fundraising or donations	1%

SOURCE OF EQUITY INVESTMENTS, *Prior 12 Months*[4]
(% of employer firms that received an equity investment)   N=101

Investments from owner(s)	Friends or family	Angel investors	Venture capital	Equity crowdfunding
58%	58%	23%	15%	4%
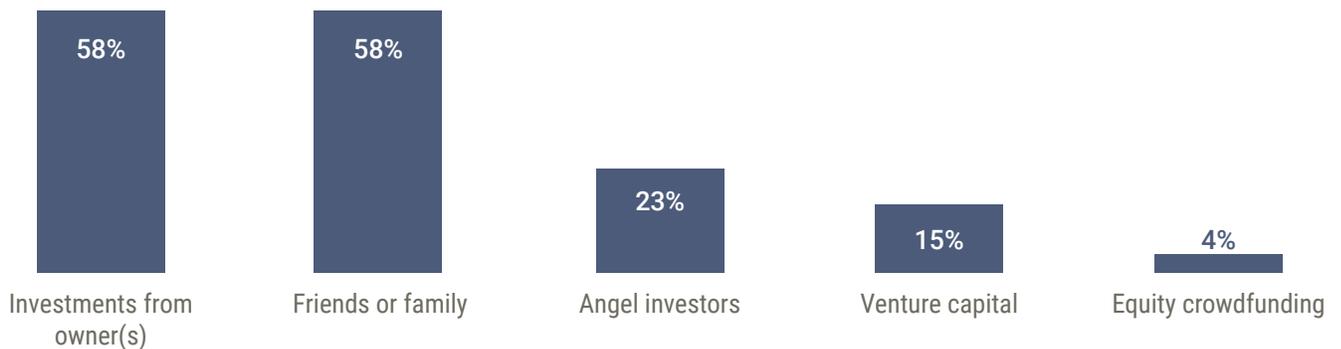
1   *When asked questions about recent financing applications, respondents were asked to exclude funds from personal sources, grants, and equity investments. Questions about these types of funding were asked following the questions about financing.*
2   *Percentages may not sum to 100 because of rounding.*
3   *See Notes and Definitions for details on time period definitions used in the SBCS.*
4   *Respondents could select multiple options. Select sources shown. See Appendix for more details.*
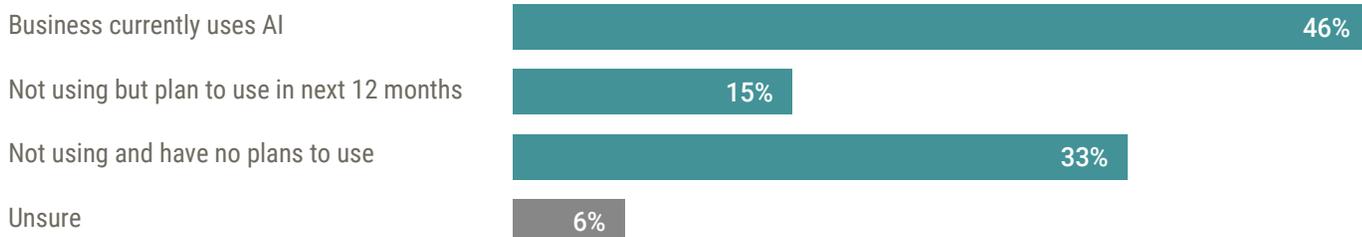
ARTIFICIAL INTELLIGENCE
Firms' Use of AI

46% of employer firms reported that their business or employees were using artificial intelligence (AI) for work at the time of the survey.

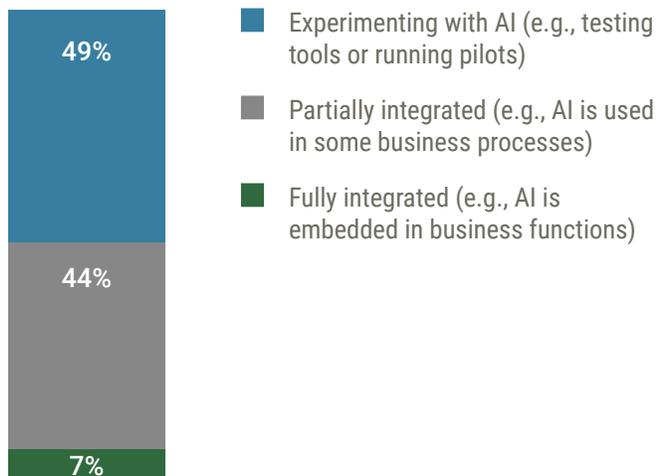**USE OF ARTIFICIAL INTELLIGENCE,** *At Time of Survey*[1,2]
(% of employer firms)   N=5,248

Business currently uses AI	46%
Not using but plan to use in next 12 months	15%
Not using and have no plans to use	33%
Unsure	6%

LEVEL OF AI ADOPTION, *At Time of Survey*[1]
(% of employer firms that use AI)   N=2,199

49%

44%

7%

- Experimenting with AI (e.g., testing tools or running pilots)
- Partially integrated (e.g., AI is used in some business processes)
- Fully integrated (e.g., AI is embedded in business functions)

IMPORTANCE OF AI TO PRODUCTION OF THE BUSINESS'S CORE GOODS AND/OR SERVICES[1]
(% of employer firms that use AI)   N=2,127

21% Very important

37% Not important

42% Somewhat important

PROCESSES OR TASKS FOR WHICH BUSINESS USES AI[1,2]

(% of employer firms that use AI)

N=2,225

Writing or marketing	83%
Individual productivity	61%
Planning or analysis	51%
Administrative business functions	38%
Customer service	29%
Process automation	21%
Coding or coding assistance	19%
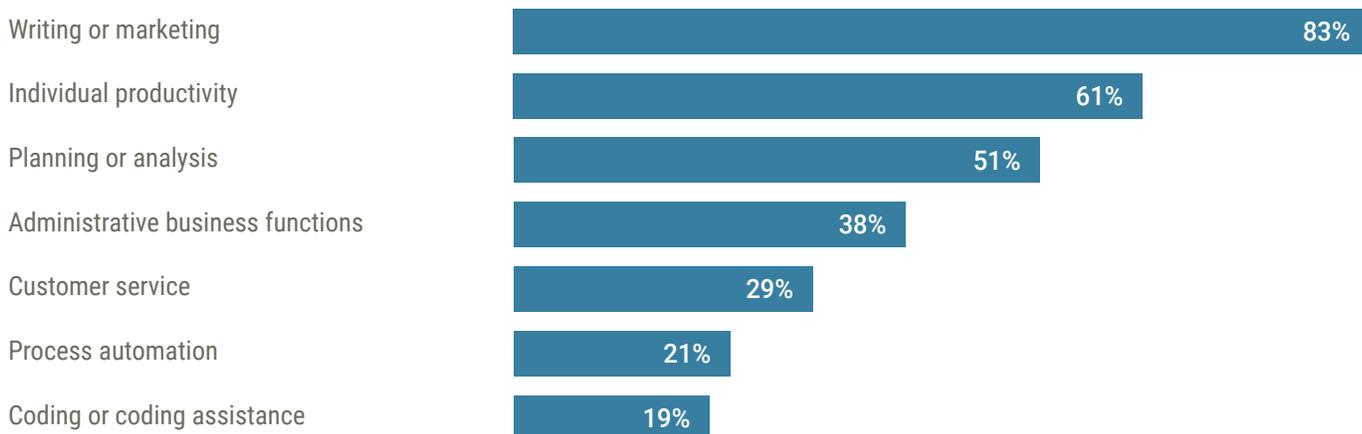
CHANGES AT BUSINESS RESULTING FROM USE OF AI[1,3]

(% of employer firms that use AI)

Changes in performance metrics

	Sales N=1,738	Productivity N=2,011	Quality of goods/services N=1,844
Decreased	0%	1%	1%
No change	69%	28%	60%
Increased	31%	71%	39%

Changes in costs

	Spending on outside services N=1,836	Labor costs N=1,805
Decreased	18%	16%
No change	71%	77%
Increased	11%	7%

Legend:
- Decreased
- No change
- Increased
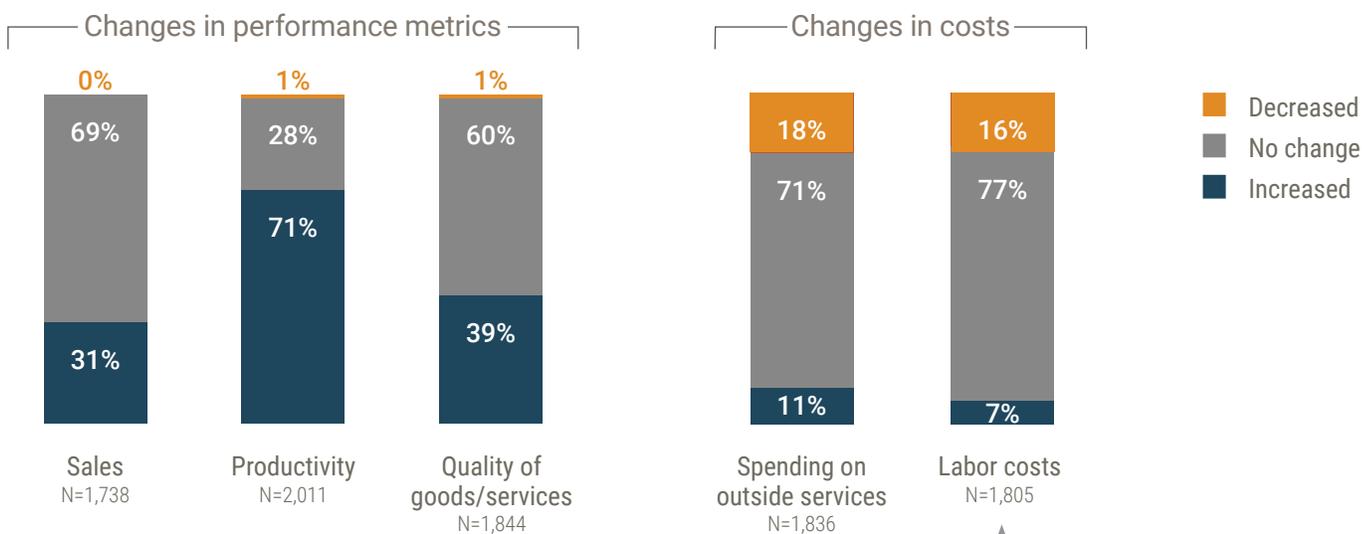
Among firms that reported changes in labor costs (N=373), 10% said they increased their number of employees, and 11% said they decreased their number of employees because of their firms' use of AI.[4]
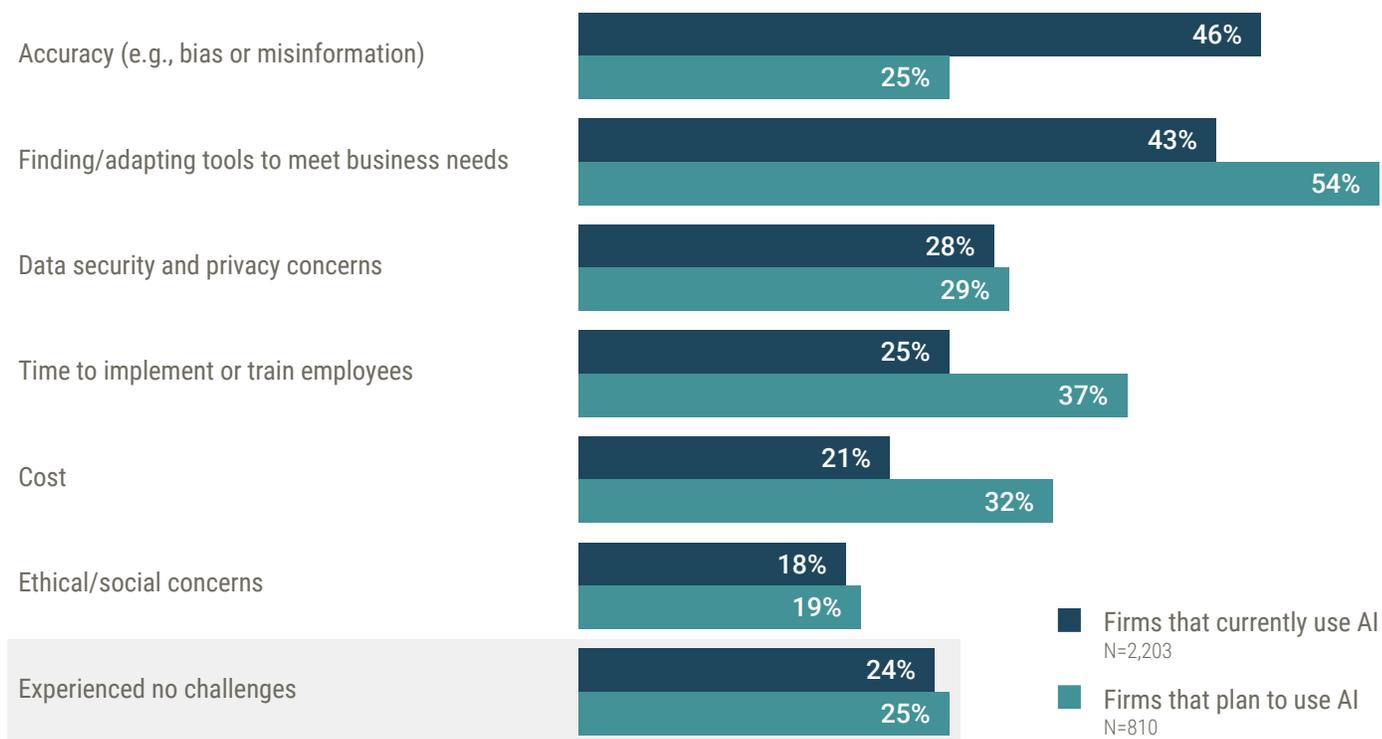
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1   Data on use of AI are drawn from an optional end-of-survey module (approximately 81% of employer firm respondents opted to answer in 2025).

2   Respondents could select multiple options. Examples of tasks were presented to respondents for each of the response options. See questionnaire for details. Response option "other" not shown. See Appendix for more details.

3   Excludes response option "Not applicable or unsure." Percentages may not sum to 100 because of rounding.

4   Respondents reporting employment changes were asked for the number of employees by which employment increased or decreased; those figures are not reported because of insufficient sample sizes.

ARTIFICIAL INTELLIGENCE
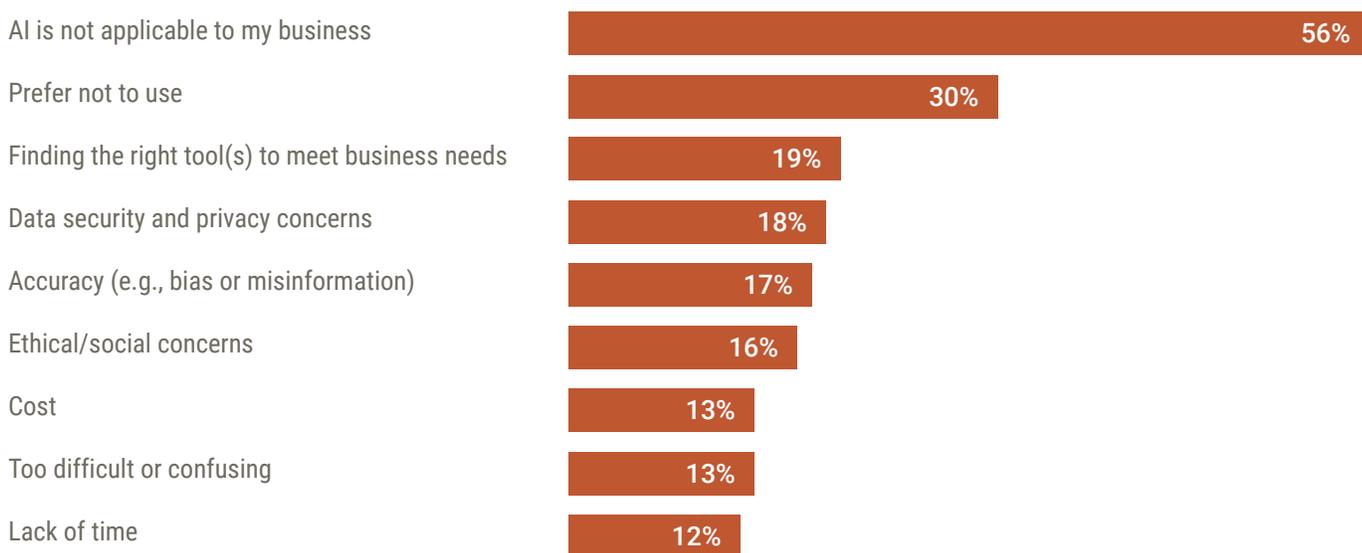## Barriers to Use of AI

AI-RELATED CHALLENGES[1]
(% of employer firms that currently use or plan to use AI in the next 12 months)

Accuracy (e.g., bias or misinformation)
- 46%
- 25%

Finding/adapting tools to meet business needs
- 43%
- 54%

Data security and privacy concerns
- 28%
- 29%

Time to implement or train employees
- 25%
- 37%

Cost
- 21%
- 32%

Ethical/social concerns
- 18%
- 19%

Experienced no challenges
- 24%
- 25%

■ Firms that currently use AI
N=2,203
■ Firms that plan to use AI
N=810

REASONS BUSINESSES DO NOT PLAN TO USE AI[1]
(% of employer firms that do not plan to use AI)   N=1,855

AI is not applicable to my business — 56%
Prefer not to use — 30%
Finding the right tool(s) to meet business needs — 19%
Data security and privacy concerns — 18%
Accuracy (e.g., bias or misinformation) — 17%
Ethical/social concerns — 16%
Cost — 13%
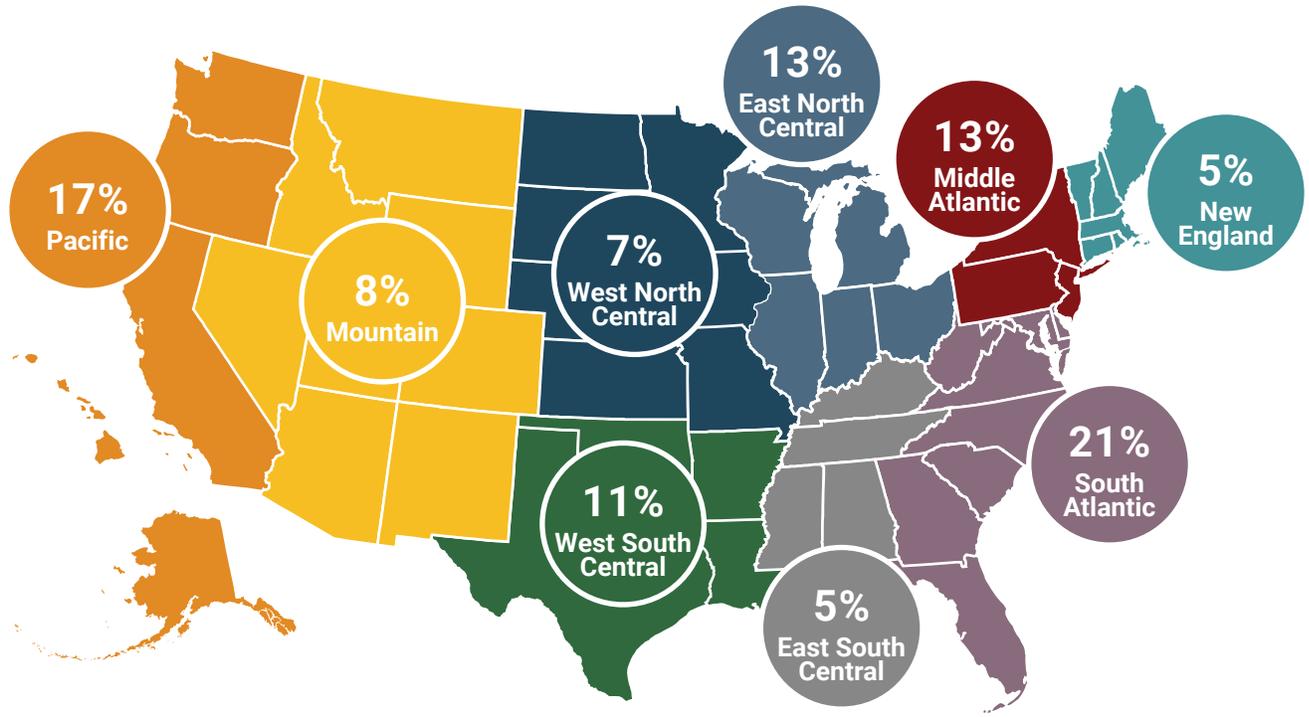Too difficult or confusing — 13%
Lack of time — 12%

1   Data on use of AI are drawn from an optional end-of-survey module (approximately 81% of employer firm respondents opted to answer in 2025). Response option "other" not shown. See Appendix for more details.
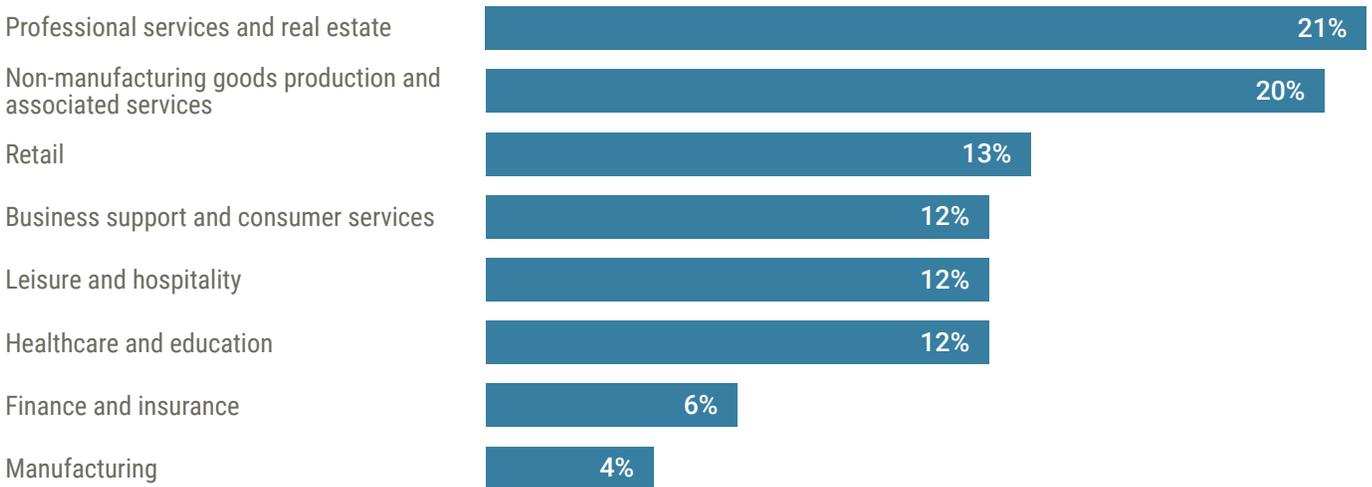
DEMOGRAPHICS

CENSUS DIVISION[1] (% of employer firms)

- **17%** Pacific
- **8%** Mountain
- **7%** West North Central
- **13%** East North Central
- **13%** Middle Atlantic
- **5%** New England
- **11%** West South Central
- **5%** East South Central
- **21%** South Atlantic

INDUSTRY[1,2] (% of employer firms)

N=6,525

Industry	%
Professional services and real estate	21%
Non-manufacturing goods production and associated services	20%
Retail	13%
Business support and consumer services	12%
Leisure and hospitality	12%
Healthcare and education	12%
Finance and insurance	6%
Manufacturing	4%

1   *SBCS responses throughout the report are weighted using US Census data to represent the US small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner. The shares shown in the Demographics section reflect weighted values. For details on weighting, see Methodology. Percentages may not sum to 100 because of rounding.*

2   *The non-manufacturing goods production and associated services category includes industries such as agriculture, construction, wholesale trade, transportation, and warehousing. See Appendix for more details.*

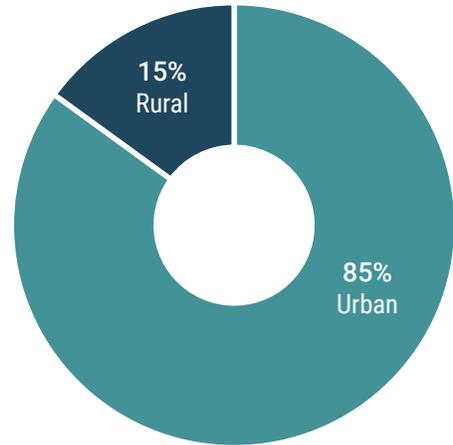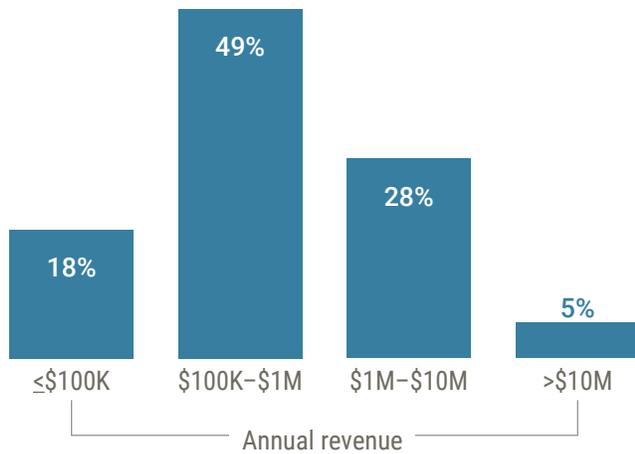# DEMOGRAPHICS
(Continued)

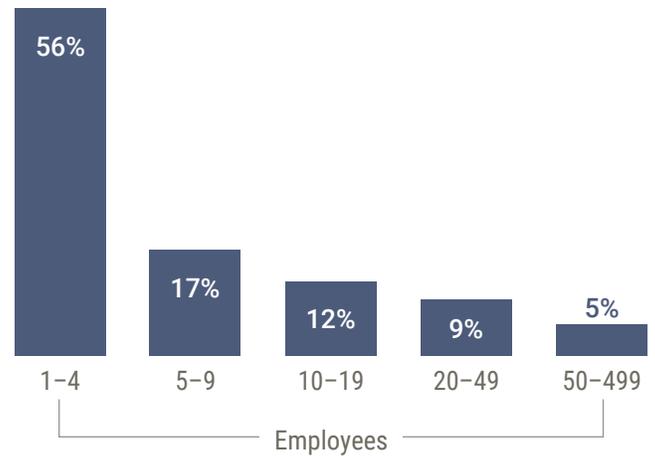## AGE OF FIRM[1,2] (% of employer firms)   N=6,525

22%	14%	16%	11%	9%	27%
0–2	3–5	6–10	11–15	16–20	21+

Years
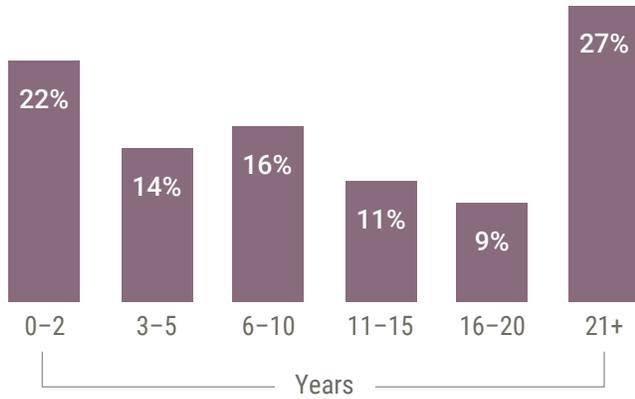
GEOGRAPHIC LOCATION[1,3] (% of employer firms)   N=6,525

15% Rural

85% Urban

REVENUE SIZE OF FIRM[2,4] (% of employer firms)   N=6,395

18%	49%	28%	5%
≤$100K	$100K–$1M	$1M–$10M	>$10M

Annual revenue

NUMBER OF EMPLOYEES[1,2] (% of employer firms)   N=6,525

56%	17%	12%	9%	5%
1–4	5–9	10–19	20–49	50–499

Employees

46% of employer firms use **contract workers**.

1   SBCS responses throughout the report are weighted using census data to represent the US small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner. For details on weighting, see Methodology.

2   Percentages may not sum to 100 because of rounding.

3   Urban and rural definitions come from US Department of Agriculture Rural-Urban Commuting Area codes.

4   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 . See Appendix for more details.

DEMOGRAPHICS
(Continued)

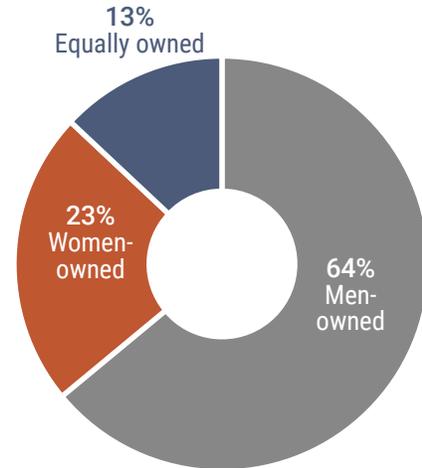## CREDIT RISK OF FIRM[1,2]

(% of employer firms)   N=4,801

- 6% High credit risk
- 24% Medium credit risk
- 70% Low credit risk

GENDER OF OWNER(S)[2,3]

(% of employer firms)   N=6,525

- 13% Equally owned
- 23% Women-owned
- 64% Men-owned

AGE OF FIRM'S PRIMARY OWNER[2]

(% of employer firms)   N=6,302

Age	%
Under 35	5%
35–44	17%
45–54	25%
55–64	29%
65 or over	24%
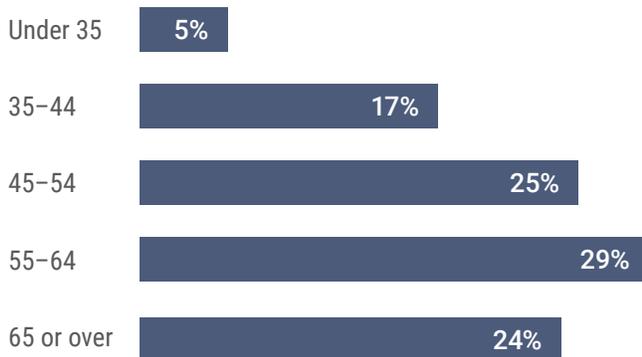
RACE/ETHNICITY OF OWNER(S)[2,3]

(% of employer firms)   N=6,525

- <1% Non-Hispanic American Indian or Alaska Native
- 3% Non-Hispanic Black or African American
- 8% Hispanic
- 11% Non-Hispanic Asian
- 76% Non-Hispanic White
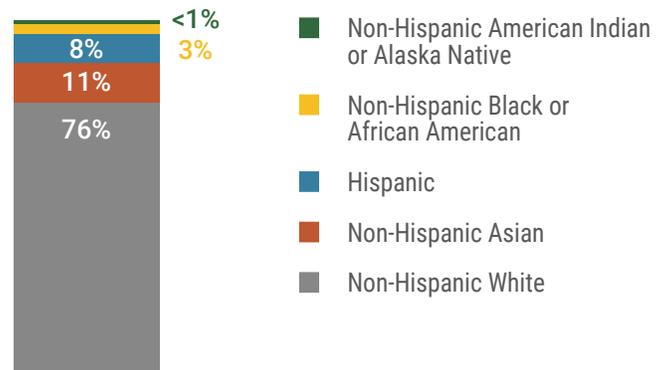
23% of employer firms are at least partially owned by an **immigrant**

14% of employer firms are at least partially owned by a **veteran**

6% of employer firms are at least partially owned by a member of the **LGBTQ community**

10% of employer firms are at least partially owned by a person with a **disability**[4]

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1 See Notes and Definitions for details on credit risk definitions used in the SBCS.
2 Percentages may not sum to 100 because of rounding.
3 SBCS responses throughout the report are weighted using US Census data to represent the US small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner. For details on weighting, see Methodology.
4 The Americans with Disabilities Act defines an individual with a disability as a person who has a physical or mental impairment that substantially limits one or more major life activities. The SBCS questionnaire includes this definition as part of the question about owner disability.

METHODOLOGY

DATA COLLECTION

The SBCS uses a convenience sample of establishments. A diverse set of partner organizations that serve the small business community contact businesses in their networks to invite participation in the survey.[1] The Federal Reserve Banks also directly contact prior SBCS participants and other small businesses from a variety of email lists.[2] The survey instrument is an online questionnaire that typically takes 8 to 12 minutes to complete, depending on the intensity of a firm's search for financing. The questionnaire uses question branching and flows based on responses to survey questions. For example, financing applicants receive a different line of questioning than nonapplicants. Therefore, the number of observations for each question varies by how many firms receive and complete a particular question.

WEIGHTING

The sample for the SBCS is not selected randomly; thus, the SBCS may be subject to biases that random sample surveys would not be subject to. For example, there are likely small employer firms that are not on our contact lists, a situation which could lead to noncoverage bias. To control for some known potential biases, we weight the sample data so that the weighted distribution of firms in the SBCS matches the distribution of the small firm (1 to 499 employees) population in the United States by number of employees, age, industry, geography (census division and urban or rural location), gender of owner(s), and race or ethnicity of owner(s).[3]

Table 1. Weighting Sources and Strata			
Source	**Year**	**Weighting variable**	**Strata**
US Census Bureau Business Dynamic Statistics (BDS)	2023	Age	0–2 years, 3–5 years, 6–10 years, 11–20 years, 21+ years
US Census Bureau Annual Business Survey (ABS)	2022	Race/ ethnicity	Hispanic, non-Hispanic Asian, non-Hispanic Black or African American, non-Hispanic American Indian or Alaska Native, non-Hispanic white
		Gender	Equally owned by men and women, men-owned, women-owned
US Census Bureau County Business Pattern (CBP)	2023	Industry	Business support and consumer services, finance and insurance, healthcare and education, leisure and hospitality, manufacturing, nonmanufacturing goods production and associated services, professional services and real estate, retail
		Geography	Rural, urban
		Firm size	1–4 employees, 5–9 employees, 10–19 employees, 20–49 employees, 50–499 employees

For this report and analysis, we first limit the sample in each year to only employer firms.[4] We then post-stratify respondents by their firm characteristics. Using a statistical technique known as "raking," we compare the share of businesses in each category of each stratum (for example, within the industry stratum, the share of firms in the sample that are manufacturers) to the share of small businesses in the nation in that category. As a result, underrepresented firms in the convenience sample are up-weighted and overrepresented firms are down-weighted. We iterate this process several times for each stratum to derive a sample weight for each respondent. This weighting methodology was developed in collaboration with the National Opinion Research Center (NORC) at the University of Chicago. See Table 1 for sources of population distribution estimates used to construct the weights.

METHODOLOGY
(Continued)

RACE/ETHNICITY AND GENDER IMPUTATION

Not every respondent provided complete information on the gender, race, and/or ethnicity of their business's owner(s). We need this information to correct for differences between the sample and the population data. To avoid losing these observations, we use a series of statistical models to impute the missing data. Generally, when the models predict a given characteristic with an accuracy rate of around 80%, we use the predicted values from the models for the missing data. When the model's predictive power is below that threshold, those data are not imputed, and the responses are dropped. After the models impute the data, we compare descriptive statistics of key survey questions with and without imputed data to ensure robustness of estimates. In the final sample, 3.5% of employer firm observations have imputed values for the gender, race, or ethnicity of a firm's ownership.

COMPARISONS TO PAST REPORTS

The SBCS has been administered nationally and on an annual basis since 2016. For some questions, changes to the questionnaire over time necessitate harmonization of data for comparison purposes.[5] Because of these factors, statistics shown in this report that are from earlier survey years may vary from those presented in past SBCS reports. For summaries of methodological changes in prior survey years, please refer to the methodology sections of the _Report on Employer Firms_ in each respective year. No material methodological changes were made to the 2025 survey.

CONFIDENCE INTERVALS AND STATISTICAL TESTS

Confidence intervals are an important component of the analysis in this report. Where there are large differences in estimates between types of businesses or survey years, we perform additional checks on the data to determine whether such differences are statistically significant. The combination of the results of these tests and several logistic regression models helped guide our analysis and decide which variables to include in the report. To determine whether differences are statistically significant, we develop confidence intervals using a balanced half-sample approach. Because the SBCS does not come from a probability-based sample, the confidence intervals we develop should be interpreted as measures of deviation from national population estimates, rather than an estimate of the sampling margin of error.[6] We list 95% confidence intervals for key statistics in Table 2. The intervals shown apply to all employer firms in the survey. More granular results with smaller observation counts will generally have larger confidence intervals.[7]

Table 2. Confidence Intervals for Key Statistics in the _2026 Report on Employer Firms_	Percent	Confidence Interval (Percent)
Share that applied for a loan, line of credit, or cash advance	38.3	+/− 1.6
Share with outstanding debt	69.6	+/− 1.6
Loan/line of credit and cash advance approval rate	80.8	+/− 2.9
Share of firms with revenue growth in prior 12 months	39.7	+/− 1.4
Share of firms that operated at a profit in 2024	47.3	+/− 1.9

5   For example, beginning with the 2022 survey, details on firms' experiences with lenders were collected for only the two most recent applications rather than for the three most recent. For comparison purposes, percentages shown in this report from earlier surveys consider only the firms' two most recent applications; therefore, percentages may vary from past reports.

6   American Association for Public Opinion Research. Task Force on Non-probability Sampling. 2013.

7   See _Appendix_ for more details on confidence intervals.