

# Firms in Focus

## Rural employer firms

Findings based on the Federal Reserve's 2021 Small Business Credit Survey



- The Small Business Credit Survey (SBCS) is an annual survey of firms with fewer than 500 employees.
- Data in this report represent findings from the 2021 SBCS survey year. The survey was fielded from September 8, 2021, through November 19, 2021.
- The findings in this report show data for employer firms only (employer firms are firms with at least one employee in addition to the owner(s)). The charts display findings for this report's specific subset of the SBCS employer firm data, while the "SBCS employer firm findings" box on each page provides a comparison to the national-level sample of all employer firms.
- Estimates on a given slide are redacted if their associated survey question has fewer than 50 observations.

# Performance

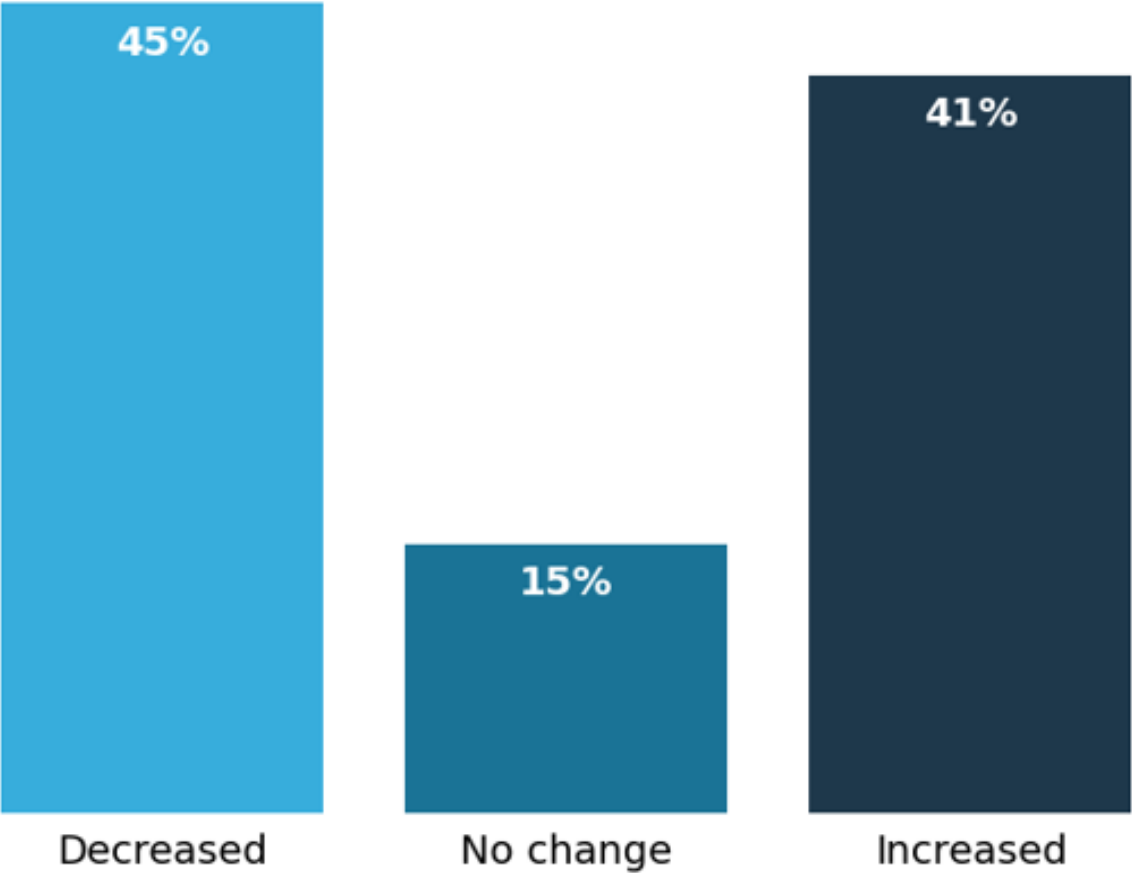
- Firm revenue performance, prior 12 months
- Employment performance, prior 12 months
- Revenue change since 2019
- Employment change since 2019
- Effects of the COVID-19 pandemic on businesses
- Operational challenges, prior 12 months
- Financial challenges, prior 12 months
- Actions taken in response to financial challenges, prior 12 months
- Financial condition, at time of survey
- Revenue expectations, next 12 months
- Employment expectations, next 12 months



Firm revenue performance,  
prior 12 months (% of employer firms)

N=1483

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

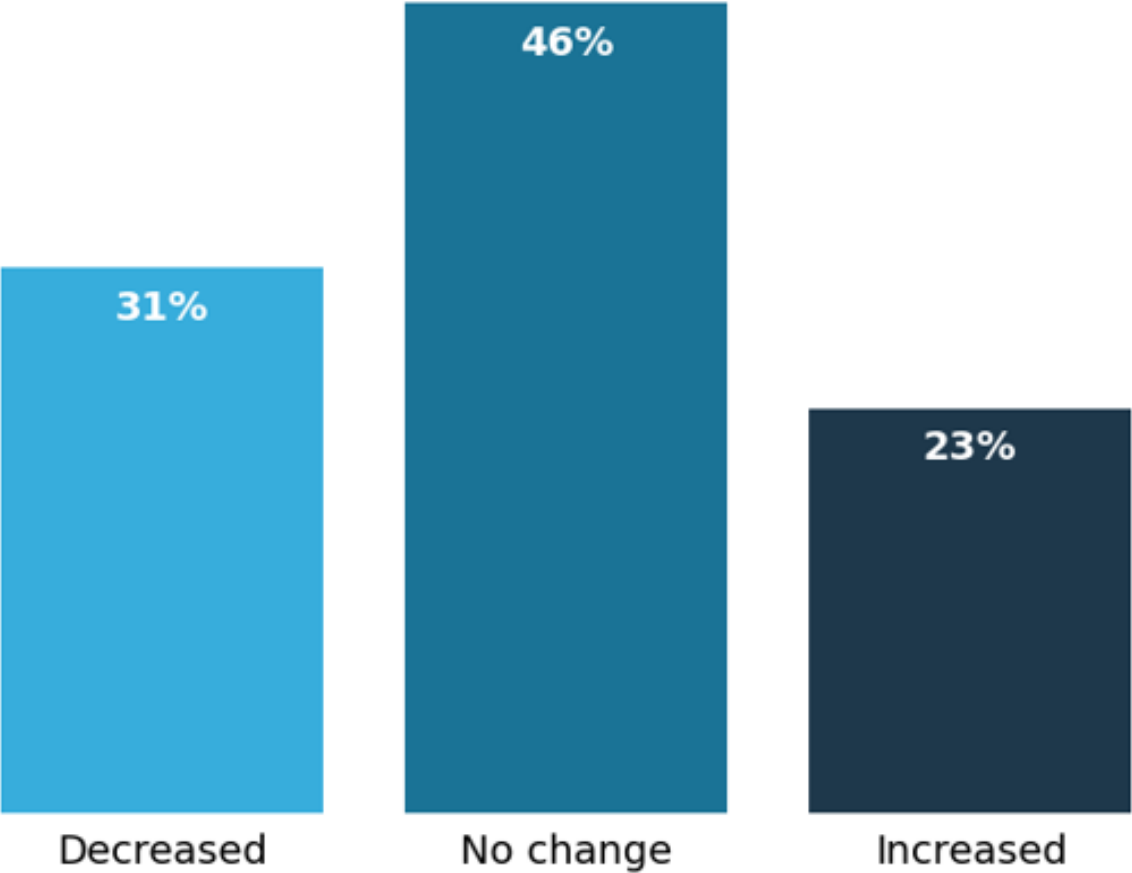
Nationally, **48%** of employer firms reported a decrease in revenues in the 12 months prior to the survey, and **38%** reported an increase.

Notes: Prior 12 months is approximately September–November 2020 through September–November 2021. Percentages may not sum to 100 because of rounding.

Employment performance,  
prior 12 months (% of employer firms)

N=1480

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

Nationally, **33%** of employer firms reported a decrease in employment in the 12 months prior to the survey, and **24%** reported an increase.

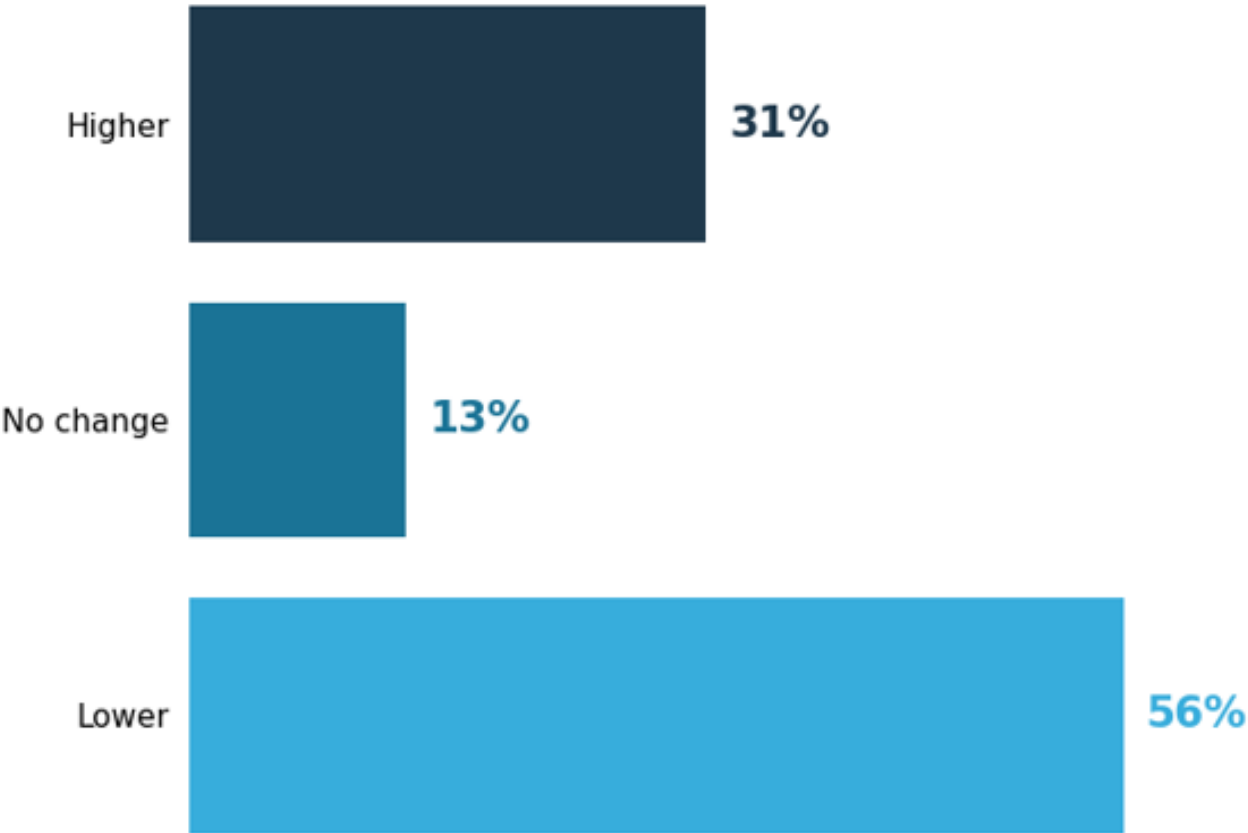
Notes: Prior 12 months is approximately September–November 2020 through September–November 2021. Percentages may not sum to 100 because of rounding.

# Revenue change since 2019

(% of employer firms open since 2019)

N=859

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

Among employer firms in the national SBCS sample, **27%** percent reported that revenues are higher than prepandemic levels compared to **63%** of firms that reported revenues are lower.

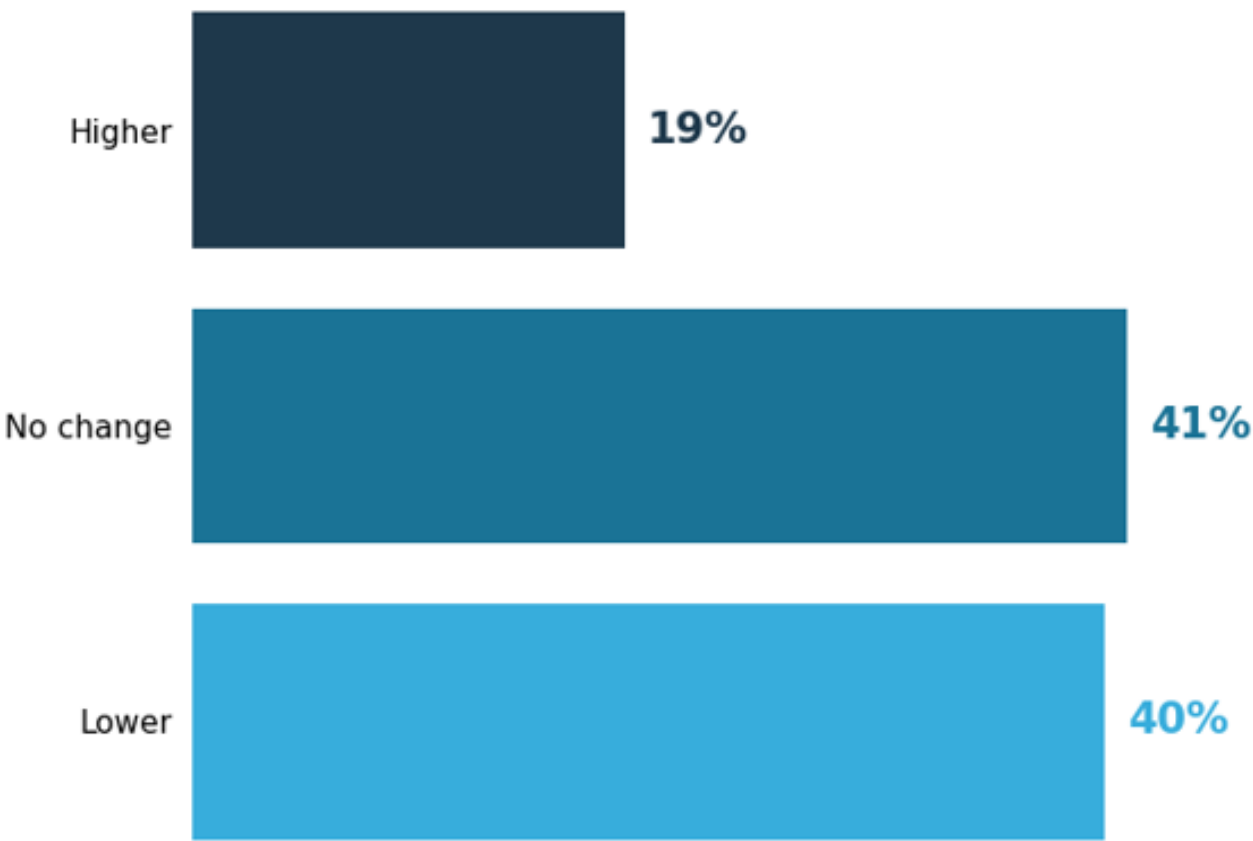
Notes: Respondents from firms that were established in 2019 or earlier were asked to compare their revenue levels at the time of the survey to the same time in 2019. Percentages may not sum to 100 because of rounding.

# Employment change since 2019

(% of employer firms open since 2019)

N=871

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

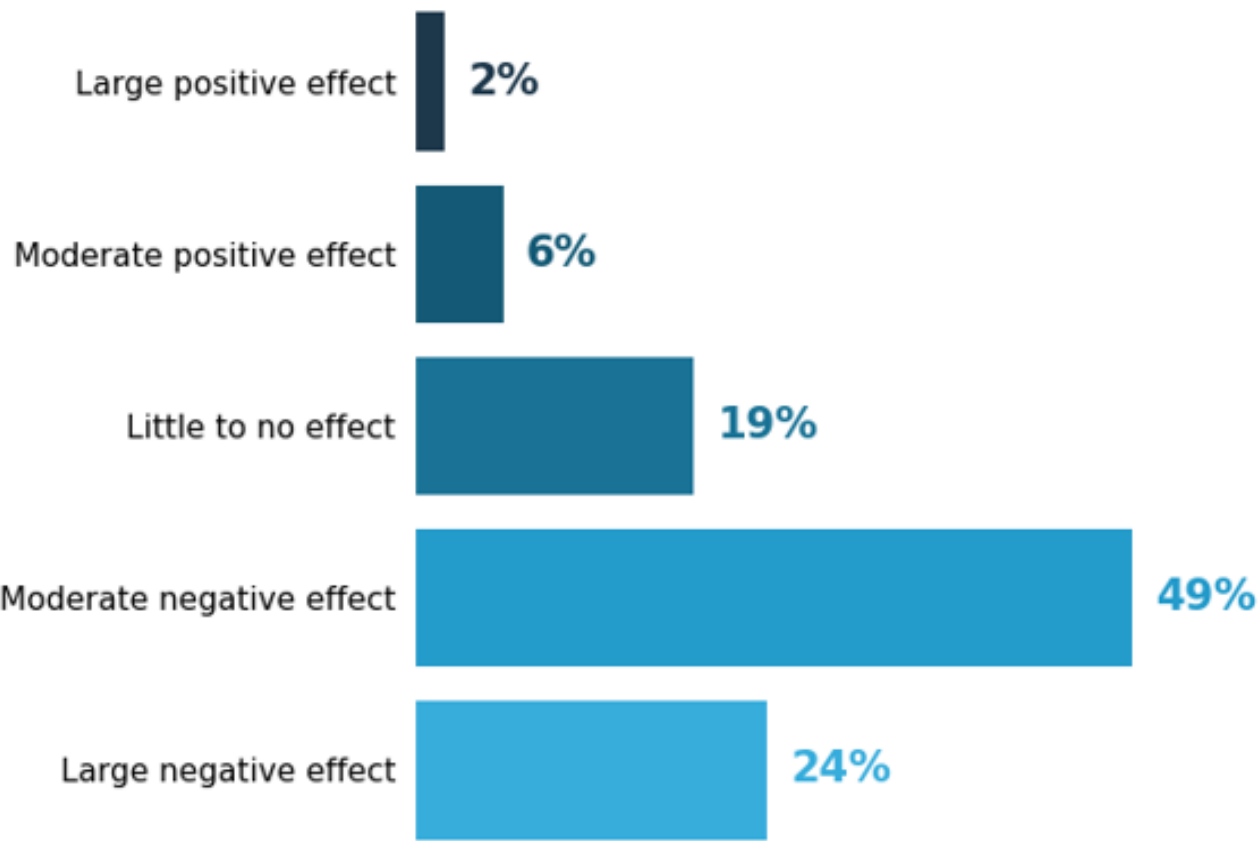
Among employer firms in the national SBCS sample, **20%** reported that employment levels were higher at the time of the survey than prior to the pandemic, while **43%** reported that employment levels were lower.

Notes: Respondents from firms that were established in 2019 or earlier were asked to compare their revenue levels at the time of the survey to the same time in 2019. Percentages may not sum to 100 because of rounding.

# Effects of the COVID-19 pandemic on businesses, at time of survey (% of employer firms)

N=1523

*Firms in Focus: Rural employer firms*



## SBCS employer firm findings

Nationally, just **8%** of firms reported a positive effect from the pandemic. In contrast, **33%** of employer firms reported the pandemic was having large negative effects on their business at the time of the survey, while **44%** reported moderate negative effects.

*Note: Percentages may not sum to 100 because of rounding.*

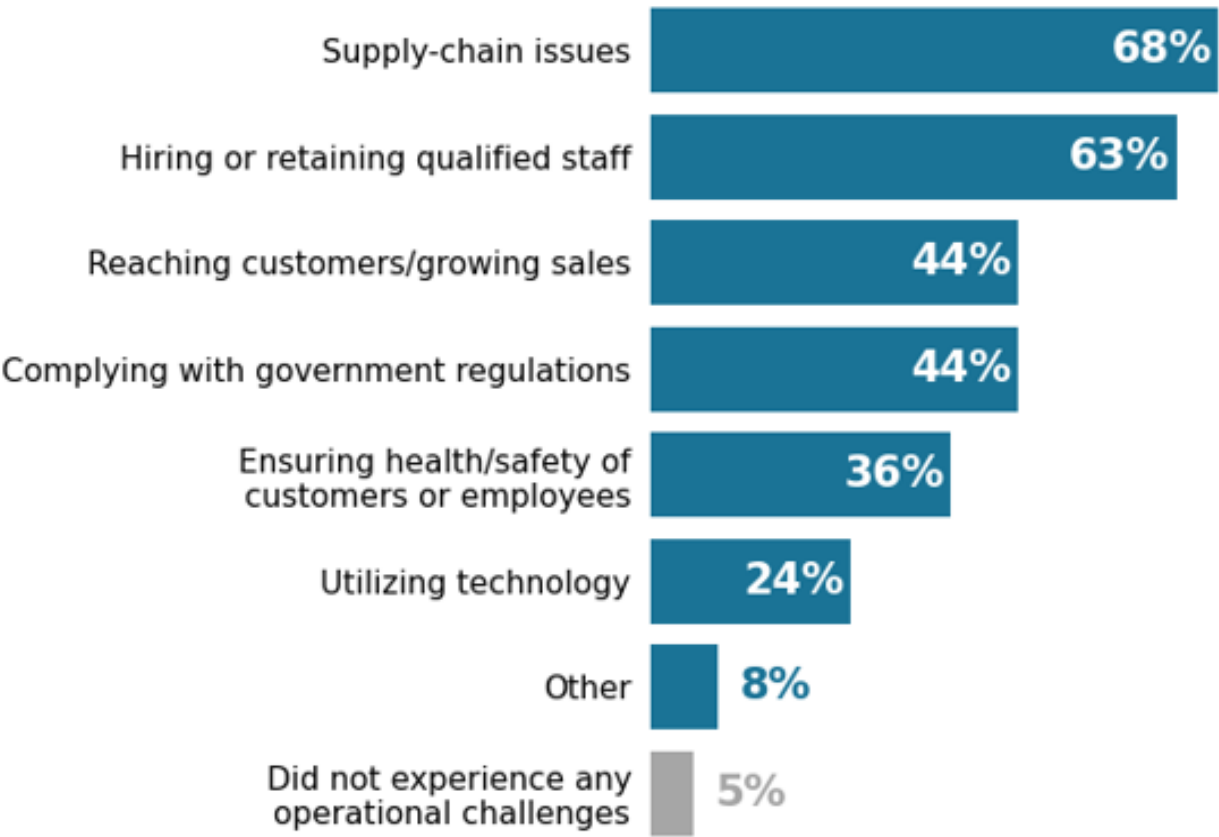


# Operational challenges, prior 12 months

(% of employer firms)

N=1520

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

The top operational challenges for employer firms in the national SBCS sample were hiring or retaining workers (**60%**), supply-chain issues (**60%**), and reaching customers/growing sales (**53%**).

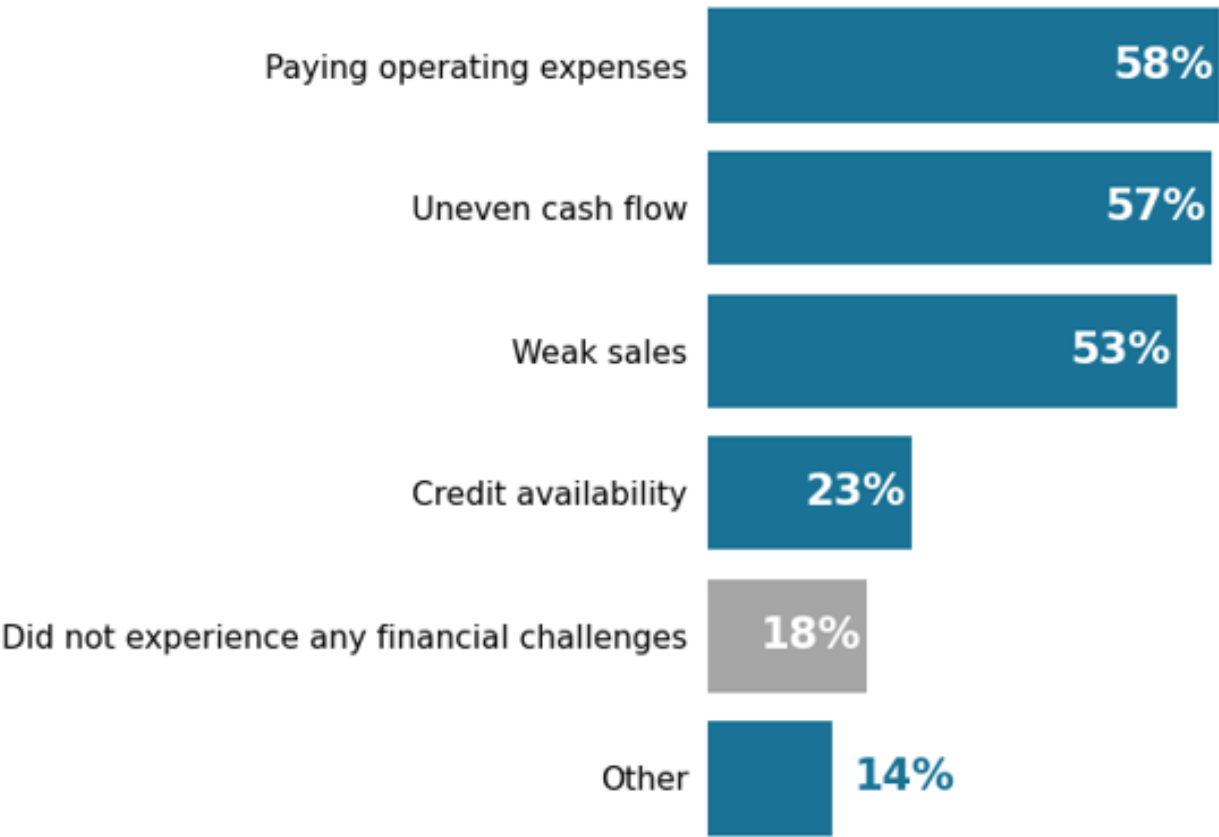
Notes: "Complying with government regulations" includes pandemic-related mandates. "Utilizing technology" includes e-commerce, cyber security, social media, and website issues. Respondents could select multiple options.

# Financial challenges, prior 12 months

(% of employer firms)

N=1511

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**SBCS employer firm findings**

Nationally, **85%** of employer firms reported experiencing one or more financial challenges in the prior 12 months.

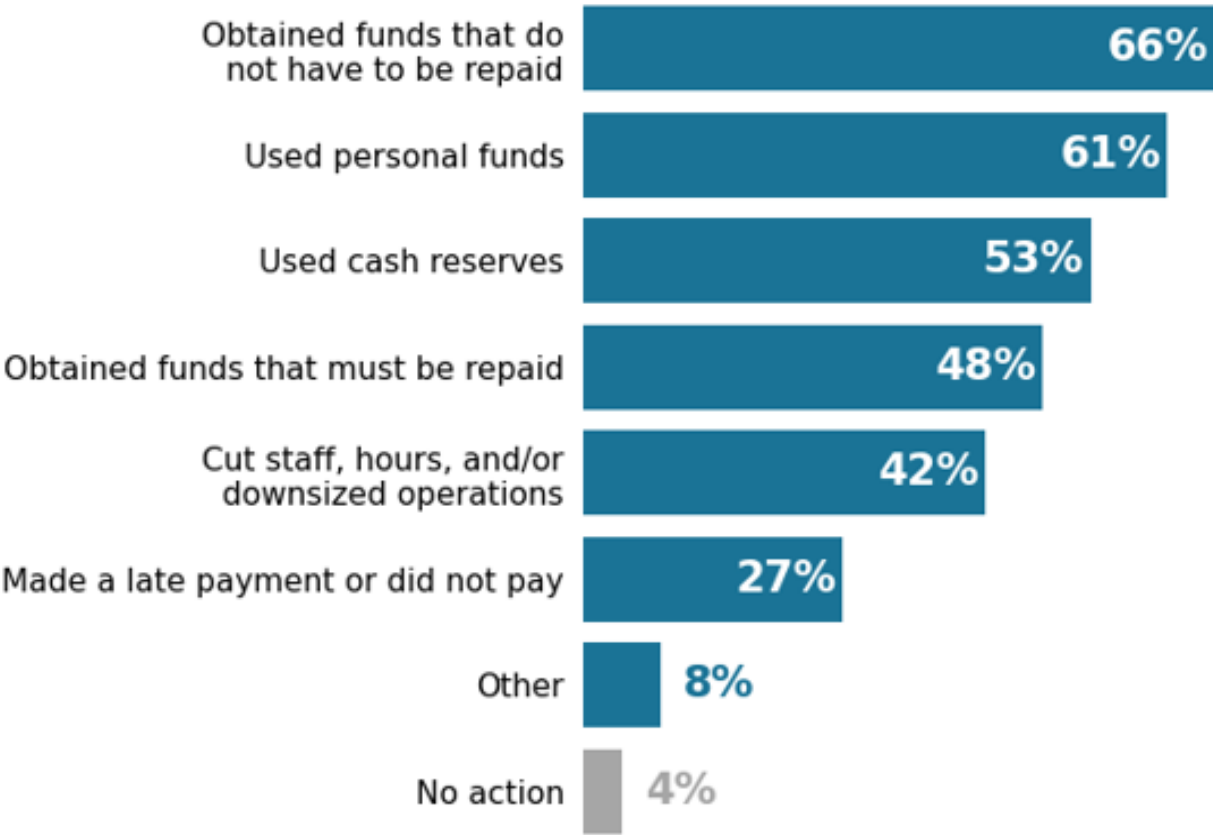
*Note: Respondents could select multiple options.*

# Actions taken in response to financial challenges, prior 12 months

(% of employer firms reporting financial challenges)

N=1270

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**SBCS employer firm findings**

In response to financial challenges, employer firms in the national SBCS sample most often obtained funds that do not have to be repaid, including grants and PPP loans (**71%**); used the owners' personal funds (**61%**); and used cash reserves (**56%**).

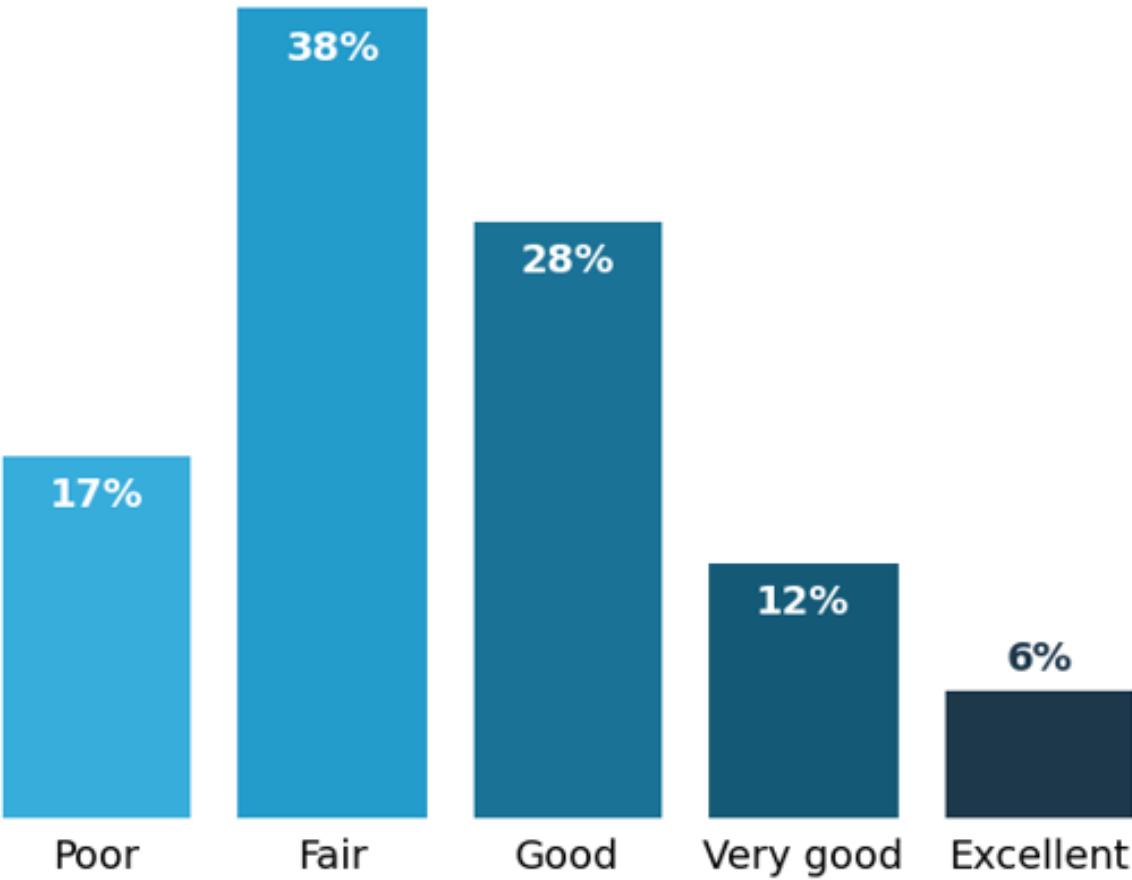
Notes: Respondents could select multiple options. Respondents were instructed to include Paycheck Protection Program (PPP) with funds that do not have to be repaid only if they received or expected loan forgiveness.

# Financial condition, at time of survey

(% of employer firms)

N=1524

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

Nationally, **21%** of employer firms reported their business was in poor financial condition at the time of the survey; **38%** were in fair condition. In contrast, a combined **16%** reported their business was in very good or excellent condition.

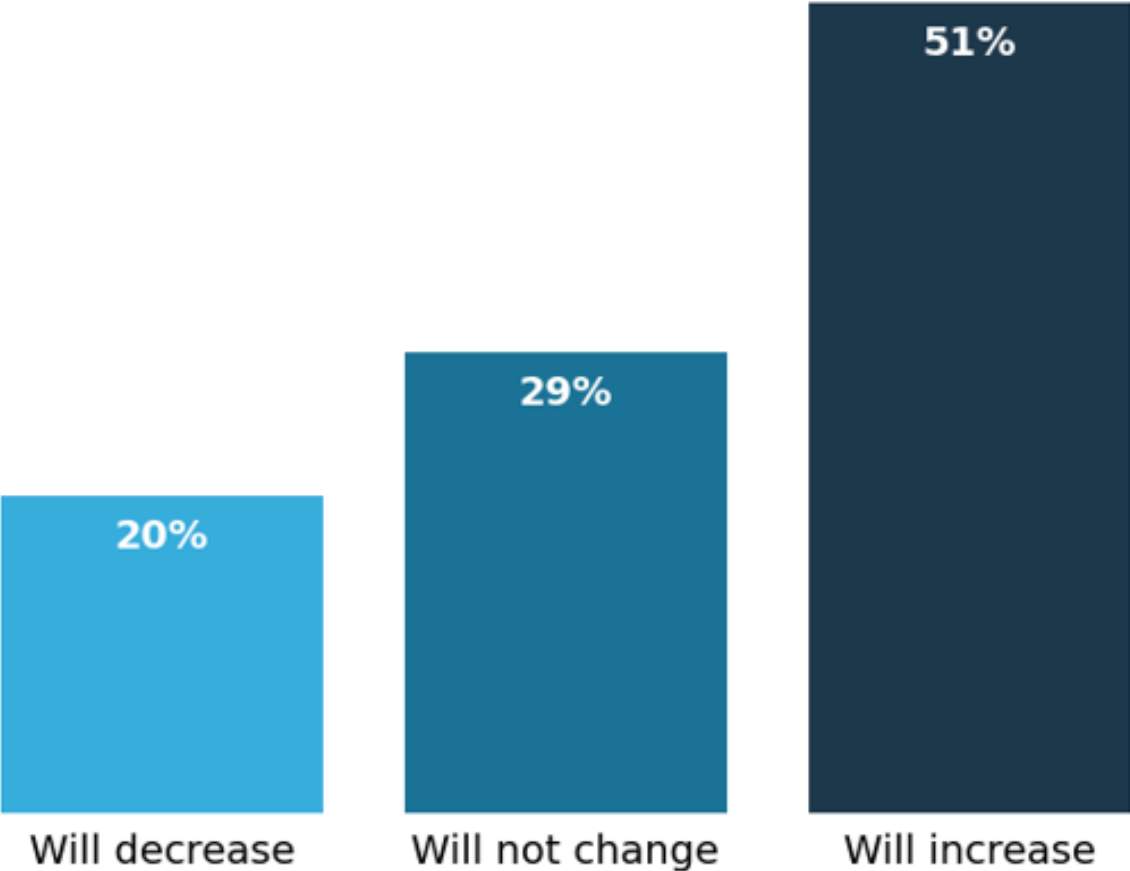
Notes: Self-reported financial condition at time of survey. Percentages may not sum to 100 because of rounding.

# Revenue expectations, next 12 months

(% of employer firms)

N=1490

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

Among employer firms in the national SBCS sample, **17%** expect that revenues will decrease in the next 12 months, while **59%** expect revenues will increase.

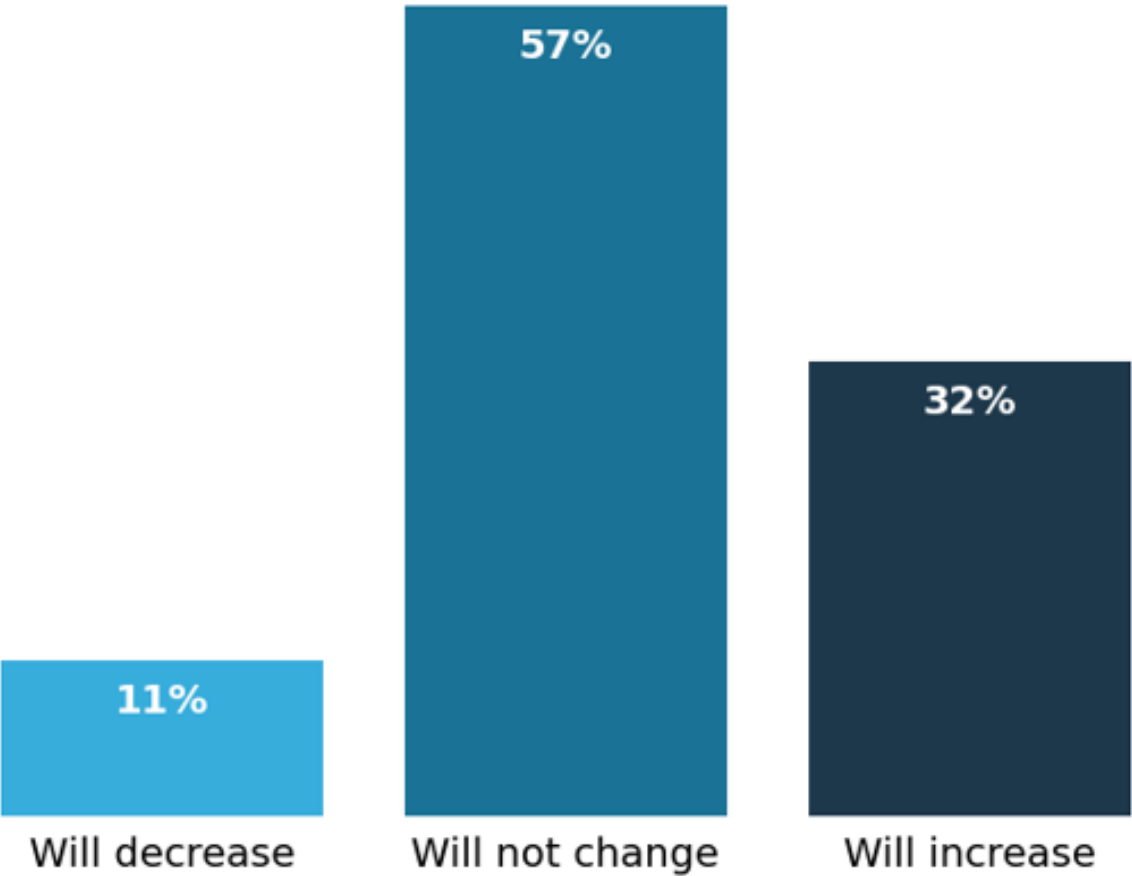
Notes: Next 12 months is approximately September–November 2021 through September–November 2022. Percentages may not sum to 100 because of rounding.

# Employment expectations, next 12 months

(% of employer firms)

N=1497

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

Among the national SBCS sample, **10%** of employer firms expect that their employment will decrease in the next 12 months, while **41%** expect their employment will increase.

Notes: Next 12 months is approximately September–November 2021 through September–November 2022. Percentages may not sum to 100 because of rounding.

# Financial Assistance

- Applications for pandemic-related financial assistance
- Reasons firms did not seek financial assistance
- PPP funding received as a share of amount sought

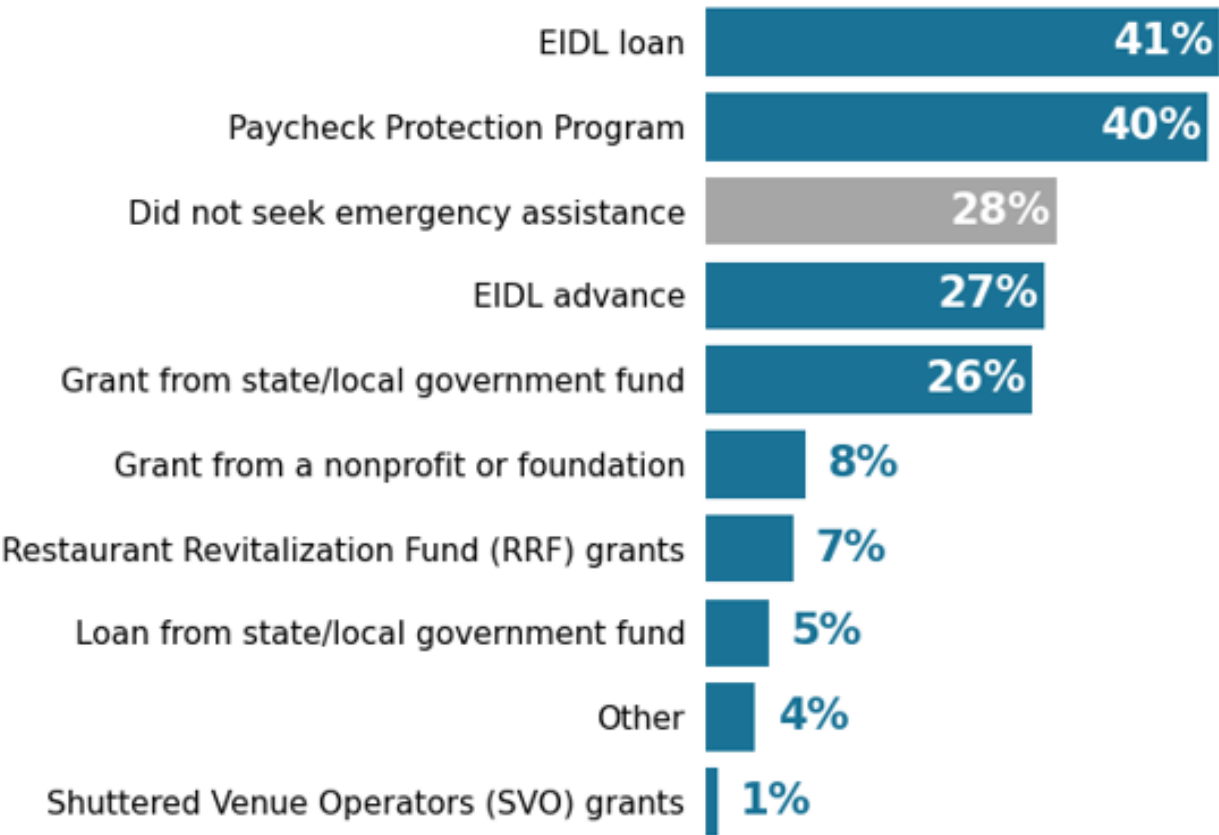


# Applications for pandemic-related financial assistance

(% of employer firms)

N=1495

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

Nationally, **23%** of firms did not seek financial assistance; therefore, **77%** applied for some type of funding. The most common forms of financial assistance that firms sought were EIDL (**48%**) and PPP (**47%**).

Notes: The Paycheck Protection Program (PPP), Economic Injury Disaster Loan (EIDL), and Restaurant Revitalization Fund (RRF) are administered by the US Small Business Administration. Respondents could select multiple options.

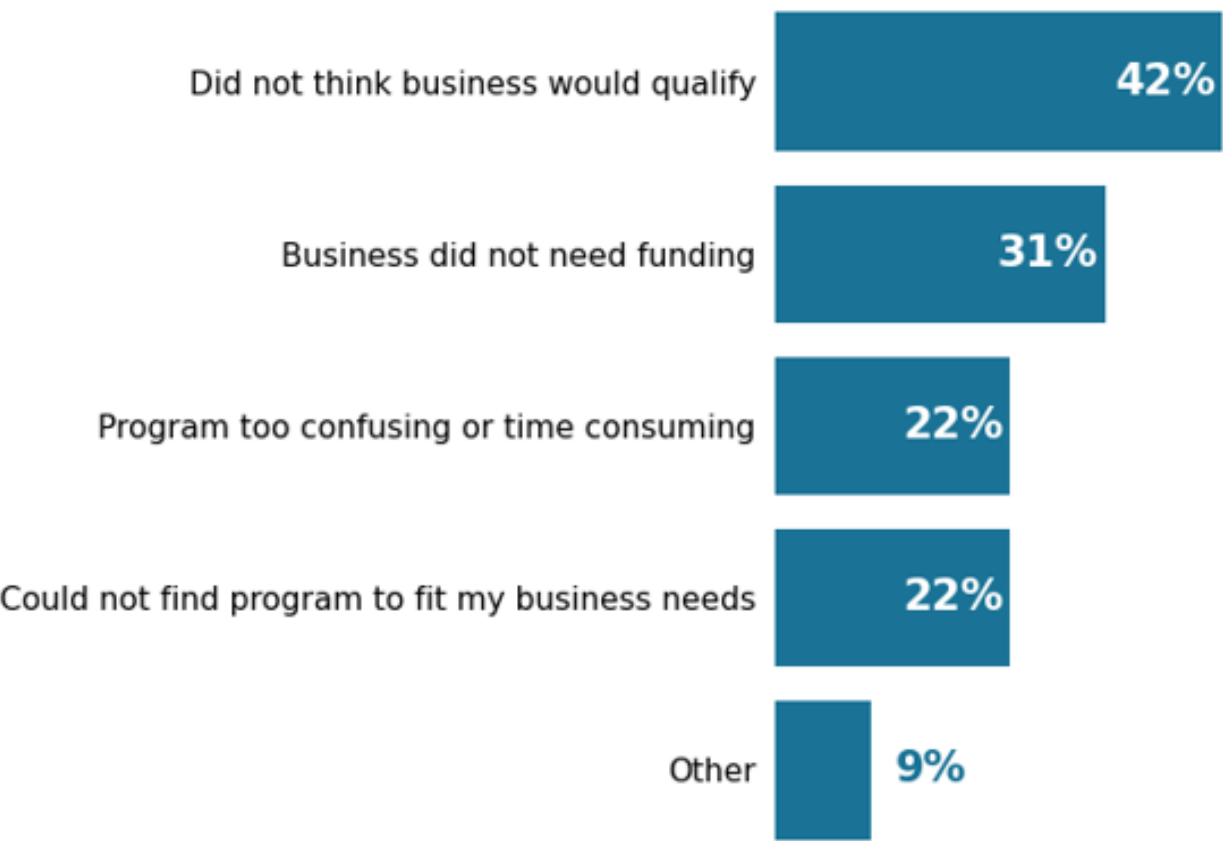


# Reasons firms did not seek financial assistance

(% of employer firms that did not apply for assistance)

N=322

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

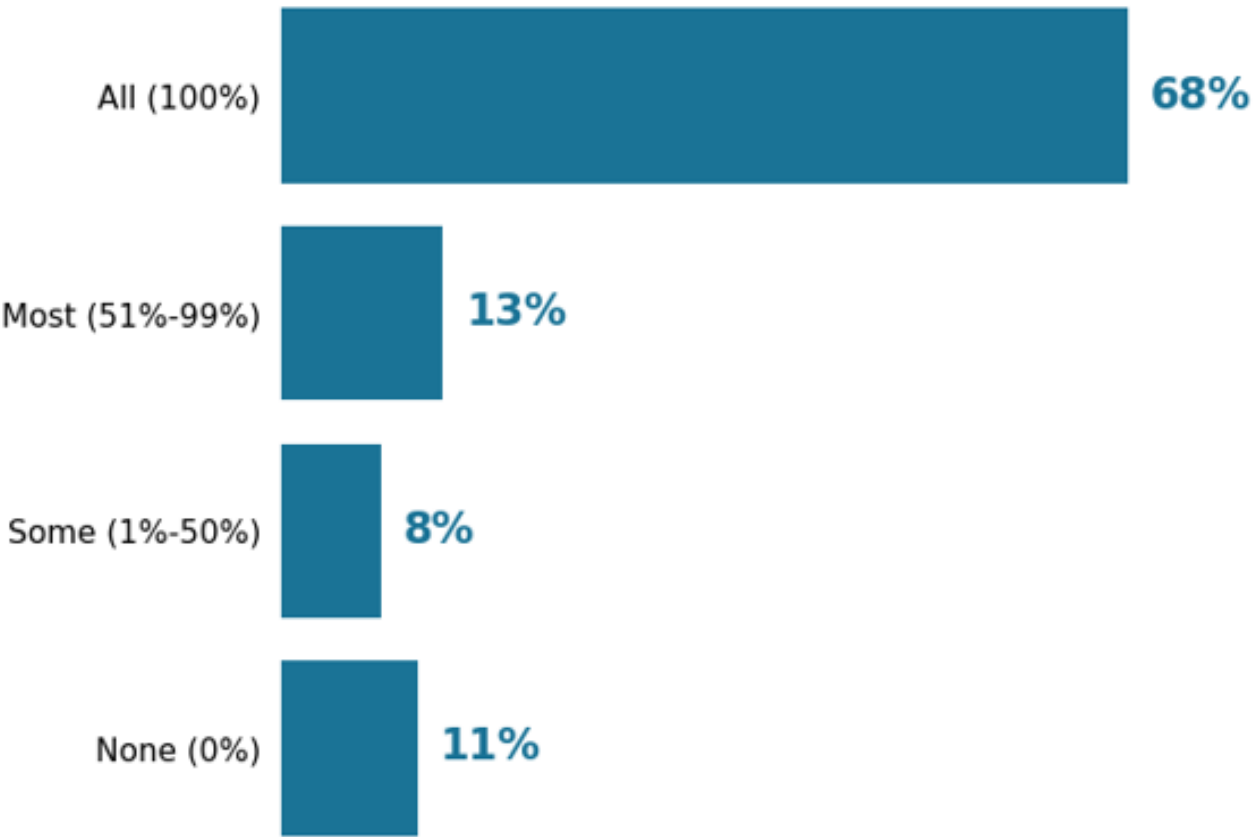
Of firms in the national SBCS sample that did not seek financial assistance, **44%** said they did not expect their business would qualify; **36%** did not apply because their business did not need funding.

*Note: Respondents could select multiple options.*

# PPP funding received as a share of amount sought (% of employer firm PPP applicants)

N=666

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

In the national SBCS sample, **67%** of PPP applicants received the full amount sought; **10%** received none.

*Note: Percentages may not sum to 100 because of rounding.*

# Debt & Financing

- Use of financial services providers
- Reasons firms do not use banks
- Amount of debt outstanding
- Share of firms that applied for financing, prior 12 months
- Reasons firms applied for financing
- Reasons firms did not apply for financing
- Reasons discouraged firms did not expect to be approved for financing
- Financing received as share of amount sought

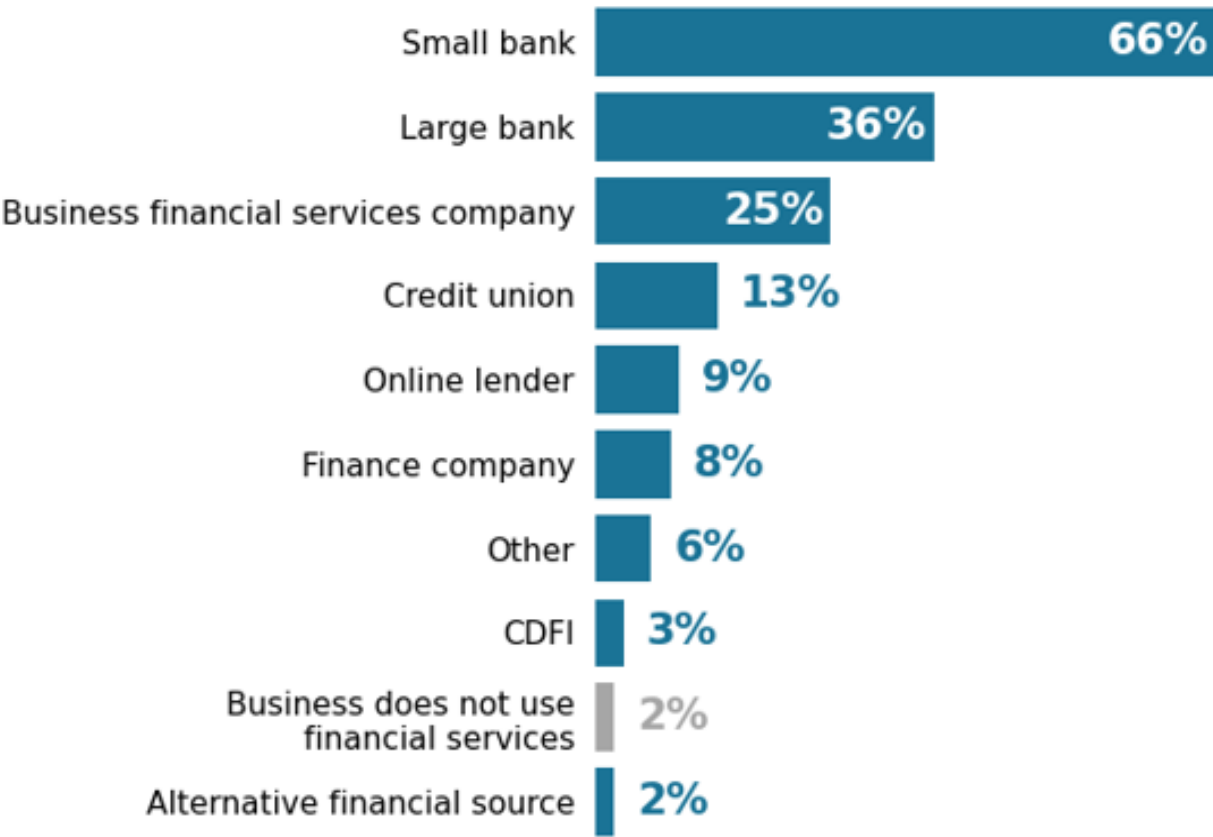


# Use of financial services providers

(% of employer firms)

N=1519

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

Nationally, the most common financial services providers used by employer firms are large banks (56%) and small banks (47%).

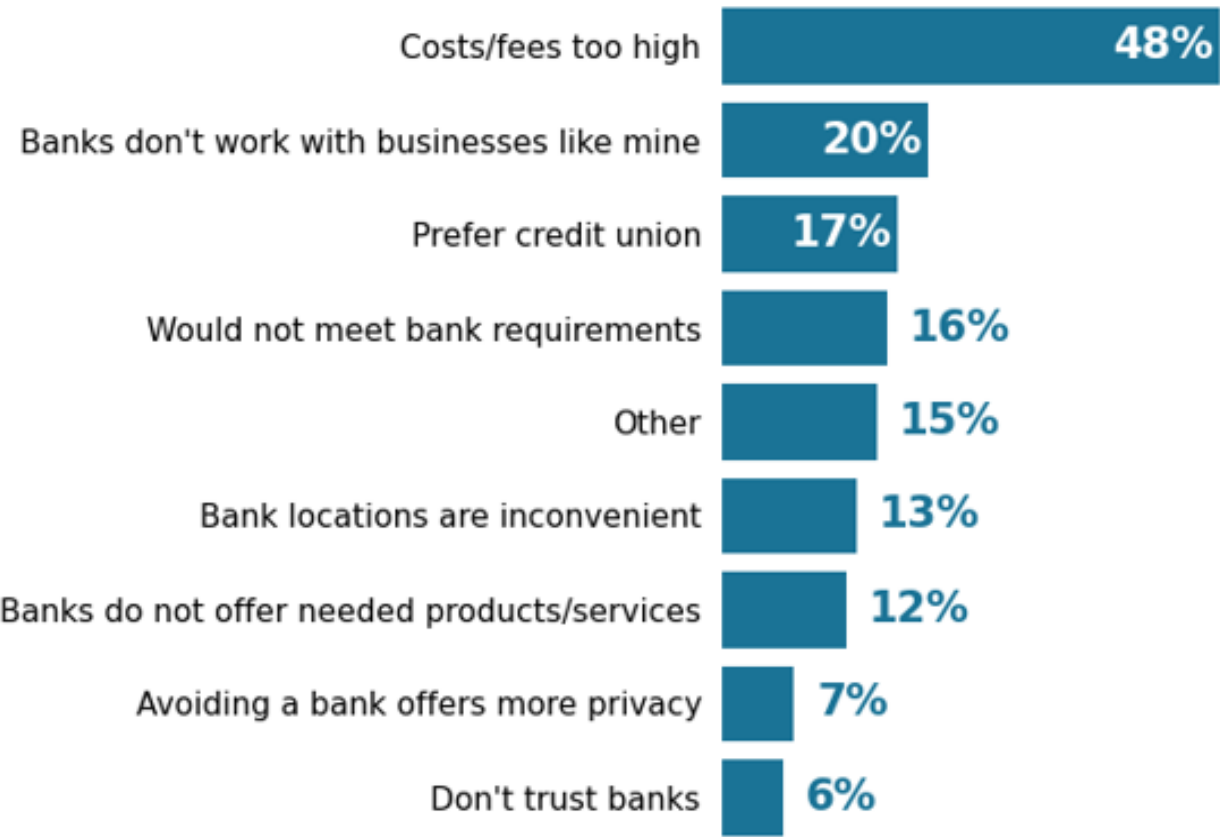
Notes: Financial services providers are those at which the firm has an account or uses other financial services, including loans and payments processing. Respondents could select multiple options. See the appendix for SBCS definitions related to financial services providers and lenders.

# Reasons firms do not use banks

(% of employer firms that do not use banks for financial services)

N=117

*Firms in Focus: Rural employer firms*



SBCS employer firm findings

Among employer firms in the national SBCS sample that do not use banks, the most common reason is that they believe banks' costs and fees are too high (**45%**).

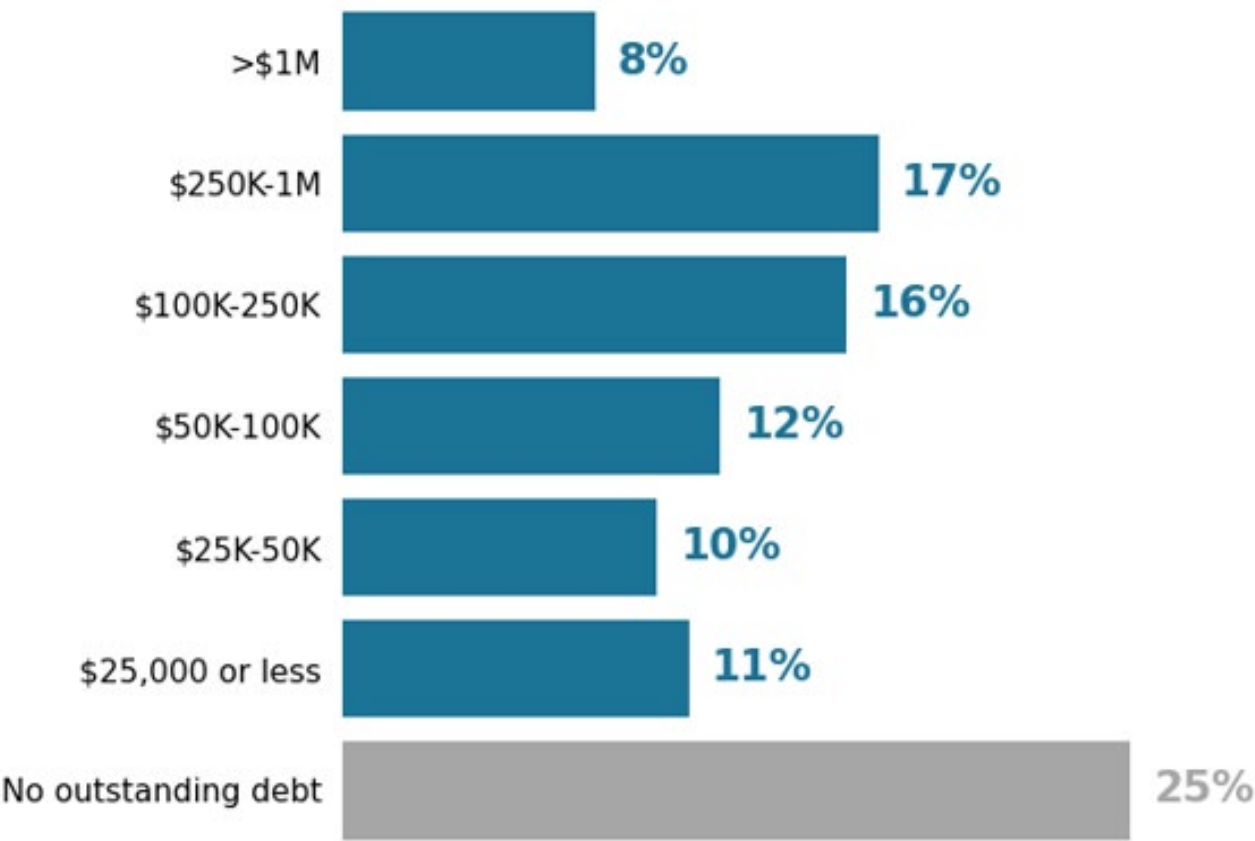
Notes: Respondents could select multiple options. "Would not meet bank requirements" includes requirements for minimum balance, documentation, etc. "Prefer credit union" was not a discrete answer choice in the questionnaire; however, it was cited frequently enough by respondents as a reason in "other" that it warranted a separate response line in the reporting.

# Amount of debt outstanding

(% of employer firms)

N=1504

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

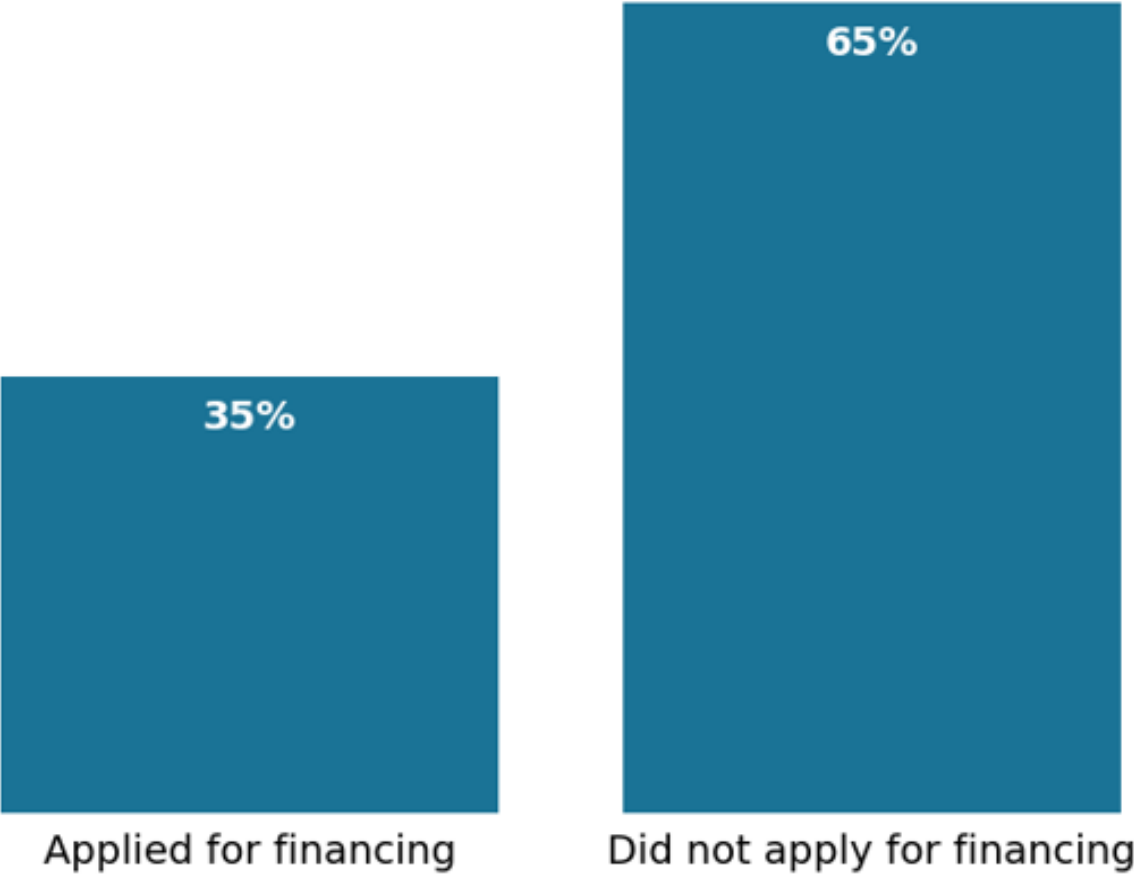
Nationally, **74%** of employer firms had outstanding debt at the time of the survey.

Notes: Respondents were instructed to exclude loans they expected would be forgiven from their outstanding debt (for example, PPP loans). Percentages may not sum to 100 because of rounding.

# Share of firms that applied for financing, prior 12 months (% of employer firms)

N=1489

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

Among employer firms in the national SBCS sample, **34%** applied for financing in the prior 12 months. The other **66%** were nonapplicants, meaning they had not applied for new financing in the prior 12 months.

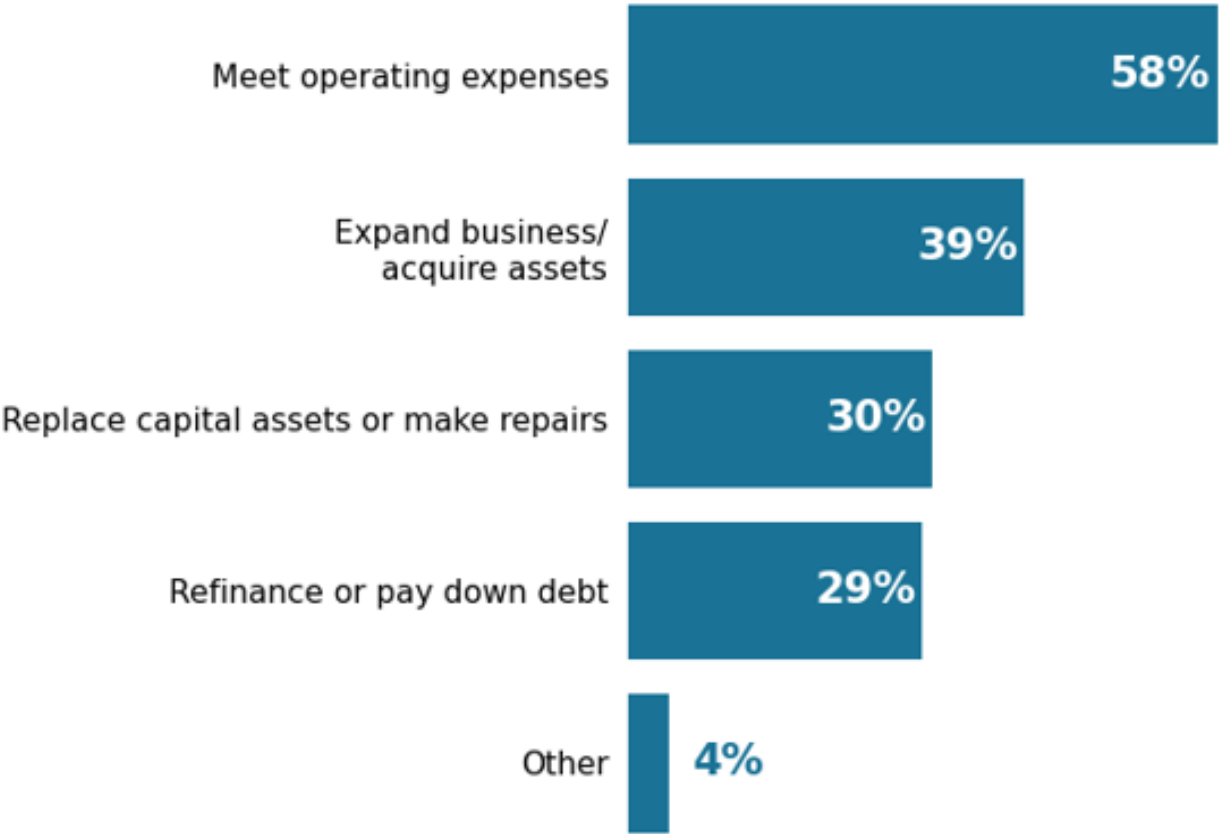
*Note: Excludes applications for pandemic-related financial assistance.*

# Reasons firms applied for financing

(% of employer applicants)

N=531

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

Employer firms in the national SBCS sample that applied for financing most often did so to meet operating expenses (**62%**) and/or to expand their business (**41%**).

*Note: Respondents could select multiple options.*

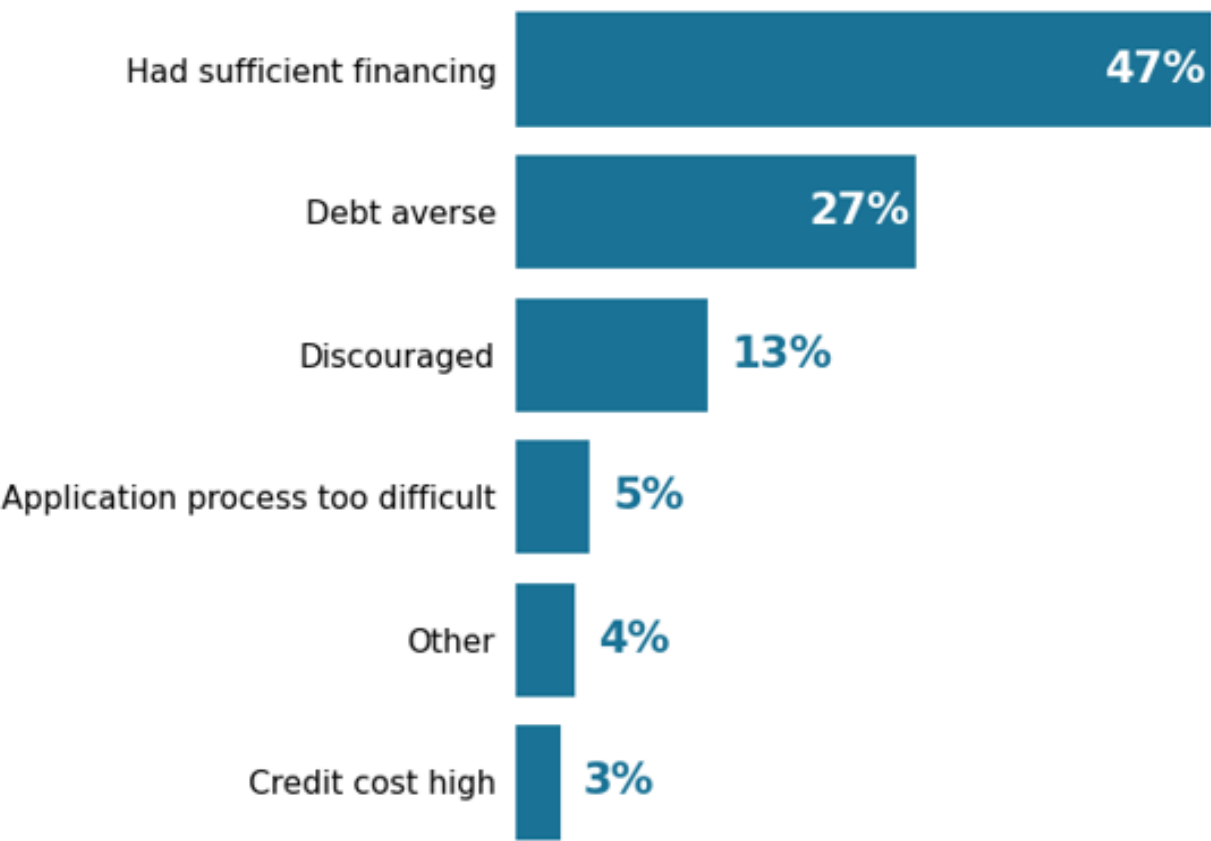


# Reasons firms did not apply for financing

(% of employer applicants)

N=925

*Firms in Focus: Rural employer firms*



SBCS employer firm findings

Nationally, among firms that did not apply for financing in the prior 12 months, **54%** needed funds but chose not to apply because they were averse to taking on debt, were discouraged about their chance of approval, or had other reasons for not applying. The other **46%** reported that they already had sufficient financing.

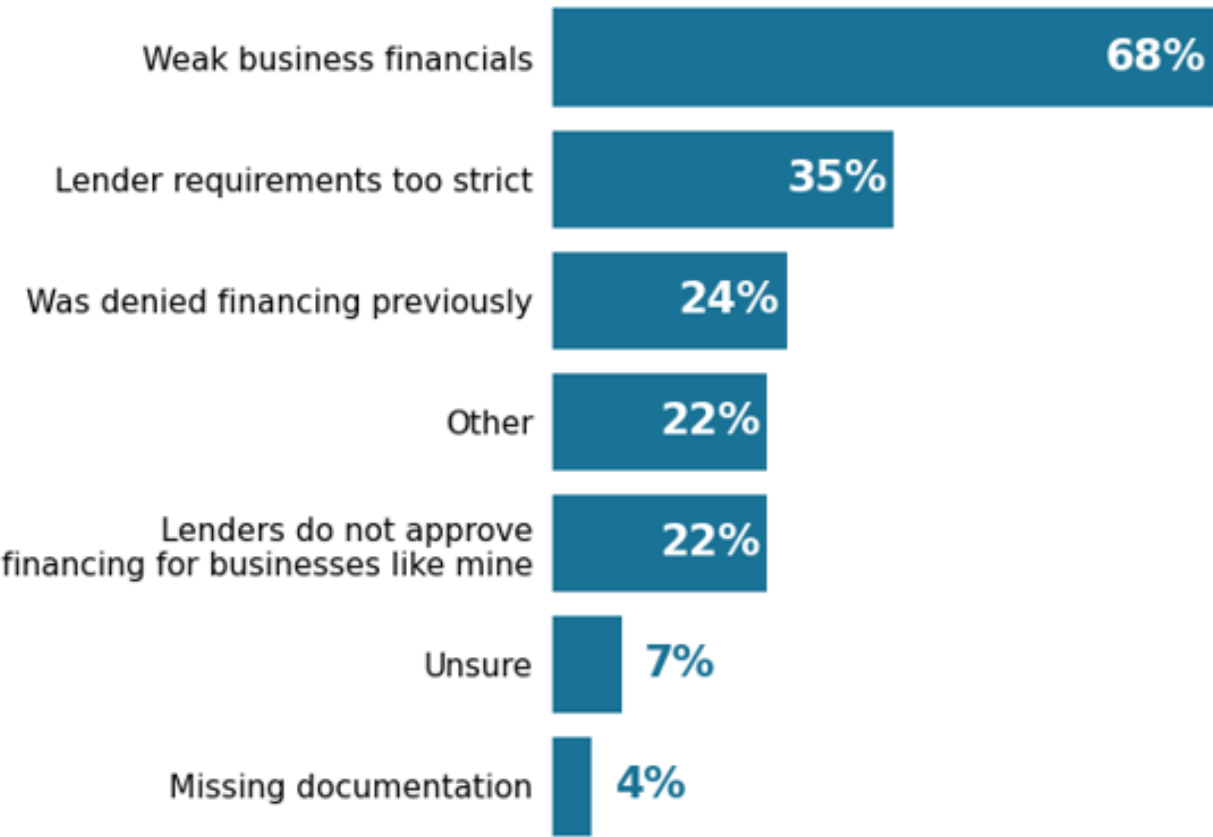
Notes: Response option "other" includes "credit cost was too high," "application process was too difficult or confusing," and "other" reasons. Discouraged firms are those that did not apply for financing because they believed they would be turned down.

# Reasons discouraged firms did not expect to be approved for financing

(% of discouraged nonapplicants)

N=120

Firms in Focus: Rural employer firms



**SBCS employer firm findings**

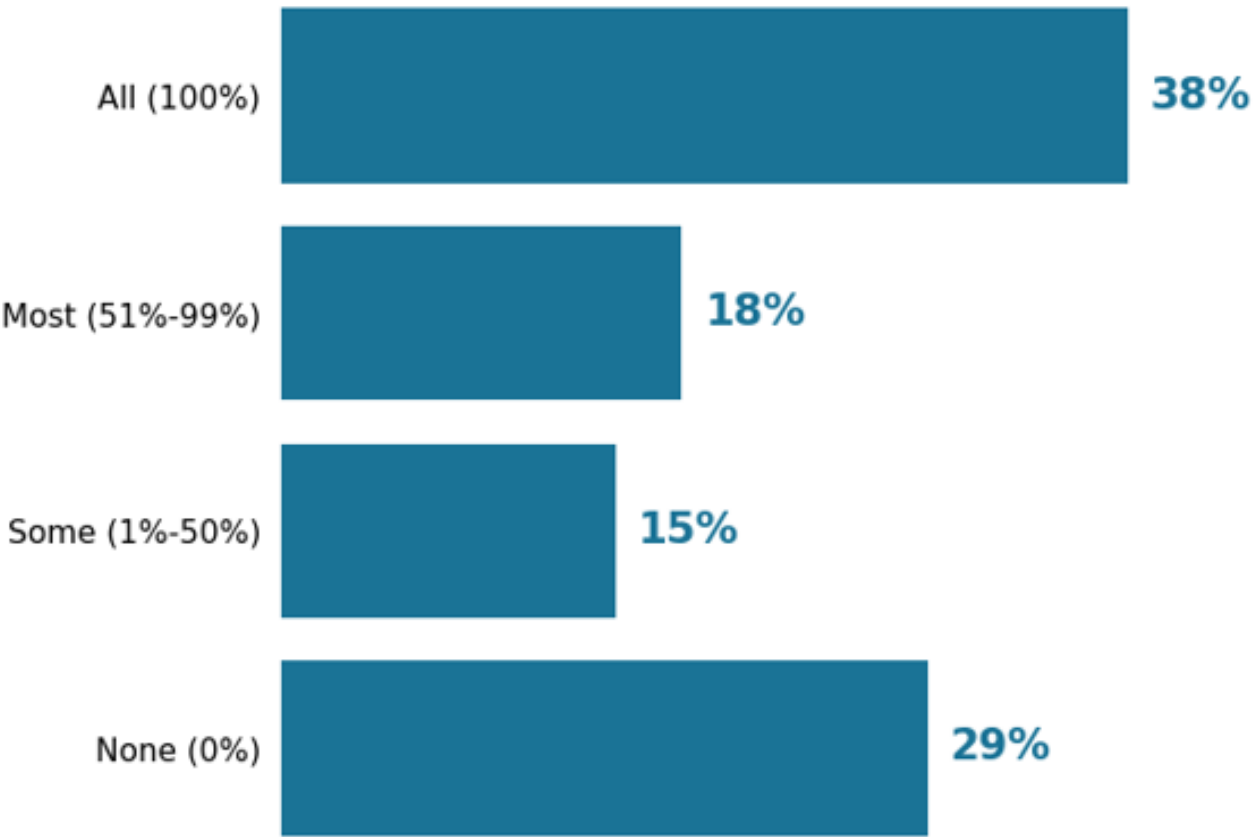
Nationally, employer firms that were discouraged most often cited weak business financials as a reason (**56%**).

Notes: Discouraged firms are those that did not apply for financing because they believed they would be turned down. Respondents could select multiple options. Respondents selecting “lenders do not approve financing for businesses like mine” had the option to explain further. In addition to the reasons noted above, respondents also cited irregular cash flow (for example, a seasonal business or a business with large contracts that pay infrequently) or a lack of assets suitable for collateral. Response option “other” includes “credit cost was too high,” “application process was too difficult or confusing,” and “other.”

# Financing received as share of amount sought (% of employer applicants)

N=516

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

Among employer firms in the national SBCS sample that applied for financing, **65%** received at least some of the amount sought; **35%** received none of what they sought.

Notes: Percentages may not sum to 100 because of rounding. Excludes pandemic-related financial assistance applications.

# Financing Applications

- Financing and credit products sought
- Application rate by type of loan or line of credit
- Share of applicants approved for loans, lines of credit, and cash advances
- Sources applied to for loans, lines of credit, and cash advances

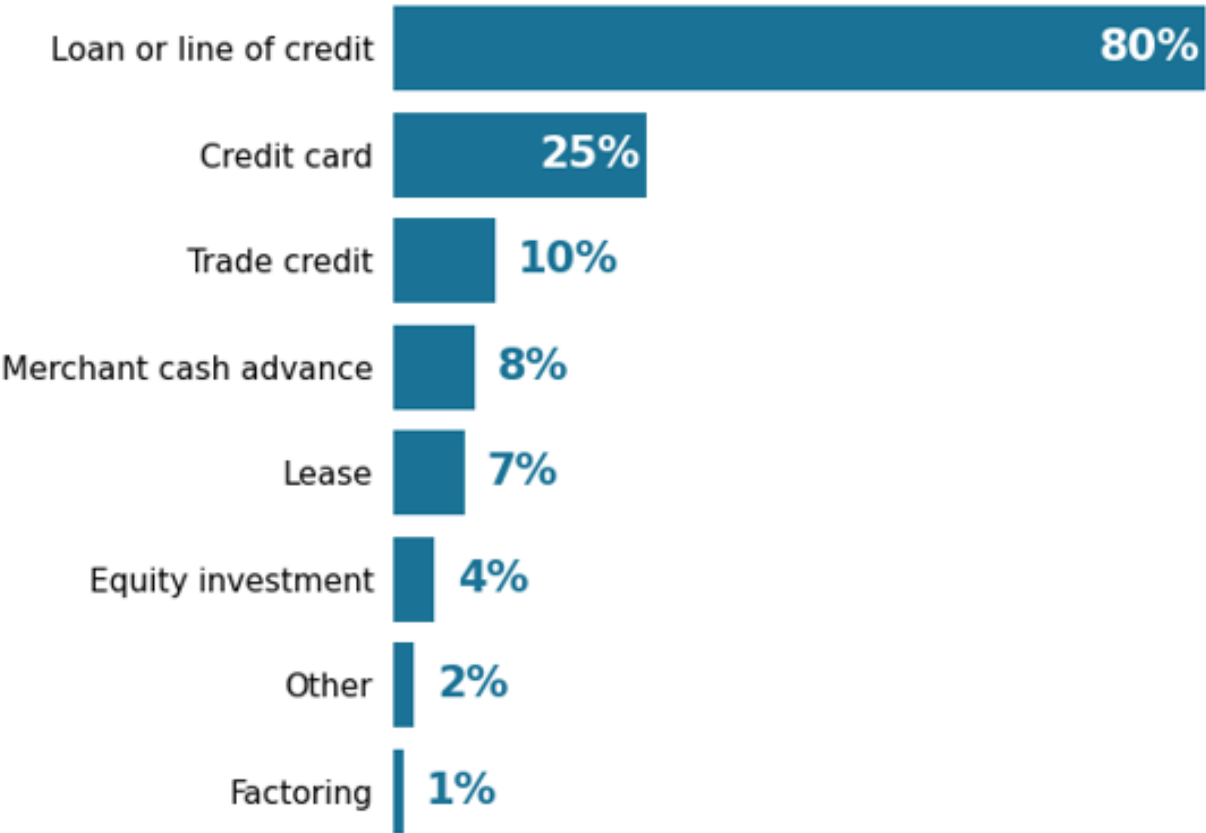


# Financing and credit products sought

(% of employer applicants)

N=525

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

Nationally, **76%** of employer firms that applied for financing sought a loan or line of credit.

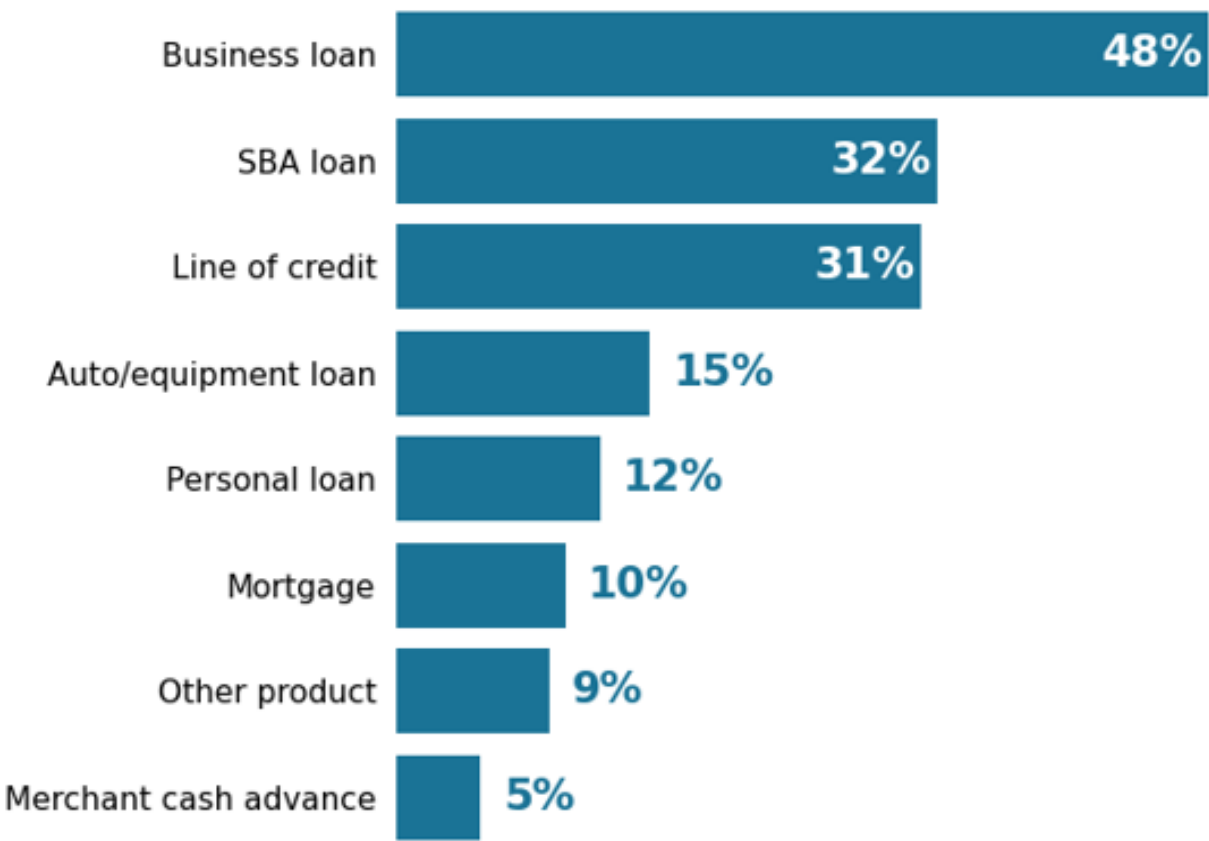
Notes: Respondents could select multiple options. Excludes pandemic-related financial assistance applications.

# Application rate by type of loan or line of credit

(% of loan or line of credit applicants)

N=388

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SBCS employer firm findings

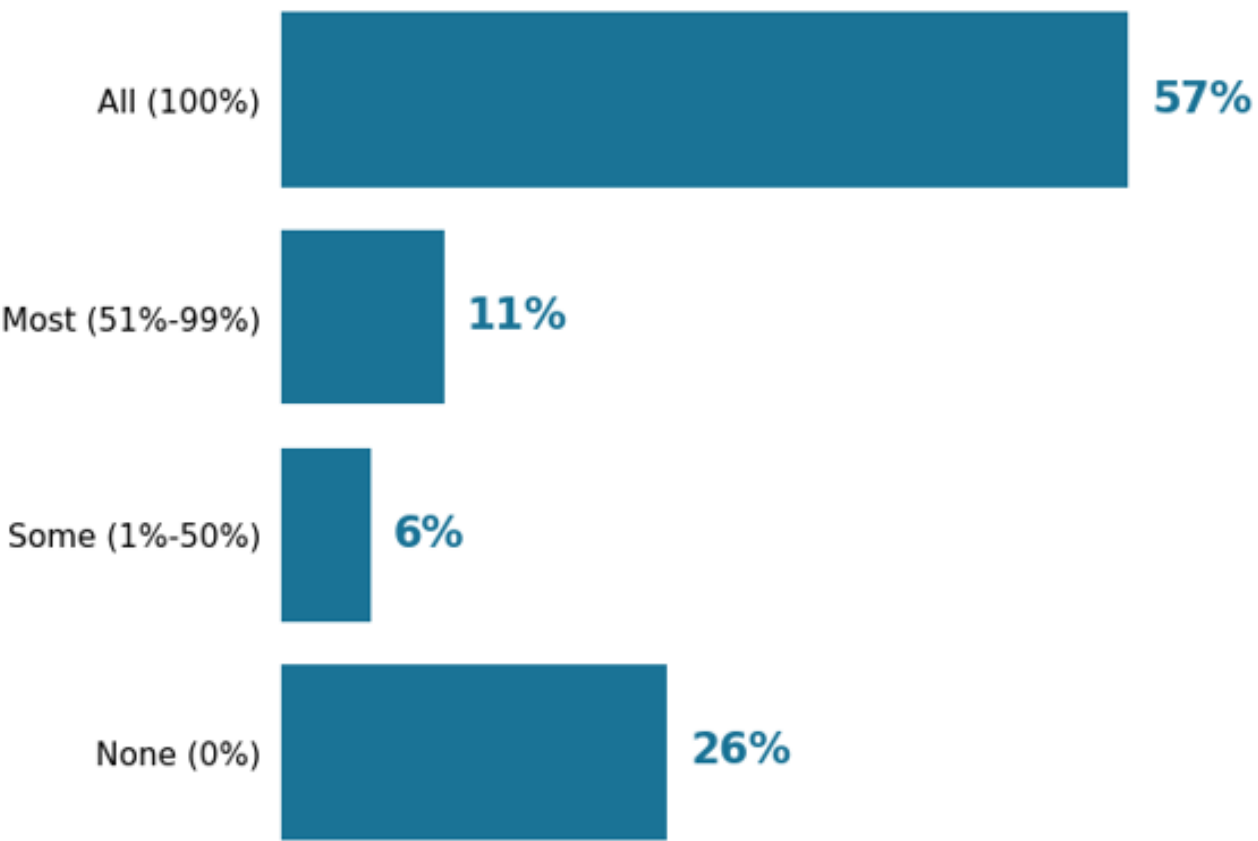
Among employer firms in the national SBCS sample that sought loans or lines of credit, SBA loans, business loans, and business lines of credit were the most common products.

Notes: Respondents could select multiple options. Excludes pandemic-related financial assistance applications.

Share of applicants approved for loans, lines of credit, and cash advances (% of loan, line of credit, and cash advance applicants)

N=367

Firms in Focus: Rural employer firms



**SBCS employer firm findings**

In the national SBCS sample, **68%** of firms that applied for a loan, line of credit, or cash advance were approved for at least some of the financing they sought.

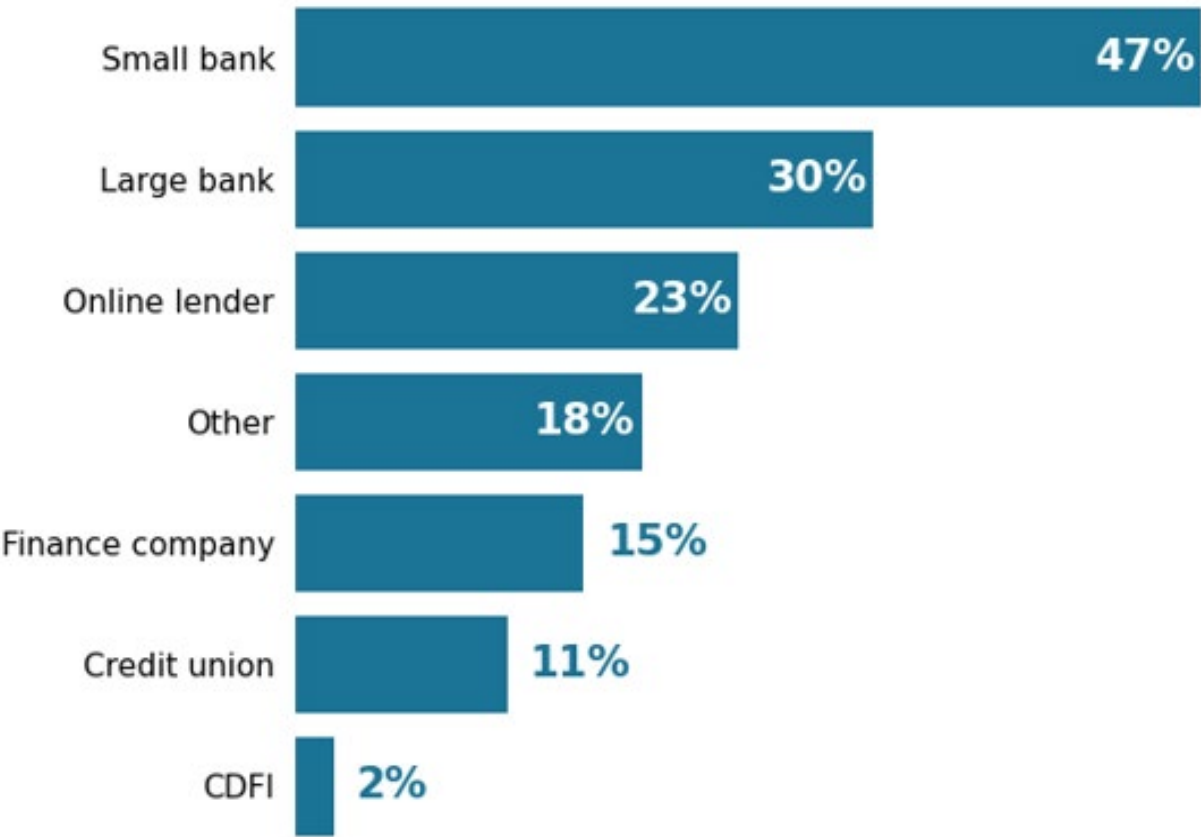
Notes: Excludes pandemic-related financial assistance applications. Percentages may not sum to 100 because of rounding.

# Sources applied to for loans, lines of credit, and cash advances

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

N=386

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

Among employer firms in the national SBCS sample that sought loans, lines of credit, or cash advances, their most common sources were large banks (**43%**), small banks (**36%**), and online lenders (**23%**).

Notes: Respondents could select multiple options. Excludes pandemic-related financial assistance applications. See the appendix for SBCS definitions related to financial services providers and lenders.



# Demographics

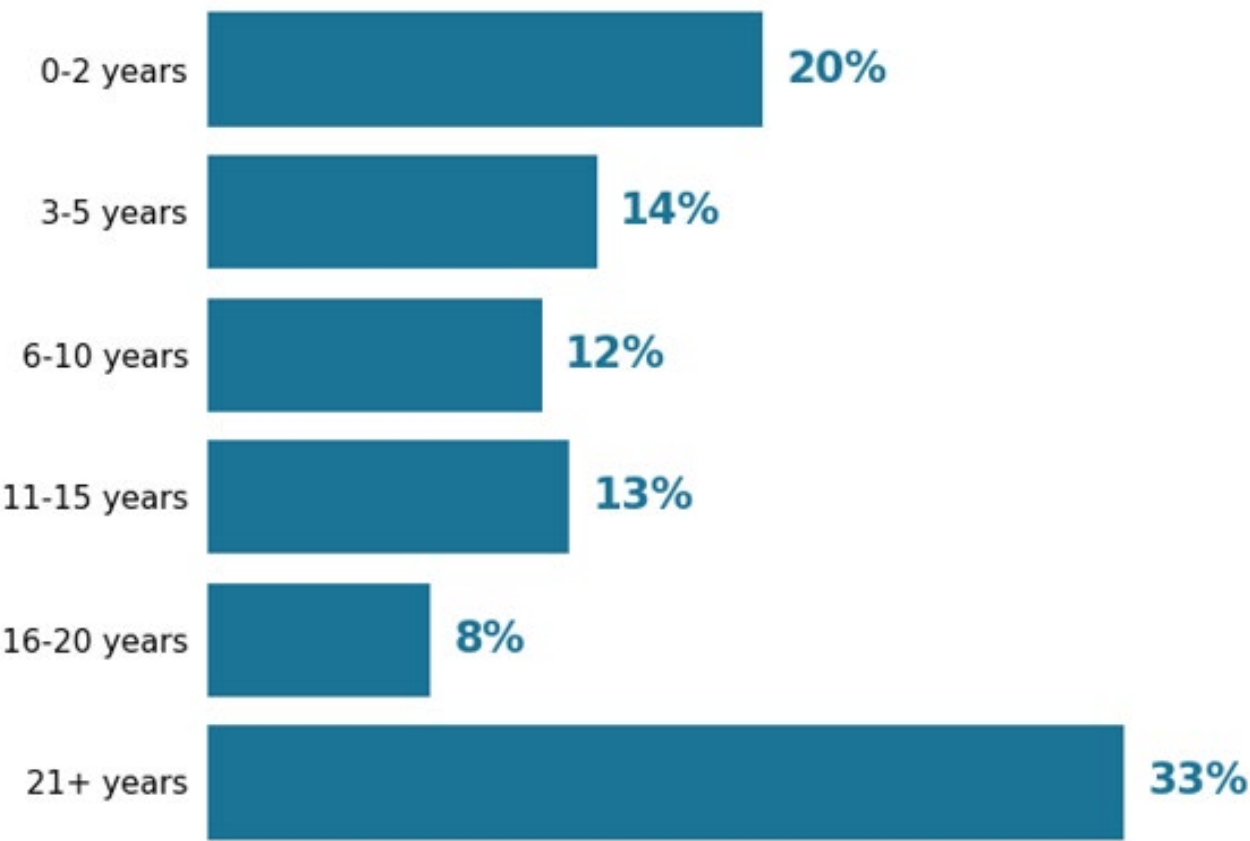
- Age of firm
- Geography of firm
- Industry
- Number of employees
- Credit risk of firm
- Race/ethnicity of owner(s)
- Gender of owner(s)



# Age of firm (% of employer firms)

N=1524

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

In the national SBCS sample, **33%** of employer firms are newer businesses (0-5 years), and **31%** have been in business 21 or more years.

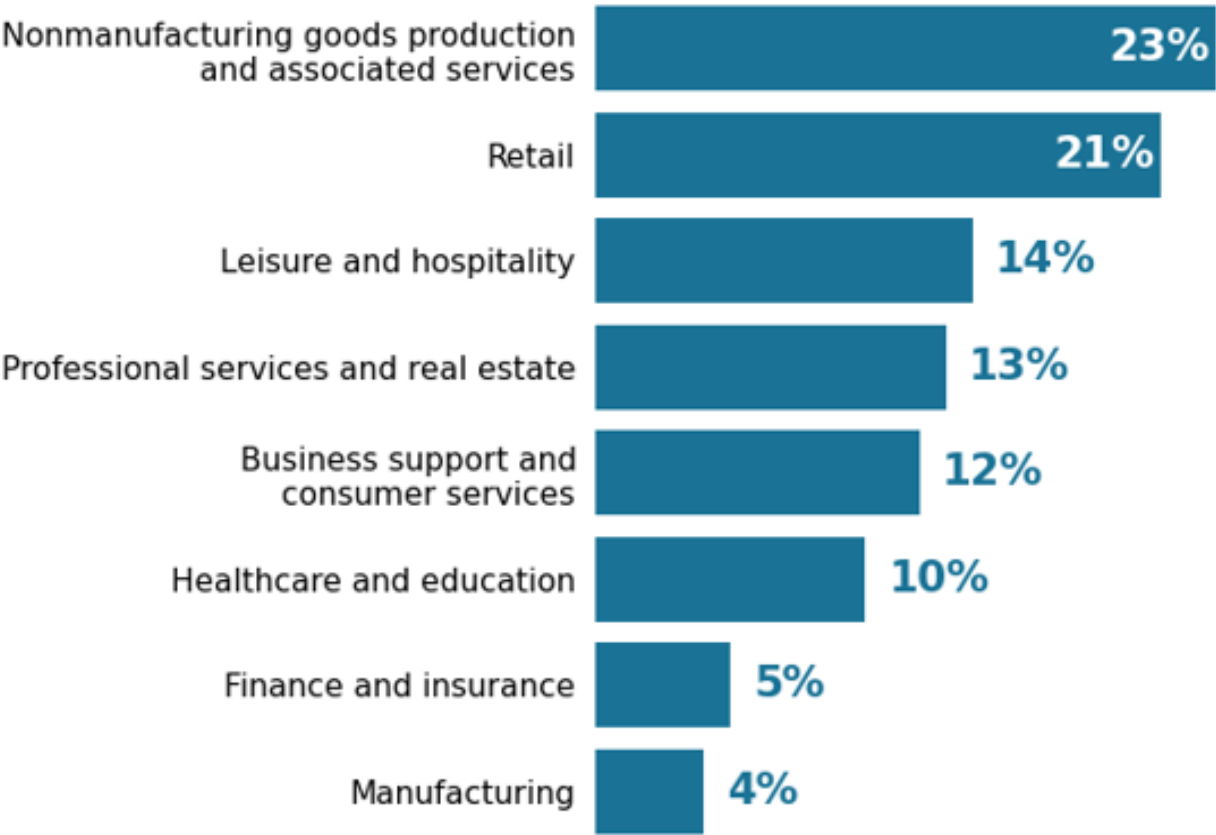
*Note: Percentages may not sum to 100 because of rounding.*

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Industry (% of employer firms)

N=1524

Firms in Focus: Rural employer firms



**SBCS employer firm findings**

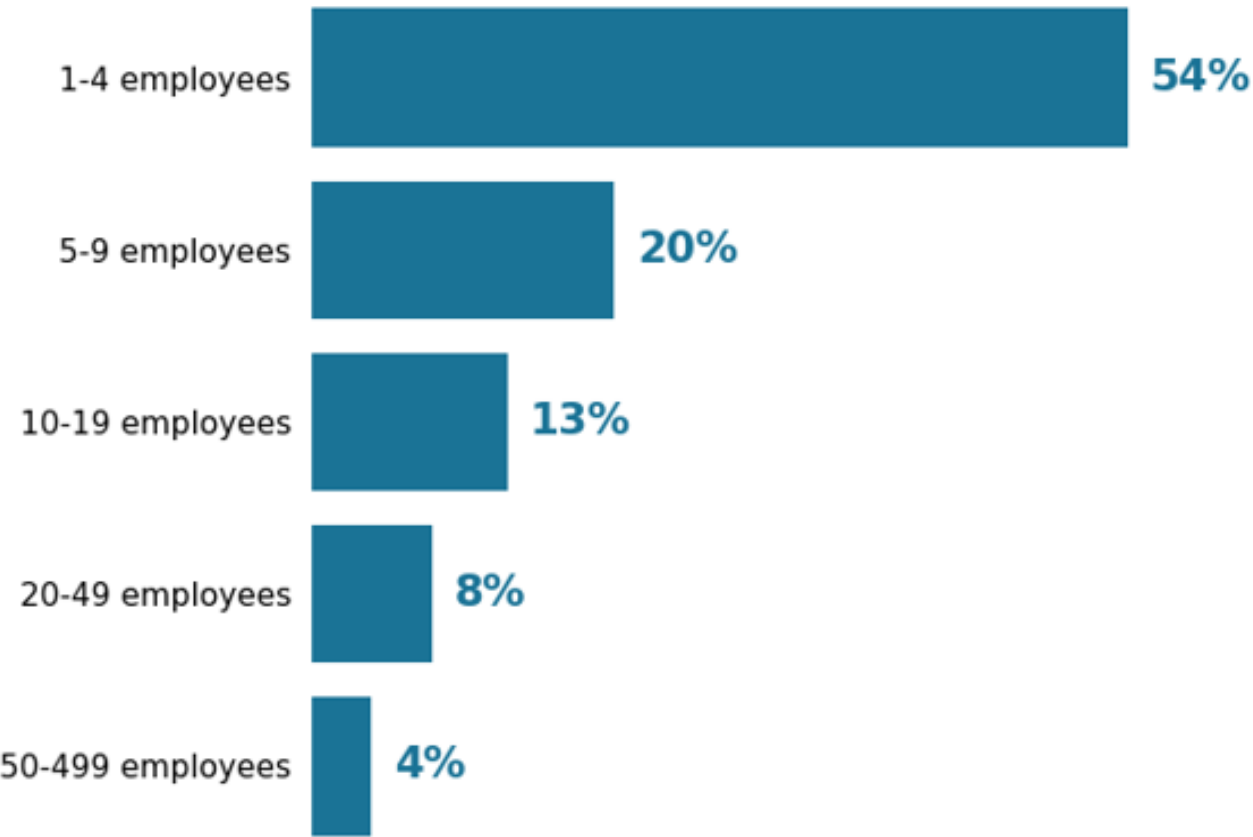
The most common industry among employer firms in the national SBCS sample was professional services and real estate, accounting for **20%** of firms.

Notes: The nonmanufacturing goods production and associated services category includes industries such as agriculture, construction, wholesale trade, transportation, and warehousing. Percentages may not sum to 100 because of rounding.

# Number of employees (% of employer firms)

N=1524

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

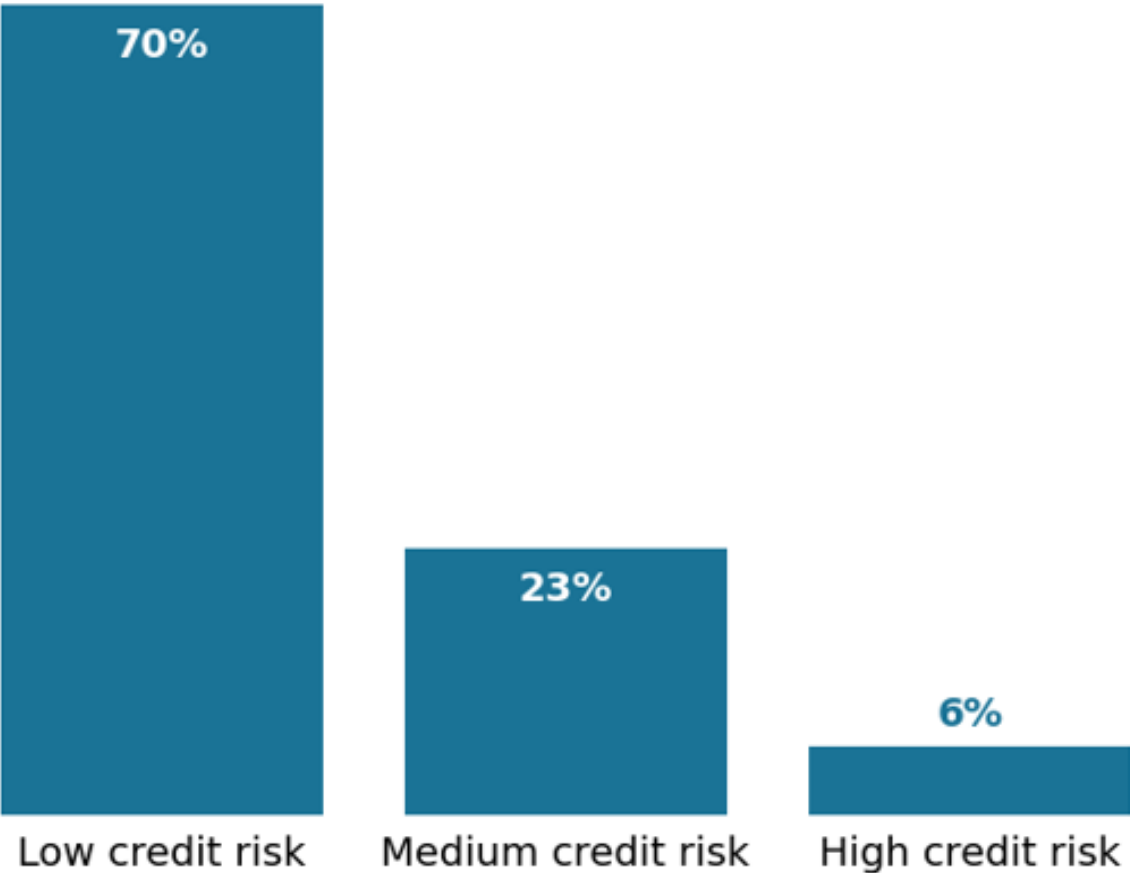
Nationally, **55%** of employer firms have fewer than five employees.

*Note: Percentages may not sum to 100 because of rounding.*

# Credit risk of firm (% of employer firms)

N=1116

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

In the national SBCS sample, **69%** of employer firms are low credit risk, **25%** are medium credit risk, and **6%** are high credit risk as determined by their self-reported credit scores.

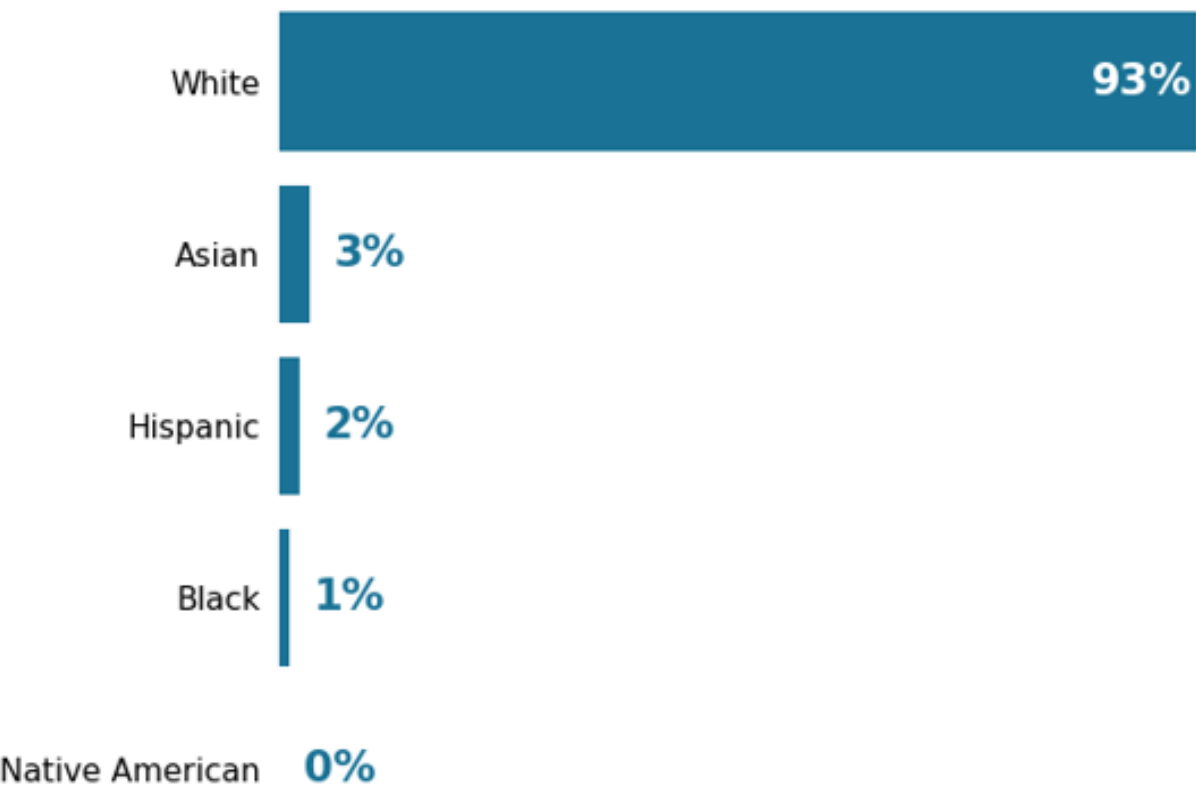
Notes: Credit risk is determined by the self-reported business credit score or personal credit score, depending on which is used to obtain financing for the business. If a firm uses both, the higher risk rating is used. "Low credit risk" is an 80–100 business credit score or 720+ personal credit score. "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. Percentages may not sum to 100 because of rounding.

# Race/ethnicity of firm owner(s)

(% of employer firms)

N=1524

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

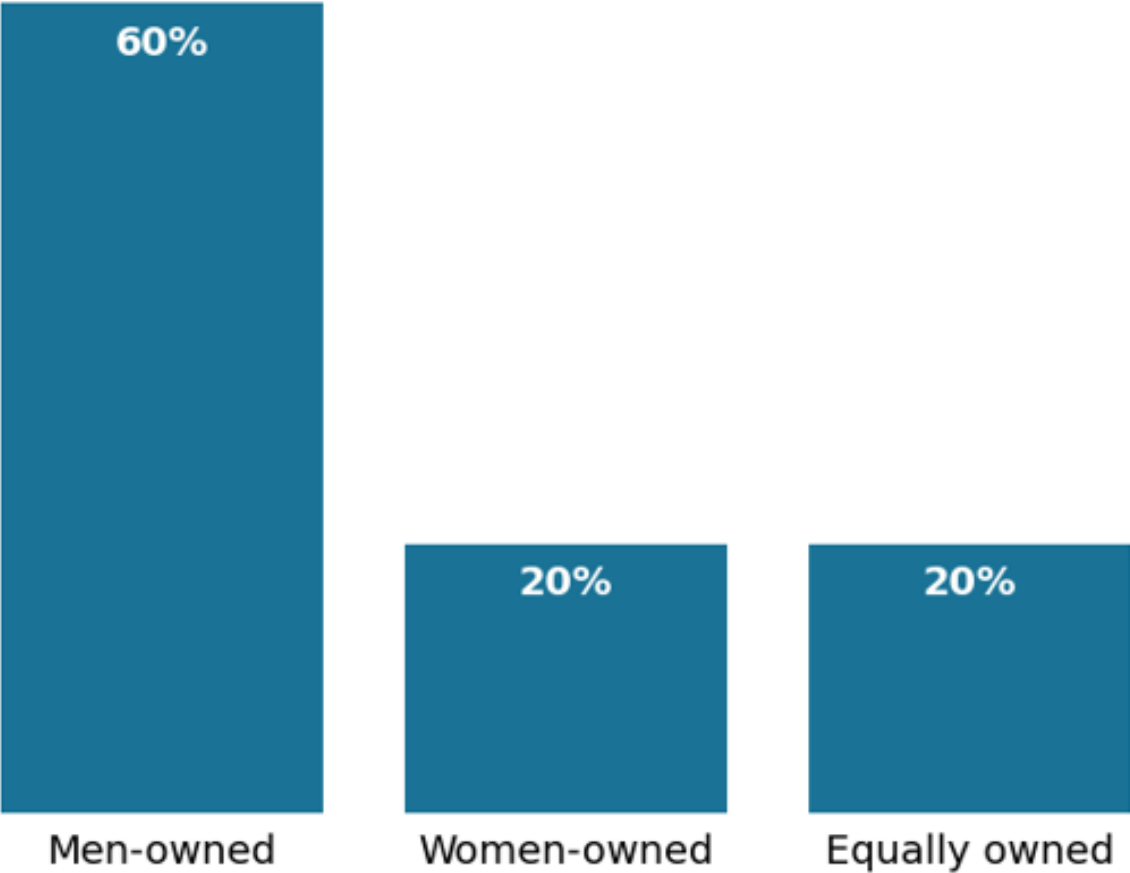
In the national SBCS sample, **83%** of employer firms are white owned, **10%** are Asian owned, **6%** are Hispanic owned, **2%** are Black owned, and less than **1%** are Native American owned.

*Note: Percentages may not sum to 100 because of rounding.*

# Gender of owner(s) (% of employer firms)

N=1524

*Firms in Focus: Rural employer firms*



**SBCS employer firm findings**

In the national SBCS sample, **21%** of employer firms are women owned.

*Note: Percentages may not sum to 100 because of rounding.*



# Appendix: Employer firm performance and financing by owner characteristics

	Performance			Financing		
	Share of firms reporting lower revenues than in 2019	Share of firms that have financial challenges	Share of firms in poor or fair financial condition	Share of PPP applicants that received funding	Share of firms that applied for traditional financing	Share of firms that received at least some financing
All employer firms	63%	85%	59%	90%	34%	65%
Firms by owner race/ethnicity						
Asian-owned firms	79%	95%	81%	89%	38%	68%
Black-owned firms	72%	94%	76%	66%	42%	53%
Hispanic-owned firms	67%	92%	74%	76%	42%	56%
White-owned firms	59%	83%	55%	91%	33%	66%
Firms by gender of ownership						
Equally owned firms	64%	85%	56%	91%	29%	68%
Men-owned firms	63%	84%	58%	90%	36%	65%
Women-owned firms	61%	88%	63%	90%	32%	64%
Additional owner characteristics						
Immigrant-owned firms	73%	92%	75%	88%	38%	62%
LGBTQ-owned firms	64%	91%	63%	83%	35%	54%
Veteran-owned firms	59%	85%	59%	84%	40%	57%

Note: SBCS lender and industry definitions are available in the appendix slides.

# Appendix: Employer firm performance and financing by business characteristics

	Performance			Financing		
	Share of firms reporting lower revenues than in 2019	Share of firms that have financial challenges	Share of firms in poor or fair financial condition	Share of PPP applicants that received funding	Share of firms that applied for traditional financing	Share of firms that received at least some financing
All employer firms	63%	85%	59%	90%	34%	65%
Firms by number of employees						
1-4 employees	65%	87%	66%	88%	32%	61%
5-19 employees	62%	86%	56%	92%	36%	67%
20-499 employees	51%	77%	39%	92%	39%	75%
Firms by age of firm						
0-5 years old	58%	92%	72%	77%	42%	53%
6-20 years old	66%	84%	55%	94%	32%	71%
21+ years old	64%	80%	49%	96%	28%	76%
Firms by geography						
Rural	56%	82%	54%	89%	35%	71%
Urban	64%	86%	60%	90%	34%	64%
Firms by revenue size						
Less than \$100K annually	71%	93%	79%	77%	37%	51%
\$100K-\$1M annually	65%	86%	60%	93%	31%	67%
More than \$1 million annually	47%	74%	36%	96%	37%	79%
Firms by select industries						
Healthcare and education	71%	91%	64%	92%	32%	70%
Leisure and hospitality	73%	94%	75%	87%	33%	54%
Manufacturing	56%	85%	51%	96%	39%	77%
Professional serv. and real estate	54%	83%	52%	91%	32%	64%

Note: SBCS lender and industry definitions are available in the appendix slides.

# Appendix: Employer firm performance and financing by state

	Performance			Financing		
	Share of firms reporting lower revenues than in 2019	Share of firms that have financial challenges	Share of firms in poor or fair financial condition	Share of PPP applicants that received funding	Share of firms that applied for traditional financing	Share of firms that received at least some financing
All employer firms	63%	85%	59%	90%	34%	65%
Firms by state						
Alabama	58%	80%	51%	94%	37%	72%
Arizona	58%	89%	58%	92%	35%	69%
California	73%	91%	70%	89%	40%	68%
Colorado	N/A	91%	50%	94%	44%	N/A
Florida	58%	85%	60%	88%	38%	59%
Georgia	49%	82%	52%	79%	34%	68%
Hawaii	75%	94%	78%	97%	34%	71%
Illinois	70%	88%	61%	91%	36%	62%
Iowa	43%	72%	39%	N/A	39%	N/A
Louisiana	70%	88%	63%	90%	36%	70%
Maryland	51%	86%	57%	89%	37%	60%
Massachusetts	68%	93%	62%	97%	27%	74%
Minnesota	54%	76%	46%	96%	37%	84%

Note: SBCS lender and industry definitions are available in the appendix slides.

# Appendix: Employer firm performance and financing by state (cont.)

	Performance			Financing		
	Share of firms reporting lower revenues than in 2019	Share of firms that have financial challenges	Share of firms in poor or fair financial condition	Share of PPP applicants that received funding	Share of firms that applied for traditional financing	Share of firms that received at least some financing
All employer firms	63%	85%	59%	90%	34%	65%
Firms by state						
Missouri	64%	87%	61%	82%	33%	68%
New Jersey	72%	93%	75%	94%	32%	67%
New York	68%	93%	68%	98%	27%	61%
North Carolina	61%	85%	55%	91%	33%	64%
Ohio	59%	85%	49%	96%	31%	64%
Oregon	65%	91%	53%	86%	31%	N/A
Pennsylvania	65%	82%	51%	90%	34%	74%
South Carolina	56%	81%	52%	N/A	41%	61%
Tennessee	60%	83%	49%	95%	34%	N/A
Texas	56%	85%	59%	88%	33%	69%
Virginia	57%	76%	51%	91%	33%	63%
Washington	77%	86%	57%	84%	24%	N/A

Note: SBCS lender and industry definitions are available in the appendix slides.

# Appendix: Definitions for 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. Examples vary between questions to convey the most relevant services and providers. The financial services providers and lenders referenced in the survey are defined as follows.

## Large bank, small bank

Large banks are defined as those with at least \$10B in total deposits; small banks are those with less than \$10B in total deposits. For applicant 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 provided to respondents vary by question but include mortgage companies, auto finance companies, investment funds, and insurance companies.

## Online lender/fintech company

Online lenders/fintech companies are nonbanks that operate online. Examples provided to respondents vary by question but include OnDeck, Kabbage, CAN Capital, PayPal, and Square.

## Credit union

Credit unions are nonprofit cooperatives where members can borrow money at competitive rates from pooled deposits.

## 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.

## Financial services company

Financial services companies are nonbank providers of business financial services. Examples include companies that provide payroll processing, merchant services, and accounting services.

## Alternative financial source

Examples of alternative financial sources provided to respondents include payday lenders, check-cashing services, pawn shops, and money order/transmission services.

# Appendix: Definitions of SBCS industry categories

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## Business support and consumer services

Includes NAICS codes: 56, 81

Examples of businesses: Barbers, business event planning, cleaning services, repair services, salons, spas, travel agencies

## Finance and insurance

Includes NAICS code: 52

Examples of businesses: Loan brokers, portfolio management firms

## Healthcare and education

Includes NAICS codes: 61, 62

Examples of businesses: Counseling, day cares, dentists, professional training, sports instruction, tutoring

## Leisure and hospitality

Includes NAICS codes: 71, 72

Examples of businesses: Bars, caterers, fitness centers, gyms, hotels, performing arts venues

## Manufacturing

Includes NAICS codes: 31, 32, 33

Examples of businesses: Electronics manufacturers, engraving, packaging, print shops, textile manufacturers

## Nonmanufacturing goods production and associated services

Includes NAICS code: 11, 21, 22, 23, 42, 48, 49

Examples of businesses: Construction, farming, logistics, mining, taxis, wholesale suppliers and distributors, warehousing

## Professional services and real estate

Includes NAICS codes: 51, 53, 54, 55

Examples of businesses: Book publishers, consulting, notaries, real estate agents, vehicle rentals

## Retail

Includes NAICS codes: 44, 45

Examples of businesses: Boutiques, craft stores, ecommerce, grocers, hardware stores