

SMALL BUSINESS CREDIT SURVEY



2022 REPORT ON FIRMS OWNED BY PEOPLE OF COLOR



FEDERAL RESERVE BANKS *of*

Atlanta • Boston • Chicago • Cleveland • Dallas • Kansas City • Minneapolis
New York • Philadelphia • Richmond • St. Louis • San Francisco

ACKNOWLEDGMENTS

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The Small Business Credit Survey (SBCS) is made possible through collaboration with business and civic organizations in communities across the United States. The Federal Reserve Banks thank the national, regional, and community partners who share valuable insights about small business financing needs and work with us to promote and distribute the survey.²

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² For a full list of community partners, please visit www.fedsmbusiness.org.

³ Joseph Firschein, Board of Governors of the Federal Reserve System; Karen Leone de Nie, Federal Reserve Bank of Atlanta; Prabal Chakrabarti, Federal Reserve Bank of Boston; Jane Dokko, Federal Reserve Bank of Chicago; Emily Garr Pacetti, Federal Reserve Bank of Cleveland; Tara Payne, Federal Reserve Bank of Dallas; Teesha Miller, Federal Reserve Bank of Kansas City; Alene Tchourumoff, Federal Reserve Bank of Minneapolis; David Erickson, Federal Reserve Bank of New York; Theresa Singleton, Federal Reserve Bank of Philadelphia; Carrie Cook, Federal Reserve Bank of Richmond; Daniel Davis, Federal Reserve Bank of St. Louis; and Bina Shrimali, Federal Reserve Bank of San Francisco.

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EXECUTIVE SUMMARY

INTRODUCTION

The Small Business Credit Survey (SBCS), a collaboration of all 12 Federal Reserve Banks, is a survey of small businesses across the nation that includes questions about business performance, the financial and operational challenges that businesses face, and financing outcomes. Importantly, the SBCS also collects key demographic data on business owners and their businesses' characteristics, including the race and ethnicity of a business's owners. This publication highlights key data from the 2021 SBCS across Asian-, Black-, Hispanic-, and white-owned businesses.

This report is an important follow-up to the [*Small Business Credit Survey 2021 Report on Firms Owned by People of Color*](#), which found that businesses owned by people of color often face more financial and operational challenges than their white-owned counterparts but often were less successful at obtaining the funding needed to weather the effects of the pandemic. As this publication shows, those disparities persisted a year later.

Despite some improvement in revenue and employment performance among employer firms between the 2020 and 2021 surveys, firms owned by people of color were less likely than white-owned firms to report that either metric had reached 2019 levels. And—as the SBCS has consistently found over time—firms owned by people of color disproportionately reported difficulties accessing the funding needed to overcome their challenging financial conditions. Whether seeking pandemic-related funding such as Paycheck Protection Program (PPP) loans or more traditional loans or lines of credit from lenders, firms owned by people of color continue to report lower approval rates than their white-owned counterparts.

SURVEY FINDINGS

The 2021 SBCS, which was fielded during September through November of 2021, yielded 10,914 responses from small employer firms in all 50 states and the District of Columbia. This report shows results for employer firms—businesses with 1 to 499 employees other than the owners—by four race/ethnicity categories: Asian or Pacific Islander, Black or African American, Hispanic or Latino, and white.¹ Findings for Native American-owned firms are omitted from this report because sample sizes are too small to make precise estimates for most measures.² Because the SBCS findings represent the experiences of those firms that were operating at the time of the survey, the data do not reflect the collective experiences of all small firms throughout the pandemic; firms that closed prior to the fielding of the survey are not included in the sample for this report.

While revenues and employment improved for some businesses, most firms—particularly firms owned by people of color—had not yet recovered from the effects of the pandemic. In fact, the share of firms reporting financial challenges increased between the 2020 and 2021 surveys.

- Firms owned by people of color were more likely than white-owned firms to report that revenues had not yet recovered from the effects of the COVID-19 pandemic. Seventy-nine percent of Asian-owned firms reported that, at the time of the survey, their revenues had not yet reached 2019 levels. By comparison, 72% of Black-owned firms, 67% of Hispanic-owned firms, and 59% of white-owned firms said their revenues remained lower than in 2019.

- The share of firms reporting financial challenges increased across all employer firms between 2020 and 2021 regardless of race or ethnicity, but firms owned by people of color remained more likely to report a financial challenge. The most common financial challenge among firms owned by people of color was covering business expenses, including wages, rent, inventory costs, and debt payments.
- Firms owned by people of color were around twice as likely as white-owned firms to describe their financial condition as “poor.” Thirty-nine percent of Asian-owned firms reported that their business was in poor financial condition, as did 36% of Black-owned firms and 28% of Hispanic-owned firms. By comparison, 17% of white-owned firms reported that they were in poor financial condition.

Overall, small businesses were less likely to apply for pandemic-related financial assistance in 2021 than in 2020. In particular, fewer firms reported seeking loans through the Paycheck Protection Program (PPP), from which firms owned by people of color were less successful at obtaining funds than white-owned firms.

- In 2021, firms owned by people of color were more likely to seek pandemic-related financial assistance than white-owned firms. Firms owned by people of color that did apply were most likely to seek an Economic Injury Disaster Loan (EIDL), while white-owned firms were as likely to apply for an EIDL loan as they were a PPP loan.

1 The SBCS uses census-defined categories of race and ethnicity. Throughout this report, we use simplified, mutually exclusive race/ethnicity labels. For example, a label of “white” refers to “non-Hispanic white” and a label of “Hispanic” refers to all firms owned by individuals of Hispanic ethnicity, regardless of their race.

2 When sample sizes permit, Native American-owned firms are included in the [Appendix](#).

EXECUTIVE SUMMARY

(Continued)

- Among firms that did not seek pandemic-related financial assistance, firms owned by people of color were more likely than white-owned firms to report not applying despite needing the funding. Most commonly, these firms reported that they did not think they would qualify for funding programs. Black-owned firms were most likely to expect their business would not qualify (67%, compared to 53%, 50%, and 43% of Asian-, Hispanic-, and white-owned firms, respectively).
- Firms were less likely to apply for PPP loans in 2021 than in 2020, but when they did apply, firms owned by people of color were less likely than white-owned firms to report receiving the full amount of funding for which they applied. While 70% of white-owned firms in 2021 received all of the PPP funding they applied for, the same was true for just 55% Asian-owned firms, 44% of Hispanic-owned firms, and 31% of Black-owned firms.

Firms owned by people of color were more likely to apply for traditional financing than white-owned firms, but they were less likely to receive the funding sought.

- Firms owned by people of color were more likely than white-owned firms to have applied for financing in the 12 months prior to the survey. Compared to white-owned businesses, firms owned by people of color sought smaller amounts of financing.
- Among firms that did not apply for financing—that is, nonapplicant firms—50% of white-owned said the primary reason was that they did not need the funding. Comparatively, just 13% of Black-owned nonapplicants reported that they did not apply because they had sufficient funding, as did 27% and 26% of Asian- and Hispanic-owned firms, respectively. Compared to other firms, Black-owned nonapplicants were more discouraged about their chances of being approved.
- Applicant firms owned by people of color were half as likely as white-owned applicant firms to report that they received all the traditional financing they sought in the 12 months prior to the survey. Specifically, 35% of white-owned applicant firms were fully funded, compared to 19% of Hispanic-owned firms, 16% of Black-owned firms, and 15% of Asian-owned firms. Even among firms with good credit scores, firms owned by people of color were less likely than white-owned firms to have received all of the financing for which they applied.

Applicant firms were more likely to seek loans, lines of credit, and cash advances at large or small banks than at nonbank lenders. However, at both bank and nonbank lenders, firms owned by people of color were less likely than white-owned firms to be approved for financing.

company. The gap in the share of fully approved applicants was narrower—but still present—at large banks (35% of white-owned applicant firms vs. 20% of applicant firms owned by people of color) and at online lenders (31% of white-owned applicant firms vs. 24% of applicant firms owned by people of color).

ABOUT THE SURVEY

The SBCS is an annual survey of firms with fewer than 500 employees. These types of firms represent 99.7% of all employer establishments in the United States.³ Respondents are asked to report information about their business performance, financing needs and choices, and borrowing experiences. Responses to the SBCS provide insights on the dynamics behind lending trends and shed light on various segments of the small business population.

METHODOLOGY

The SBCS uses a convenience sample of establishments. Businesses are contacted by email through a diverse set of organizations that serve the small business community.⁴ Prior SBCS participants are also contacted directly by the Federal Reserve Banks. The survey instrument is an online questionnaire that typically takes 6 to 12 minutes to complete, depending upon 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.

A sample for the SBCS is not selected randomly; thus, the SBCS may be subject to biases not present with surveys that do sample firms randomly. For example, there are likely small employer firms not on our contact lists, a situation which could lead to noncoverage bias. To control for potential

3 US Census Bureau, *County Business Patterns*, 2019.

4 For more information on partnerships, please visit www.fedsmallbusiness.org/partnership.

EXECUTIVE SUMMARY

(Continued)

biases, the sample data are weighted so 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, geographic location (census division and urban or rural location), gender of owner(s), and race or ethnicity of owner(s). The weighting methodology was developed in collaboration with the National Opinion Research Center (NORC) at the University of Chicago. The data used to construct the weights originate from the US Census Bureau. For more information on the report and weighting methodology, please refer to the Small Business Credit Survey 2022 Report on Employer Firms Methodology section.

Whenever this report refers to "Asian," "Black," "Hispanic," or "white," the report and the data refer to the race and ethnicity of the majority of the firms' ownership: non-Hispanic Asian-owned, non-Hispanic Black-owned, Hispanic- or Latino-owned, or non-Hispanic white-owned. When this report refers to "firms of color" or "firms owned by people of color," the data refer to firms for which more than 50% of a firm's ownership is Asian, Black, or Hispanic. When specified, firms owned by people of color will also include majority Native American ownership. Consistent with the approach taken by the US Census Bureau, in cases where a firm is owned equally by owners who are white and owners who are from a racial or ethnic minority group, or in cases in which at least half of the firm is owned by another entity (for example, shareholders or a trust), that firm is classified as "white." When observation counts are too low to provide reliable estimates for specific race or ethnicity categories, results are displayed only for categories with sufficiently high counts or for firms of color collectively.

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 conditions at the time of their response, or how conditions at that point in time compare to a prior reference period. Finally, some questions ask about respondents' expectations in the 12 months following the time of their response. The time periods referenced in the survey are defined as follows:

Prior 12 Months. The 12 months prior to the fielding of the survey. For the 2021 SBCS, this is approximately September–November 2020 through September–November 2021.

At Time of Survey. September through November 2021.

Next 12 Months. The 12 months following the fielding of the survey. For the 2021 SBCS, this is approximately September–November 2021 through September–November 2022.

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.¹ 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 application 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, equipment dealers, 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.

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 weaker score 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.

¹ See [SBCS questionnaire](#) for more details.

PERFORMANCE AND CHALLENGES

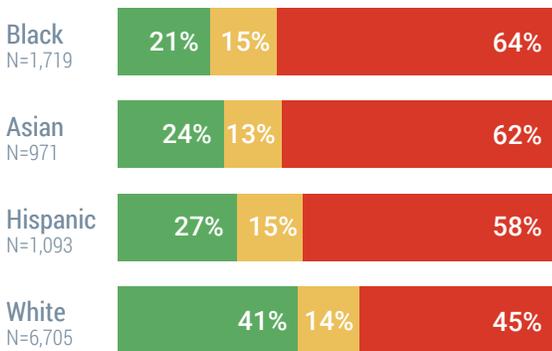
Revenue and Employment Change, Prior 12 Months

While revenue performance improved year over year across all employer firms, firms owned by people of color were more likely than white-owned firms to report declines in revenue and employment in the prior 12 months.

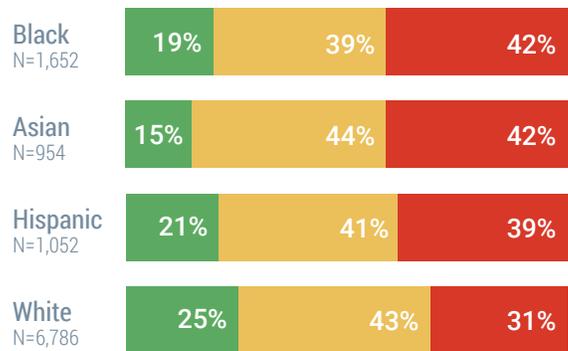
EMPLOYER FIRM PERFORMANCE¹ (% of employer firms)

■ Increased ■ No change ■ Decreased

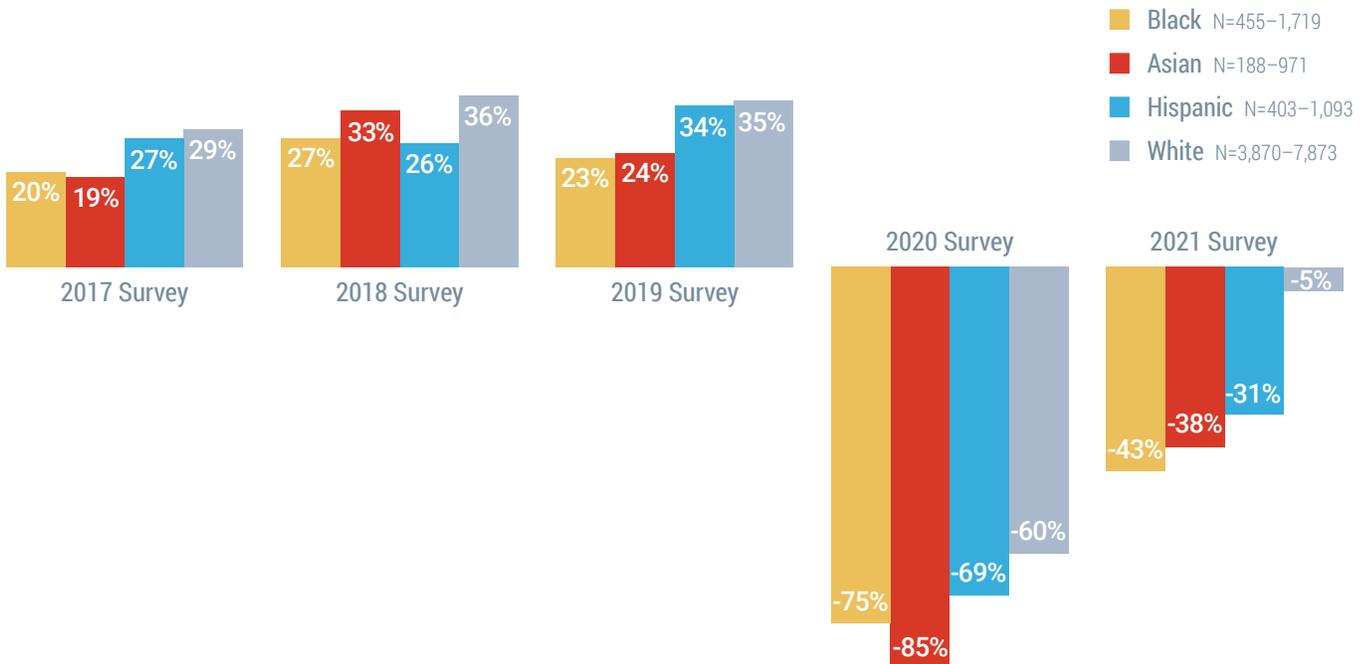
REVENUE CHANGE, Prior 12 Months



EMPLOYMENT CHANGE, Prior 12 Months



EMPLOYER FIRM REVENUE GROWTH INDEX, Prior 12 Months^{1,2} (% of employer firms)



¹ See *Notes and Definitions* on page iv for descriptions of the time periods referenced in the SBCS. Percentages may not sum to 100 because of rounding.
² The index is the share reporting an increase minus the share reporting a decrease. Number of observations varies by year.

PERFORMANCE AND CHALLENGES

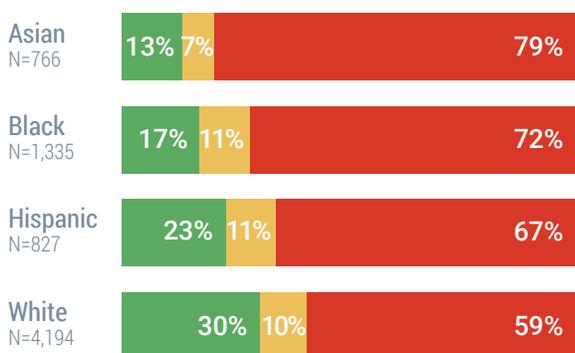
Revenue and Employment Change Since 2019 and Effects of the Pandemic

Overall, the pandemic has had more negative effects on firms owned by people of color than on white-owned firms, including greater reductions to their revenue and employment.

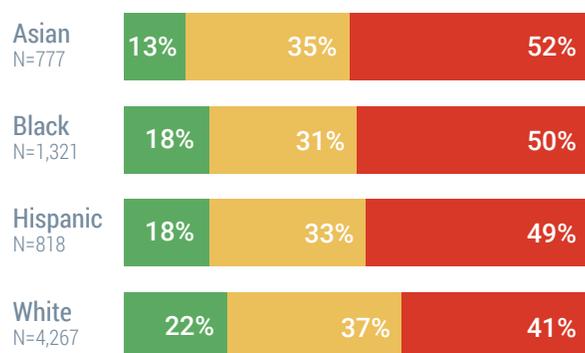
EMPLOYER FIRM REVENUE AND EMPLOYMENT CHANGE SINCE 2019^{1,2} (% of employer firms)

■ Increased ■ No change ■ Decreased

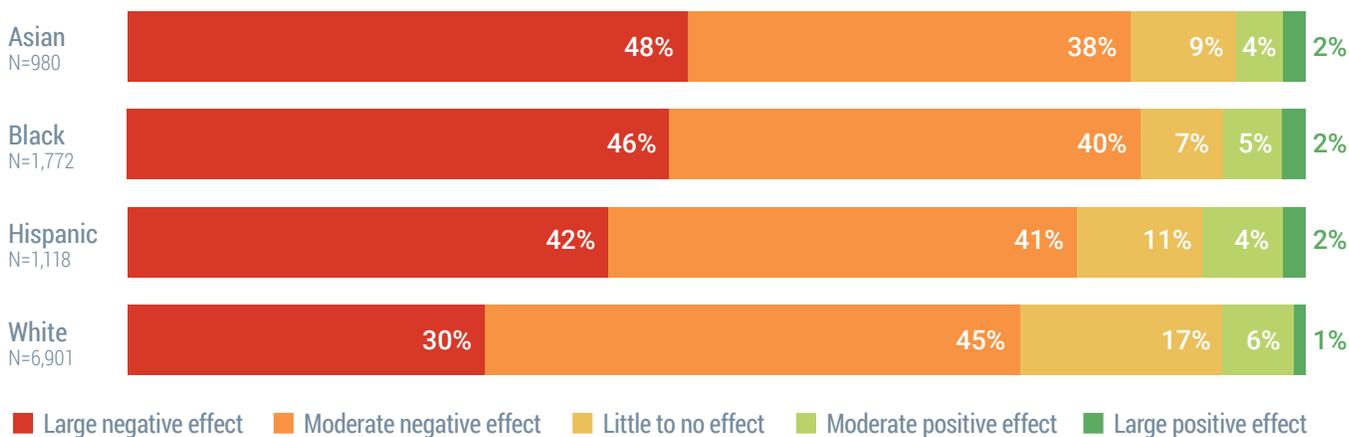
REVENUE CHANGE



EMPLOYMENT CHANGE



EFFECTS OF THE PANDEMIC ON BUSINESS, At Time of Survey² (% of employer firms)



1 If their business was established in 2019 or earlier, respondents were asked to compare their revenue and employment levels at the time of the survey to the same time in 2019.
 2 Percentages may not sum to 100 because of rounding. See [Notes and Definitions](#) on page iv for descriptions of the time periods referenced in the SBCS.

PERFORMANCE AND CHALLENGES

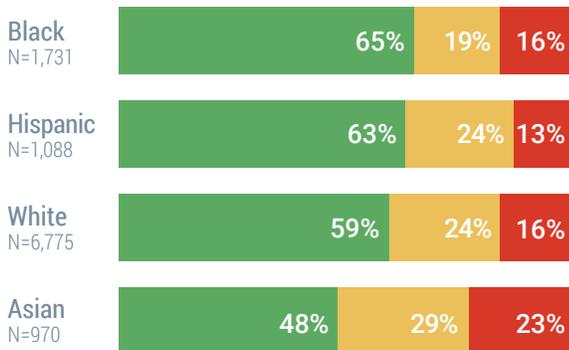
Revenue and Employment Expectations, Next 12 Months

Overall, firms were more optimistic about future revenue and employment growth than they were in 2020. In 2021, Asian-owned firms were less likely than other firms to expect growth in the next 12 months.

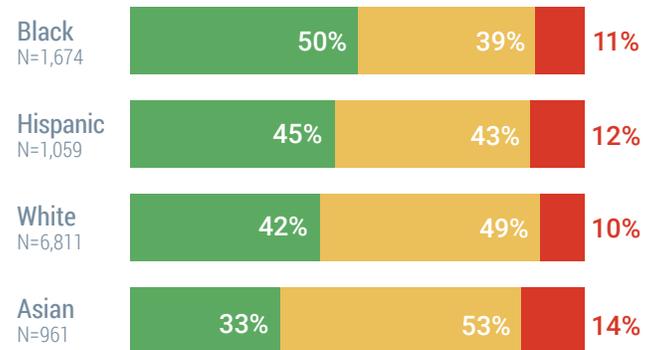
EMPLOYER FIRM EXPECTATIONS, 2021 Survey^{1,2} (% of employer firms)

■ Will increase ■ No change ■ Will decrease

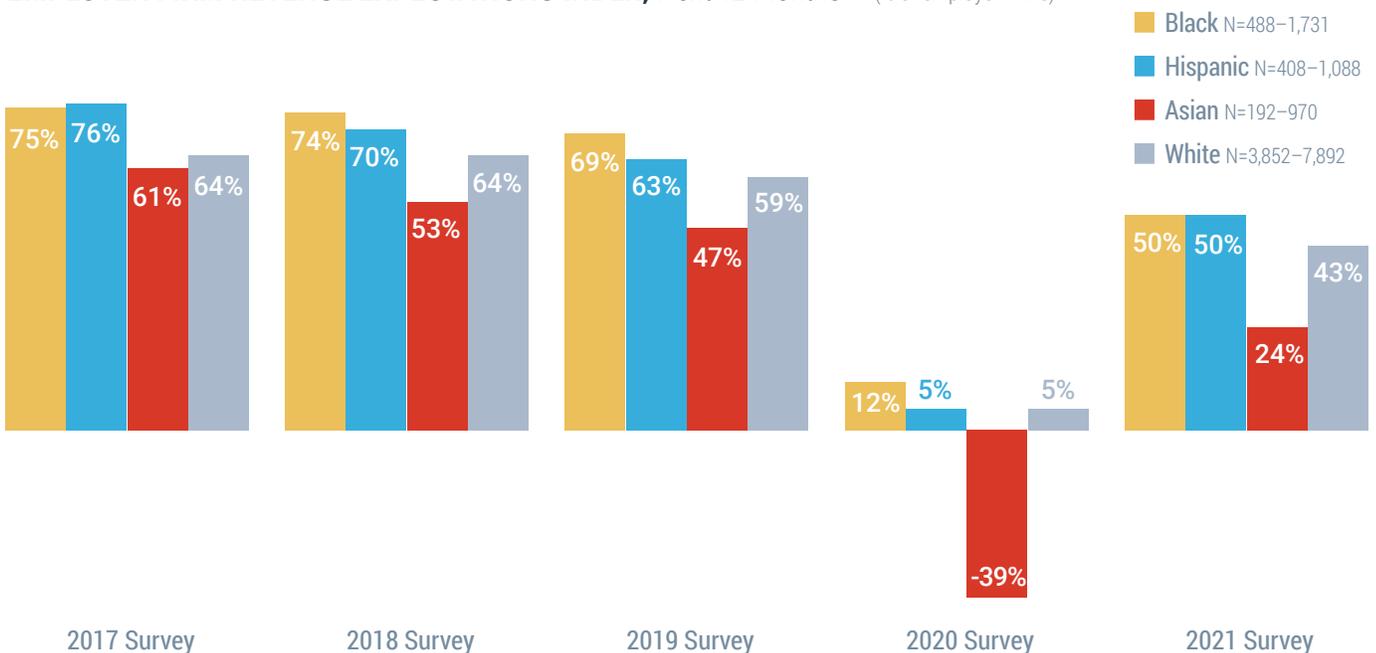
EXPECTED REVENUE CHANGE, Next 12 Months



EXPECTED EMPLOYMENT CHANGE, Next 12 Months



EMPLOYER FIRM REVENUE EXPECTATIONS INDEX, Next 12 Months^{2,3} (% of employer firms)



1 Percentages may not sum to 100 because of rounding.

2 See Notes and Definitions on page iv for descriptions of the time periods referenced in the SBCS.

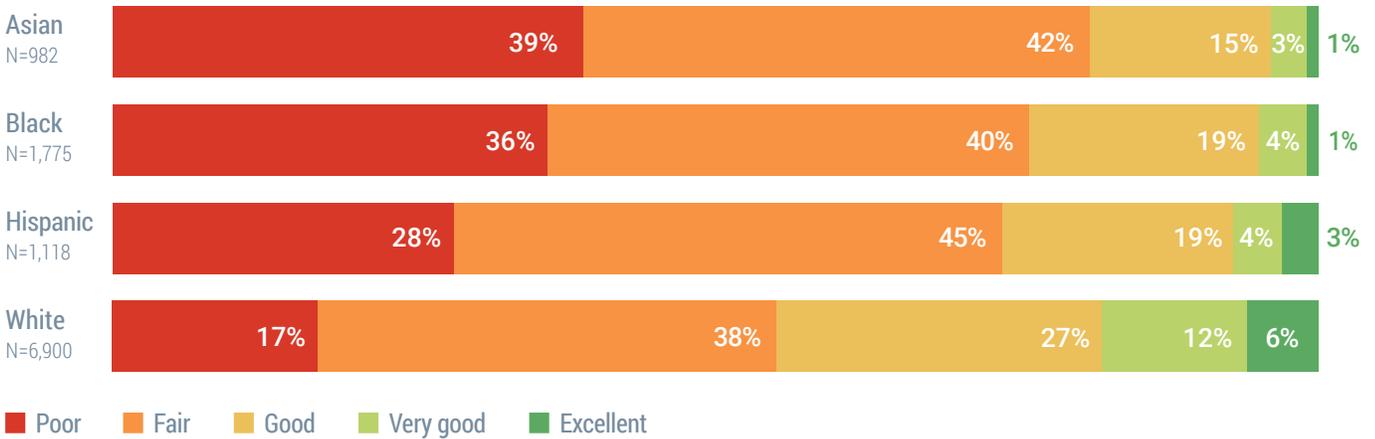
3 The index is the share reporting expected growth minus the share reporting expected declines. Number of observations varies by year.

PERFORMANCE AND CHALLENGES

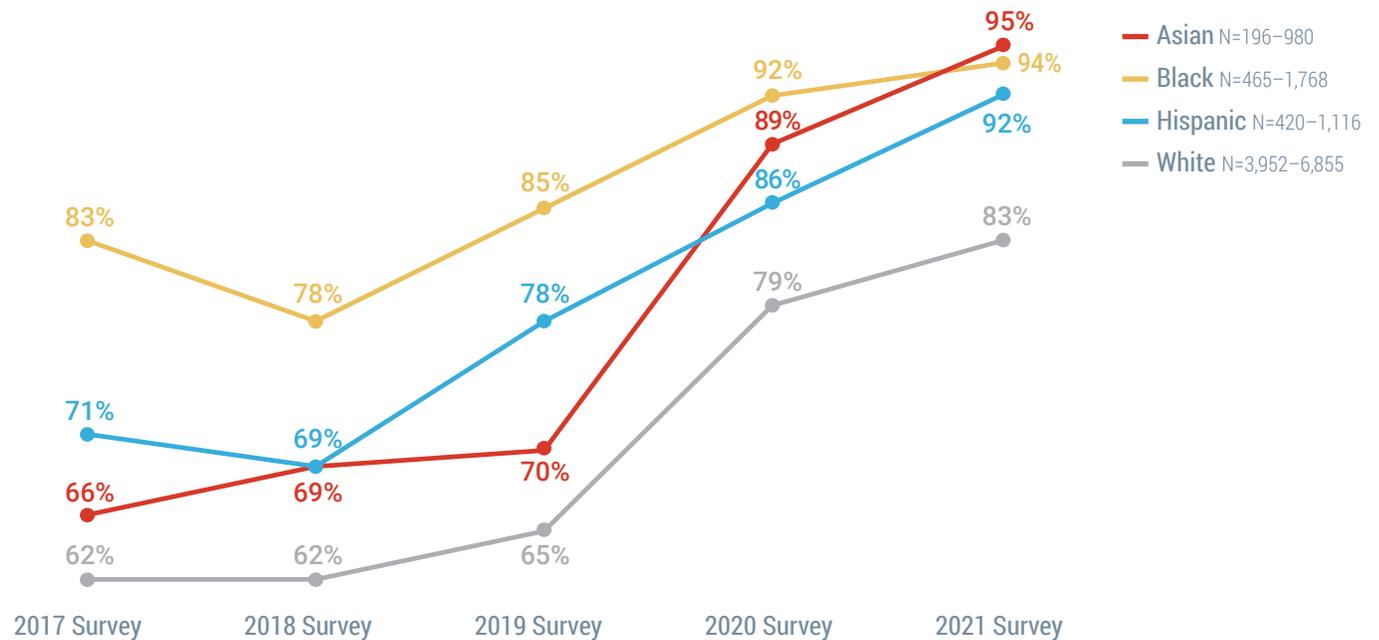
Financial Condition and Challenges

Asian- and Black-owned firms were more than twice as likely as white-owned firms to be in poor financial condition at the time of the survey.

FINANCIAL CONDITION, At Time of Survey^{1,2} (% of employer firms)



SHARE OF FIRMS WITH FINANCIAL CHALLENGES, Prior 12 Months² (% of employer firms)



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

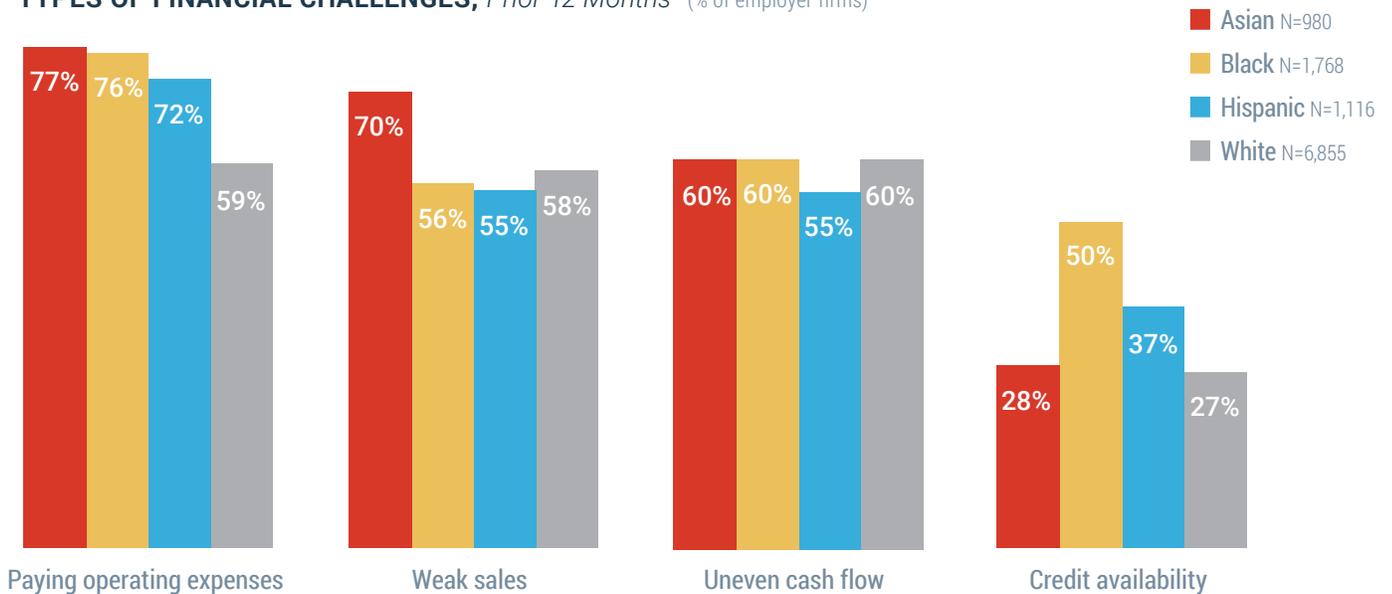
2 See *Notes and Definitions* on page iv for descriptions of the time periods referenced in the SBCS. Number of observations varies by year.

PERFORMANCE AND CHALLENGES

Financial Challenges and Responses, Prior 12 Months

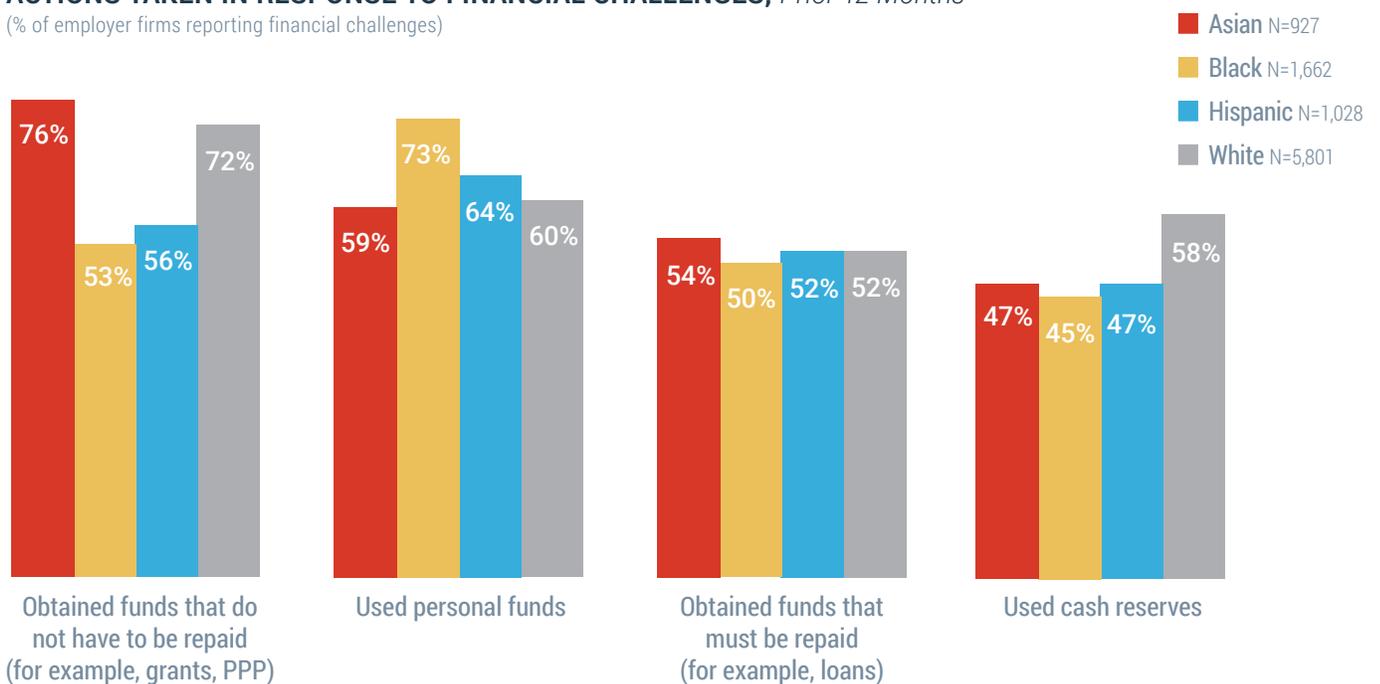
Asian-owned firms were more likely than other firms to report weak sales as a financial challenge; Black-owned firms were more likely than others to say credit availability was a concern.

TYPES OF FINANCIAL CHALLENGES, Prior 12 Months¹ (% of employer firms)



ACTIONS TAKEN IN RESPONSE TO FINANCIAL CHALLENGES, Prior 12 Months^{1,2}

(% of employer firms reporting financial challenges)



1 See *Notes and Definitions* on page iv for descriptions of the time periods referenced in the SBCS. Respondents could select multiple options. Select response options shown.

2 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.

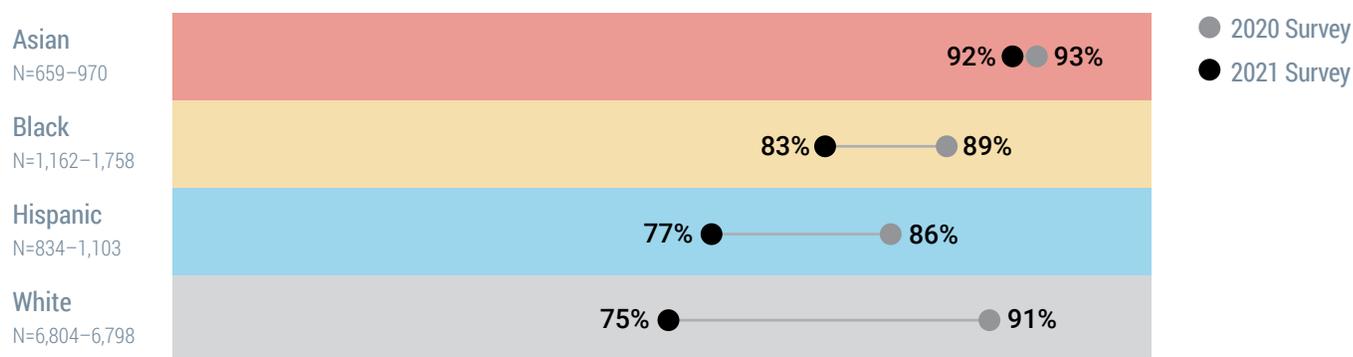
PANDEMIC-RELATED FINANCIAL ASSISTANCE

Funding Sought and Received

In 2021, firms continued to rely on pandemic-related financial assistance, including the Paycheck Protection Program (PPP), Economic Injury Disaster Loans (EIDL), and other federal, state, and local funding programs. With the exception of Asian-owned firms—which were more likely than other firms to experience revenue declines through the pandemic—the share of firms that sought financial assistance in 2021 declined considerably from 2020.

SHARE OF FIRMS THAT SOUGHT PANDEMIC-RELATED FINANCIAL ASSISTANCE, *Prior 12 Months*¹

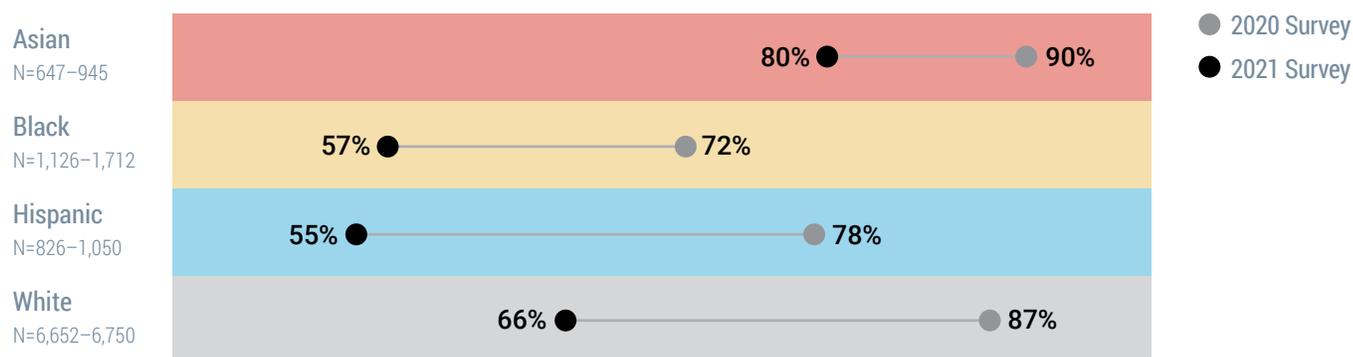
(% of employer firms)



The share of firms that received some form of financial assistance declined for all firms. Hispanic- and Black-owned firms were less likely than other firms to have received assistance in the prior 12 months.

SHARE OF FIRMS THAT RECEIVED PANDEMIC-RELATED FINANCIAL ASSISTANCE, *Prior 12 Months*¹

(% of employer firms)



¹ "Financial assistance" includes all forms of pandemic-related financial assistance (for example, PPP, EIDL, state/local loan and grant programs). See [Notes and Definitions](#) on page iv for descriptions of the time periods referenced in the SBCS. Number of observations varies by year; number of observations from 2020 survey shown first.

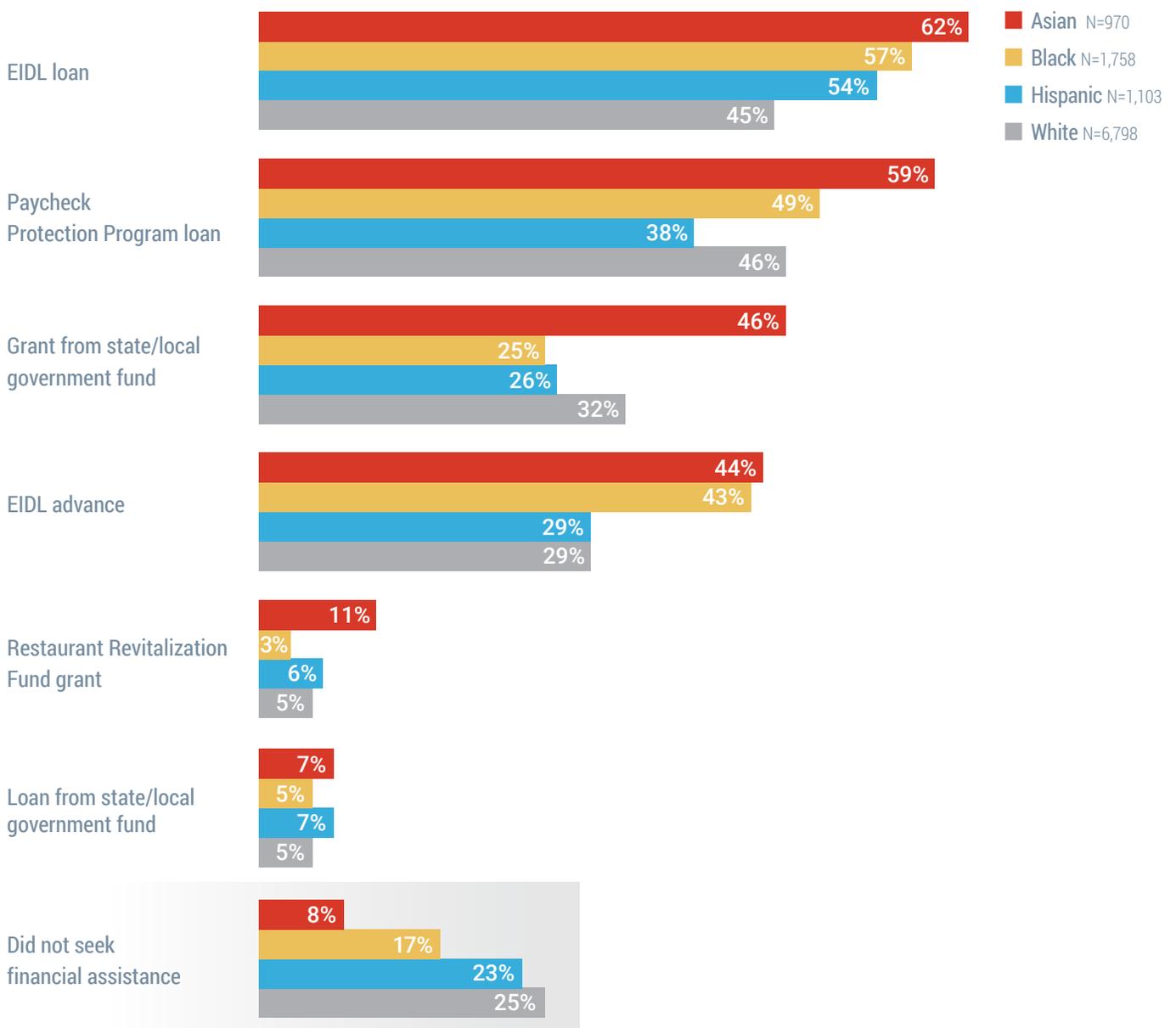
PANDEMIC-RELATED FINANCIAL ASSISTANCE

Funding Applications

EIDL and PPP loans were the most commonly sought forms of pandemic-related financial assistance. Firms owned by people of color were more likely than white-owned firms to seek EIDL loans.

TYPES OF FINANCIAL ASSISTANCE SOUGHT, Prior 12 Months¹

(% of employer firms that sought assistance)



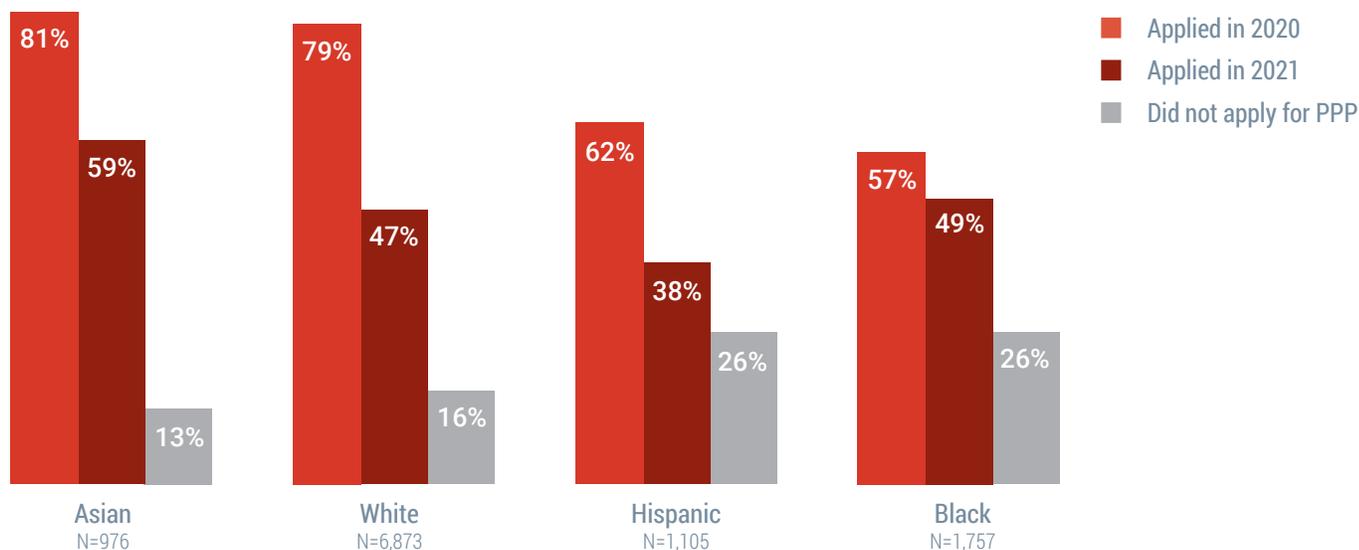
¹ The Paycheck Protection Program (PPP), Economic Injury Disaster Loan (EIDL), and Restaurant Revitalization Fund are administered by the US Small Business Administration. "Other" programs, not shown, include Shuttered Venue Operator grants, grants from nonprofits or foundations, and other corporate-sponsored funding programs. While PPP loans were available only until May of 2021, applicants could seek EIDL funds—including expansions of outstanding EIDL loans—until the end of 2021. Respondents could select multiple options. See [Notes and Definitions](#) on page iv for descriptions of the time periods referenced in the SBCS.

PANDEMIC-RELATED FINANCIAL ASSISTANCE

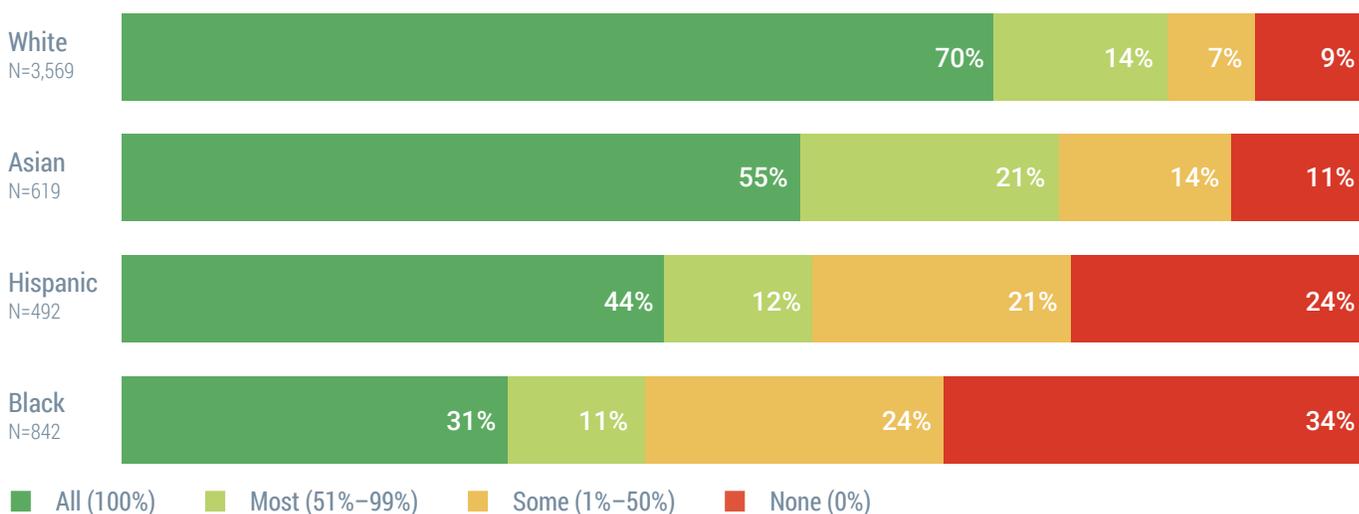
PPP Applications and Outcomes

Since the onset of the pandemic in 2020, Asian-owned firms were more likely than other firms to have applied for PPP loans. In 2021, white-owned applicant firms were most likely to have been approved for all the PPP funding they sought.

PPP APPLICATIONS, 2020 and 2021¹ (% of employer firms)



PPP FUNDING RECEIVED, AS A SHARE OF AMOUNT SOUGHT BY APPLICANTS, 2021 Survey² (% of PPP applicants)



1 The shares of firms that applied for PPP in 2020 were drawn from the 2021 survey. Previous findings on PPP application rates from the 2020 survey are not directly comparable because of differences in the samples for the two survey years.
 2 Percentages may not sum to 100 because of rounding.

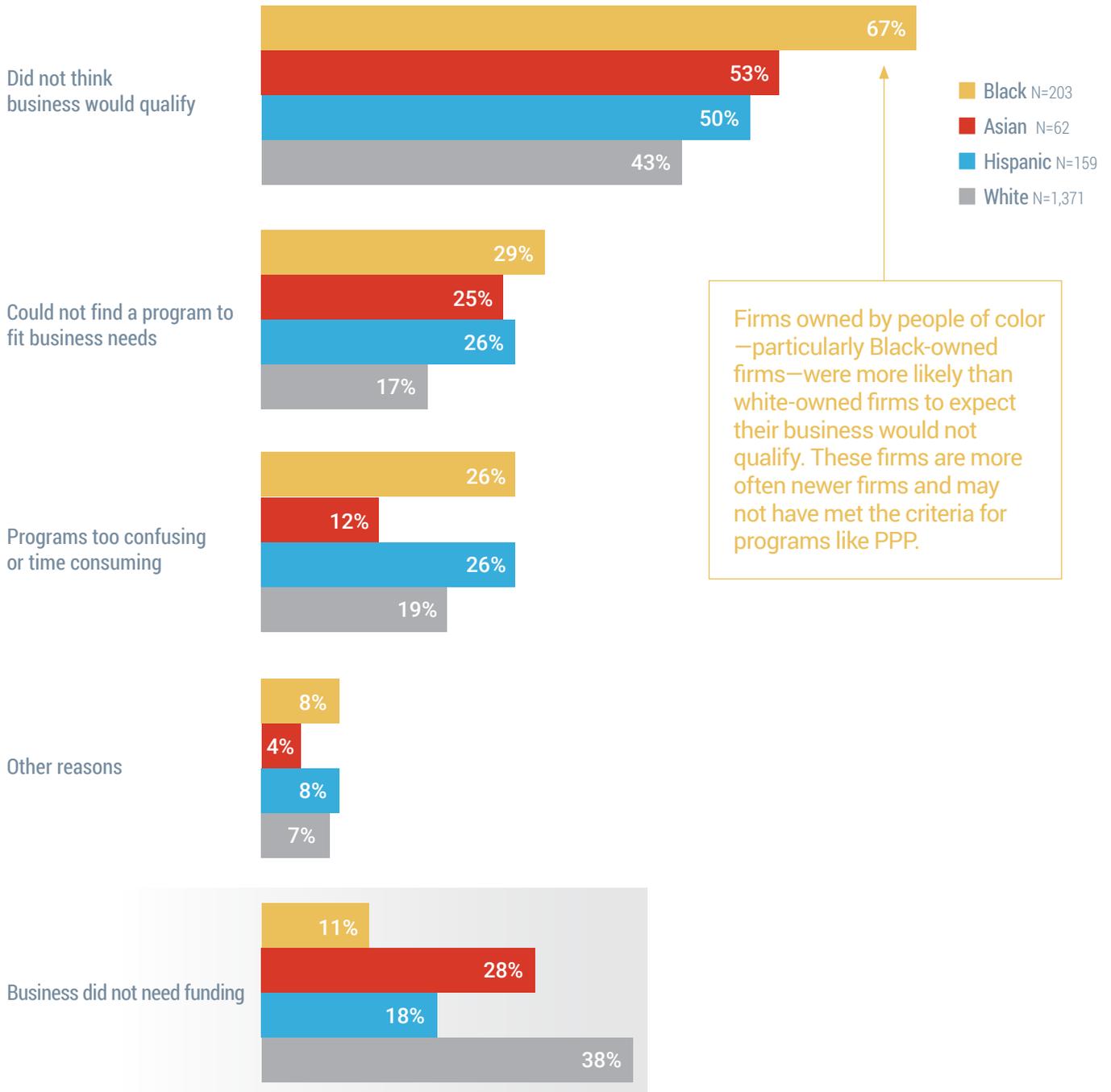
PANDEMIC-RELATED FINANCIAL ASSISTANCE

Nonapplicants

Firms owned by people of color were more likely than white-owned firms to say they did not apply for financial assistance because they did not expect the business would qualify or because they could not find a suitable program.

REASONS FIRMS DID NOT SEEK FINANCIAL ASSISTANCE, Prior 12 Months¹

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



¹ See *Notes and Definitions* on page iv for descriptions of the time periods referenced in the SBCS. Respondents could select multiple options.

DEBT AND FINANCING

Debt Outstanding and Demand for Financing

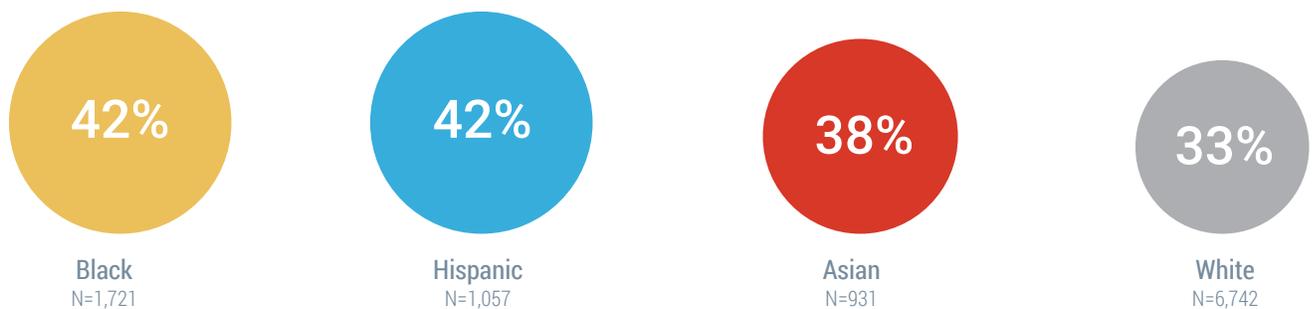
Hispanic-owned firms were more likely than other firms to have debt; however, more than a third owed less than \$50,000.

AMOUNT OF DEBT, At Time of Survey^{1,2} (% of employer firms)



Firms owned by people of color were more likely than white-owned firms to have applied for traditional financing—which excludes pandemic-related assistance programs—in the prior 12 months.

SHARE THAT APPLIED FOR FINANCING, Prior 12 Months^{2,3} (% of employer firms)



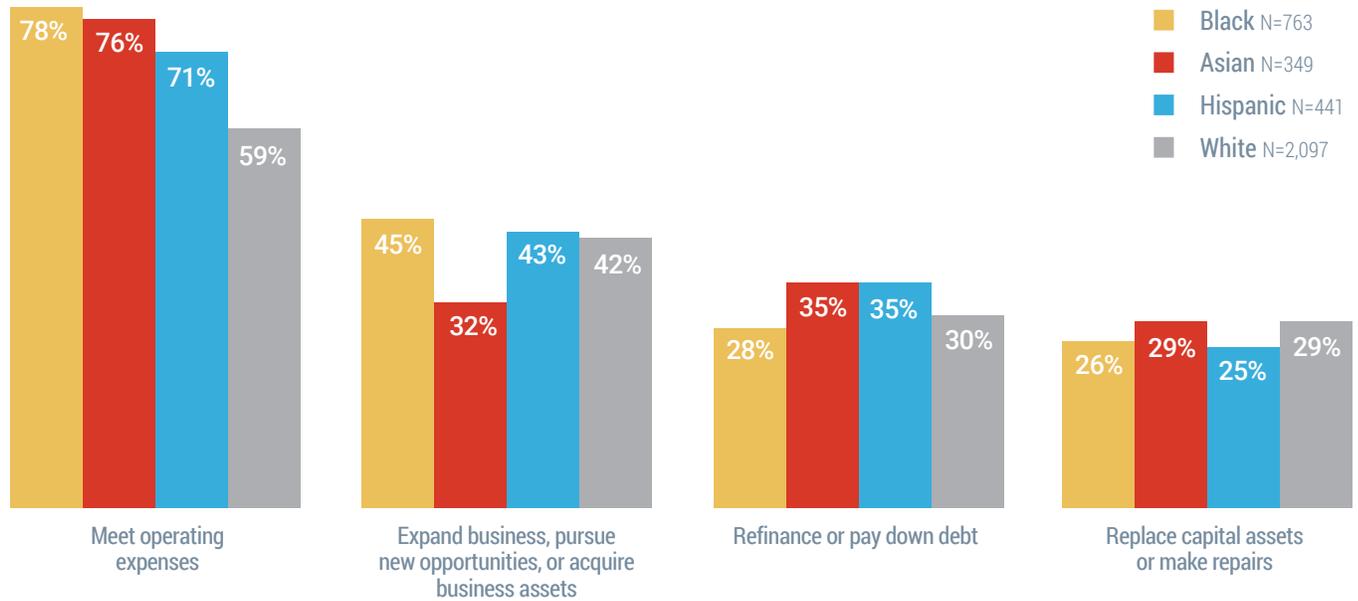
1 Respondents were instructed to exclude loans they expected would be forgiven from their outstanding debt (for example, PPP loans). Categories have been simplified for readability. Actual categories are ≤\$25K, \$25,001–\$50K, \$50,001–\$100K, \$100,001–\$250K, \$250,001–\$1M, and >\$1M. Percentages may not sum to 100 because of rounding.
 2 See *Notes and Definitions* on page iv for descriptions of the time periods referenced in the SBCS.
 3 Excludes pandemic-related financial assistance applications. Respondents were asked first about their applications for pandemic-related financial assistance; they then were asked to exclude these financial assistance applications from subsequent responses on the applications for financing.

DEBT AND FINANCING

Demand for Financing, Prior 12 Months

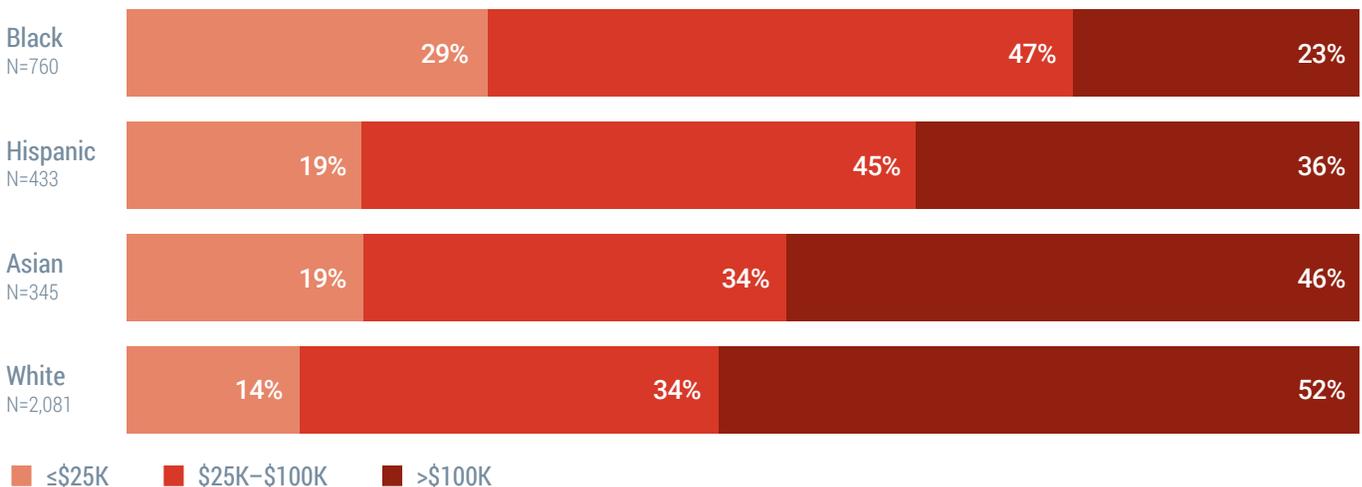
Overall, firms most often sought financing to cover their operating expenses. Asian-owned firms were less likely than other firms to have sought funds for expansion.

REASONS FOR APPLYING FOR FINANCING, Prior 12 Months^{1,2} (% of applicants)



Firms owned by people of color—especially Black-owned firms—sought smaller amounts of financing than white-owned firms.

TOTAL AMOUNT OF FINANCING SOUGHT, Prior 12 Months^{2,3} (% of applicants)



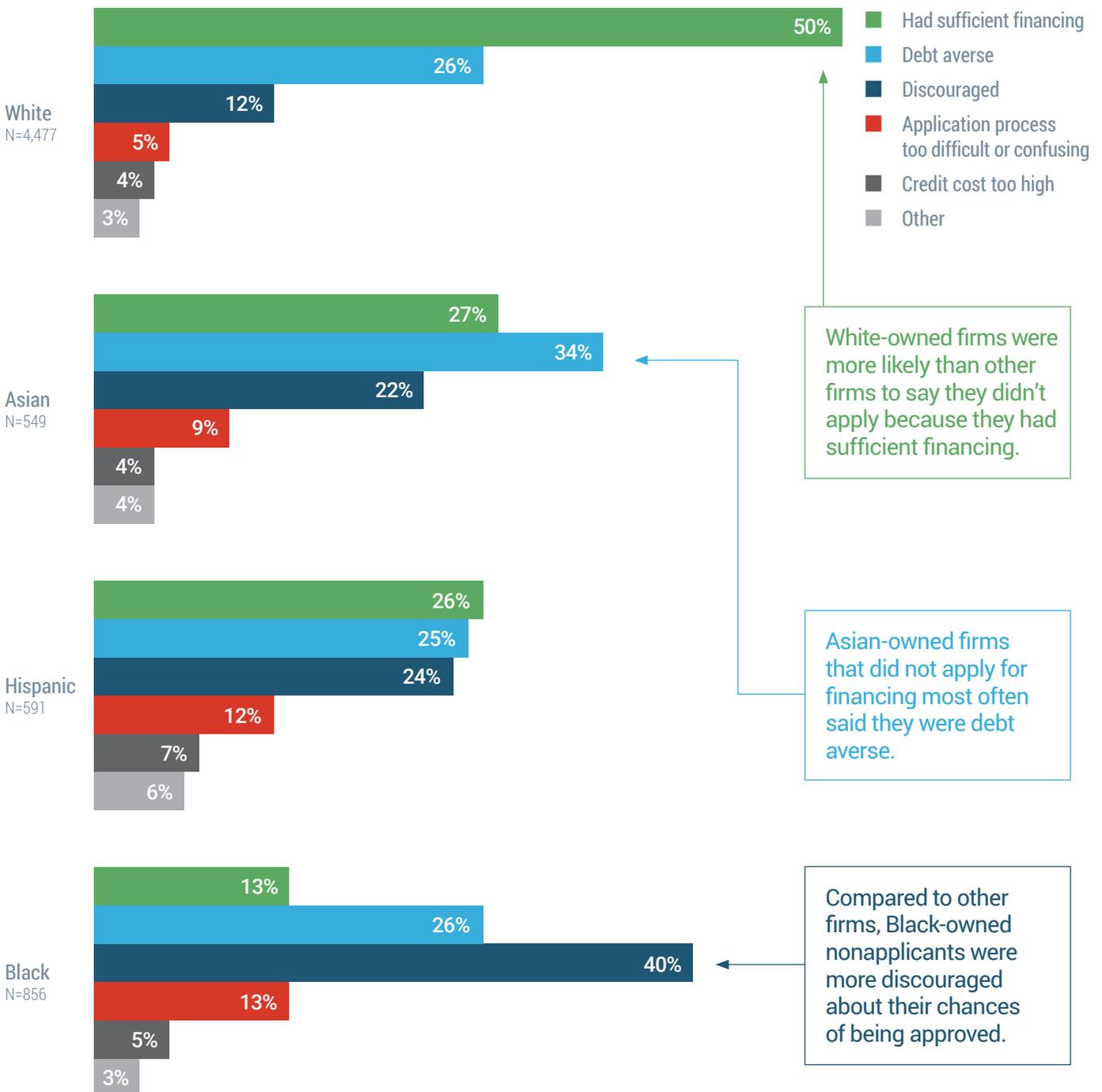
1 Respondents could select multiple options. Response option "other" not shown. See Appendix for more details.
 2 See Notes and Definitions on page iv for descriptions of the time periods referenced in the SBCS.
 3 Categories have been condensed and simplified for readability. Actual response options are ≤\$25K, \$25,001–\$50K, \$50,001–\$100K, \$100,001–\$250K, \$250,001–\$1M, >\$1M. Percentages may not sum to 100 because of rounding.

DEBT AND FINANCING

Nonapplicants

Among nonapplicants—firms that did not apply for financing in the prior 12 months—more than half of firms needed funding but opted not to apply. Their reasons varied by the owners' race and ethnicity.

TOP REASONS FIRMS DID NOT APPLY FOR FINANCING¹ (% of nonapplicants)



¹ Respondents could select multiple options. Discouraged firms are those that did not apply for financing because they believed they would be turned down.

DEBT AND FINANCING

Financing Needs and Outcomes

FUNDING NEEDS AND OUTCOMES

To gauge funding success and shortfalls, we combine applicants' financing outcomes and nonapplicants' reasons for not applying.

Firms that had their funding needs met include

- 1) Applicant firms that received the full amount of financing sought
- 2) Nonapplicant firms that did not apply for financing because they already had sufficient financing

Firms that did not have their funding needs met include

- 1) Applicant firms that did not obtain the full amount of financing sought
- 2) Nonapplicant firms that needed funds but chose not to apply

When applicant firms did not obtain the full amount of financing sought, we consider them to have a funding shortfall. When nonapplicant firms needed funds but chose not to apply, we consider them to have unmet funding needs.

Close to one in three firms owned by people of color reported a financing shortfall, compared to just one in five white-owned firms.

White-owned firms were twice as likely as Asian- and Hispanic-owned firms and three times as likely as Black-owned firms to have their financing needs met.

Half of Black-owned firms reported unmet funding needs, compared to 45% of Asian-owned firms, 44% of Hispanic-owned firms, and 34% of white-owned businesses.

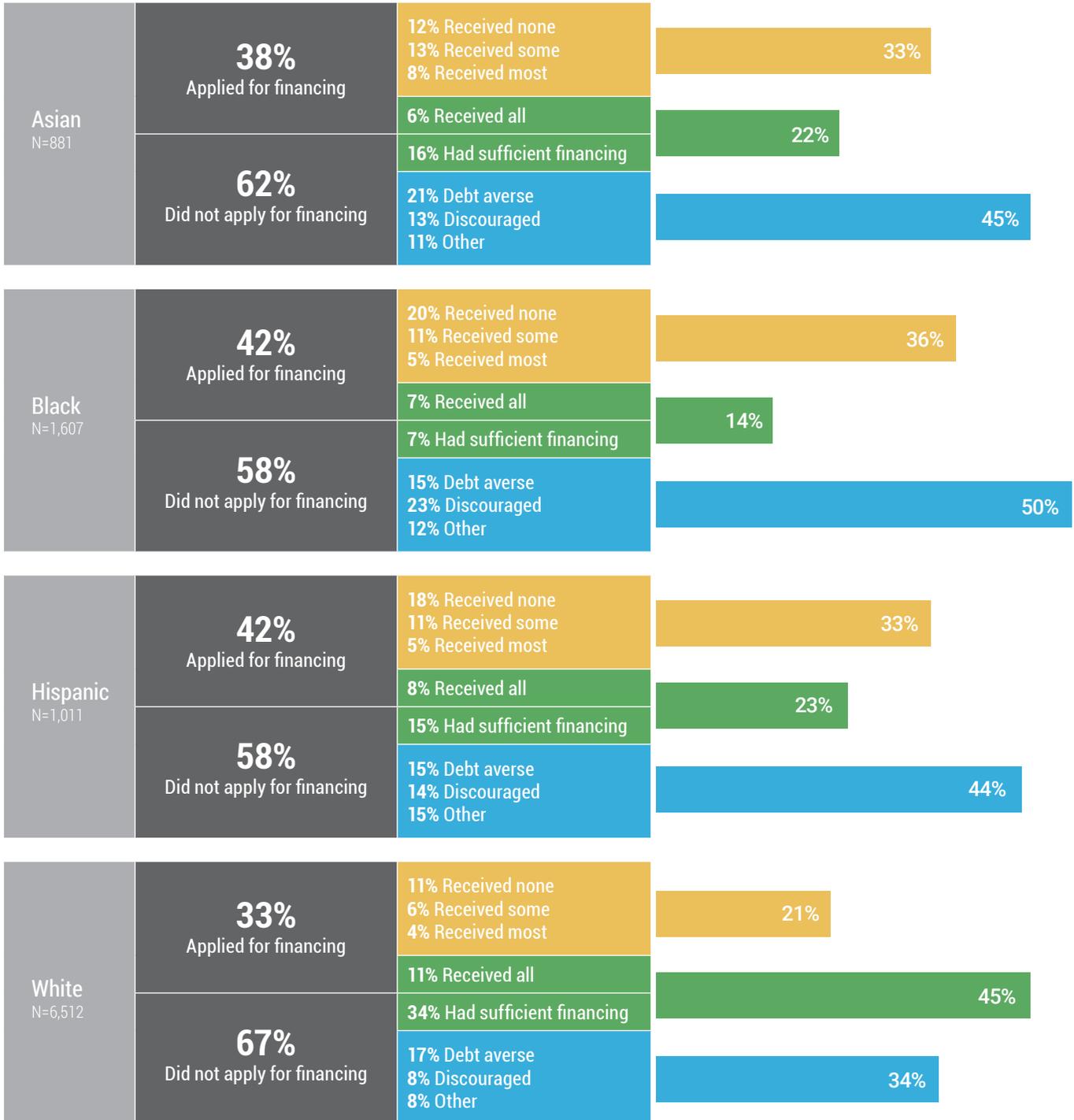
See chart on next page

DEBT AND FINANCING

Financing Needs and Outcomes (Continued)

FUNDING NEEDS AND OUTCOMES, Prior 12 Months¹ (% of employer firms)

■ Had a financial shortfall
 ■ Financing needs met
 ■ Have unmet funding needs



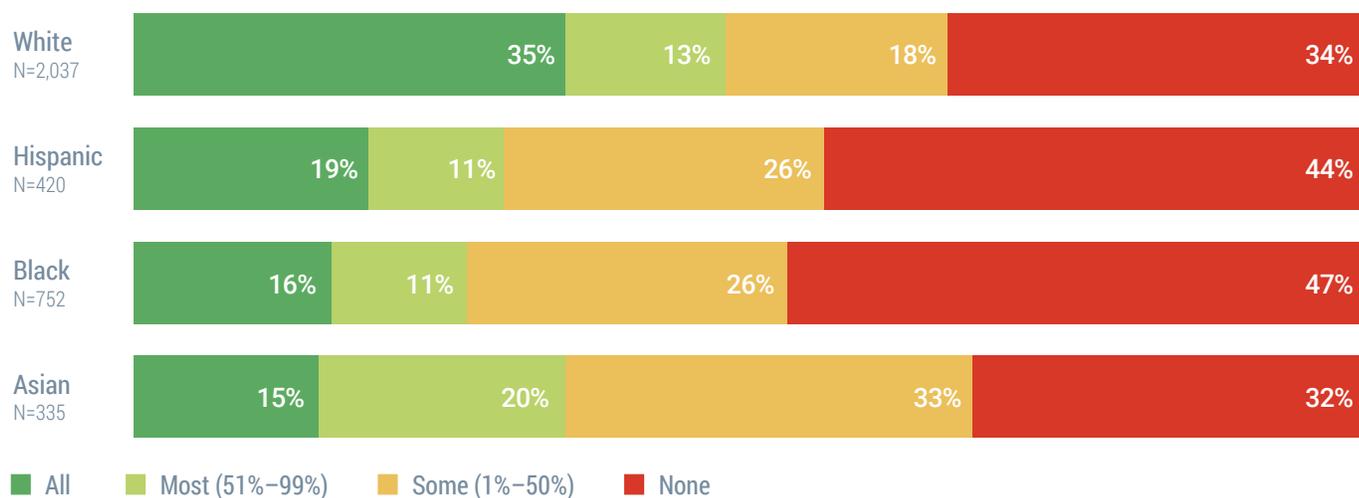
¹ Excludes pandemic-related financial assistance applications. See *Notes and Definitions* on page iv for descriptions of the time periods referenced in the SBSCS. Discouraged firms are those that did not apply for financing because they believed they would be turned down. Response option "other" includes "credit cost was too high," "application process was too difficult or confusing," and "other." Percentages may not sum to combined shares shown because of rounding.

DEBT AND FINANCING

Financing Received

Applicant firms owned by people of color were about half as likely as white-owned applicant firms to receive all of the financing they sought.

TOTAL FINANCING RECEIVED¹ (% of applicants)

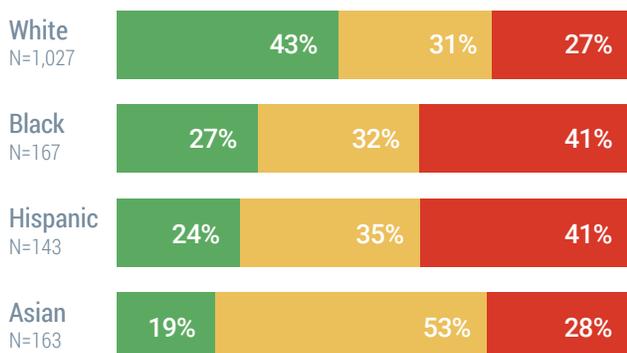


Among low-credit-risk applicants, firms owned by people of color were less likely than white-owned firms to receive all the financing they sought.

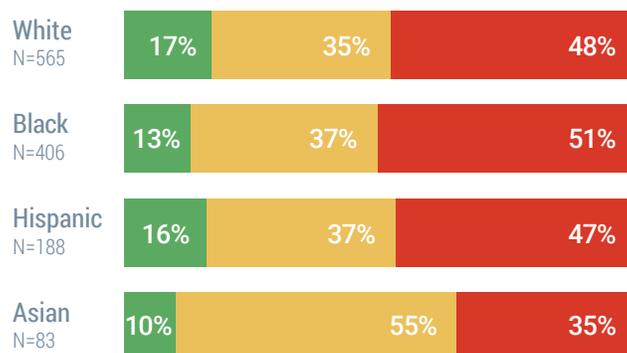
TOTAL FINANCING RECEIVED BY CREDIT RISK OF FIRM^{1,2} (% of applicants)

■ All ■ Most/Some ■ None

LOW CREDIT RISK



MEDIUM/HIGH CREDIT RISK



¹ Percentages may not sum to 100 because of rounding. Excludes pandemic-related financial assistance applications.

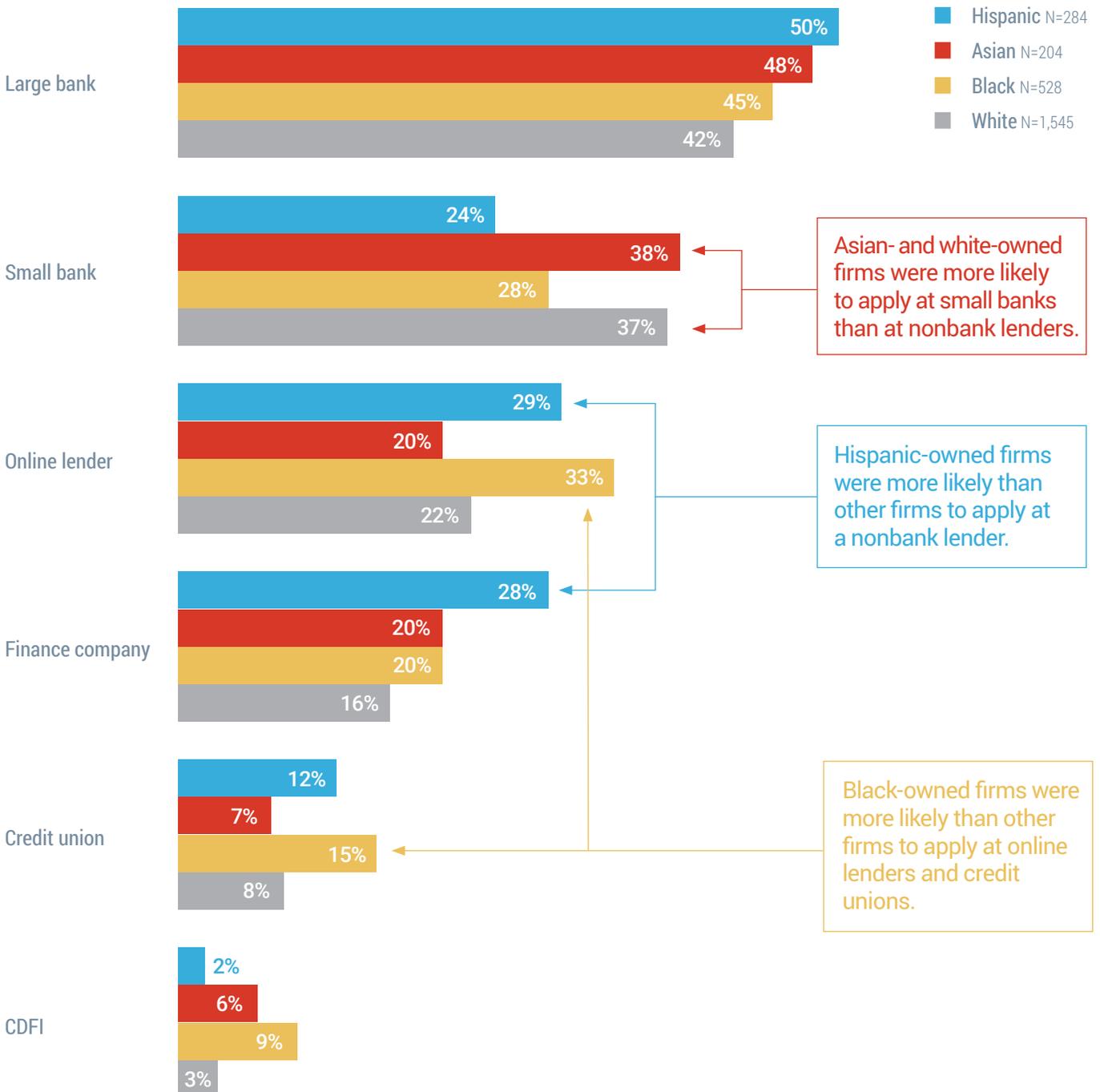
² See [Notes and Definitions](#) on page iv for details on credit risk definitions used in the SBCE.

FINANCING APPLICATIONS

Loan/Line of Credit/Cash Advance Sources

Across firm categories, applicants were most likely to apply for financing at large banks.

CREDIT SOURCES APPLIED TO¹ (% of loan, line of credit, and cash advance applicants)



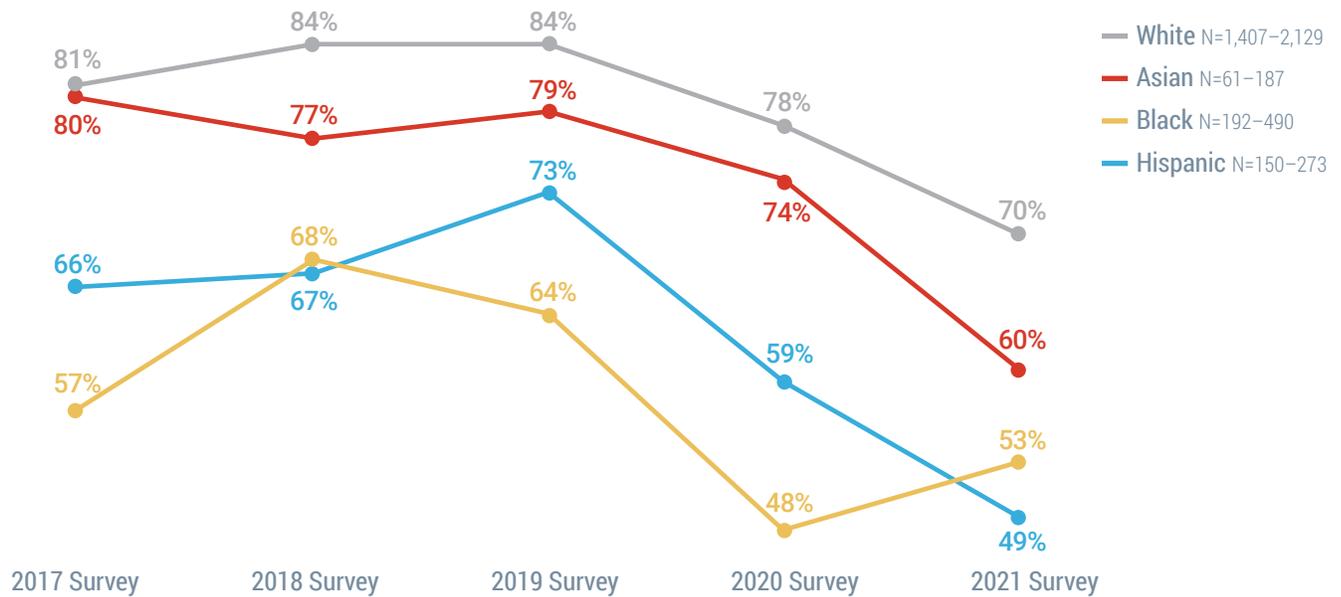
¹ See *Notes and Definitions* on page iv for details on lender descriptions used in the SBCS. Respondents could select multiple options. Excludes pandemic-related financial assistance applications. Response option "other" not shown in chart. See *Appendix* for more details.

FINANCING APPLICATIONS

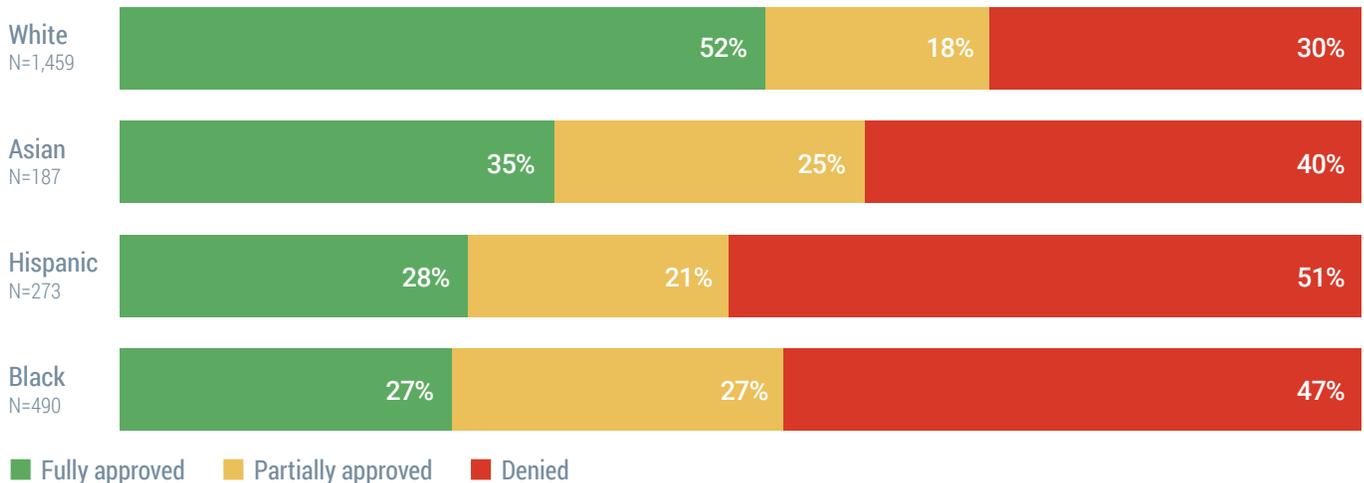
Loan/Line of Credit/Cash Advance Approvals

Since the onset of the pandemic, approval rates on loan, line of credit, and cash advance applications have declined across firm categories. Firms owned by people of color remain less likely than white-owned firms to be approved.

SHARE OF LOAN, LINE OF CREDIT, AND CASH ADVANCE APPLICANTS THAT WERE AT LEAST PARTIALLY APPROVED, By Survey Year^{1,2} (% of loan, line of credit, and cash advance applicants)



OUTCOMES OF LOAN, LINE OF CREDIT, AND CASH ADVANCE APPLICATIONS, 2021 Survey^{2,3} (% of loan, line of credit, and cash advance applicants)



1 Number of observations varies by year.
 2 Excludes pandemic-related financial assistance applications. See [Notes and Definitions](#) on page iv for descriptions of the time periods referenced in the SBCS.
 3 Percentages may not sum to 100 because of rounding.

FINANCING APPLICATIONS

Loan/Line of Credit/Cash Advance Approvals By Source

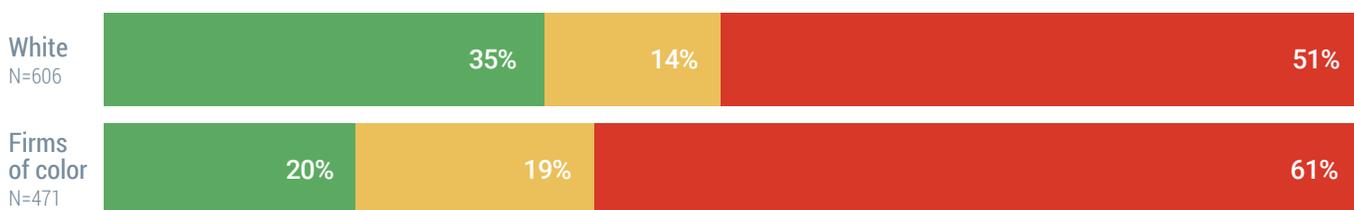
Firms owned by people of color were less likely than white-owned firms to be approved for loans, lines of credit, and cash advances across banks and non-bank lenders. White-owned firms were twice as likely to be fully approved at small banks and more than twice as likely at finance companies.

OUTCOMES OF LOAN, LINE OF CREDIT, AND CASH ADVANCE APPLICATIONS, *By Source*¹

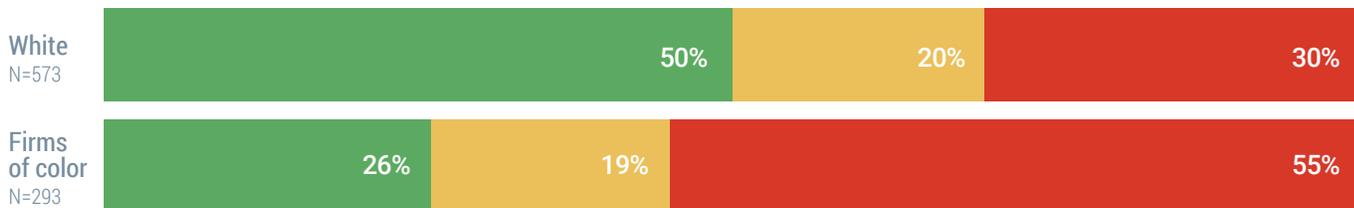
(% of loan, line of credit, and cash advance applicants)

■ Fully approved ■ Partially approved ■ Denied

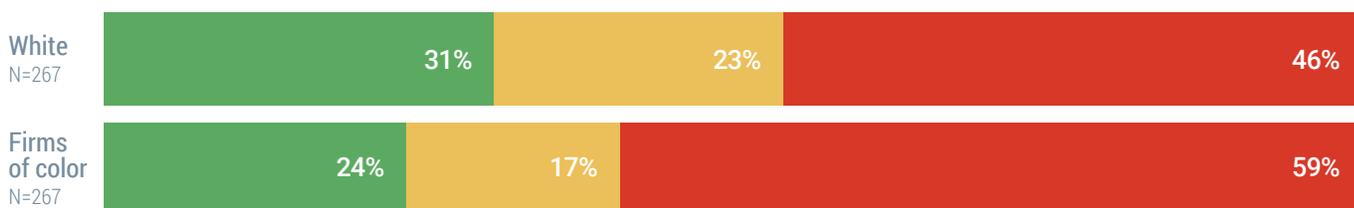
Large bank



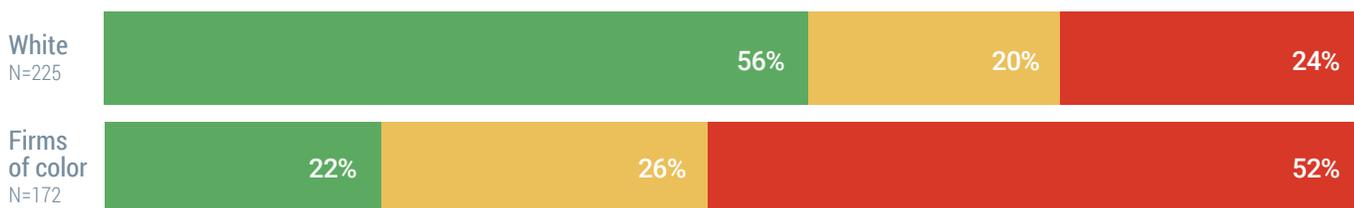
Small bank



Online lender



Finance company



¹ For this chart, "firms of color" includes Native American-owned firms, in addition to Black-, Asian-, and Hispanic-owned firms. Credit union and CDFI outcomes not included because of insufficient sample size. See *Notes and Definitions* on page iv for details on lender descriptions used in the SBSCS. Excludes pandemic-related financial assistance applications. Percentages may not sum to 100 because of rounding.

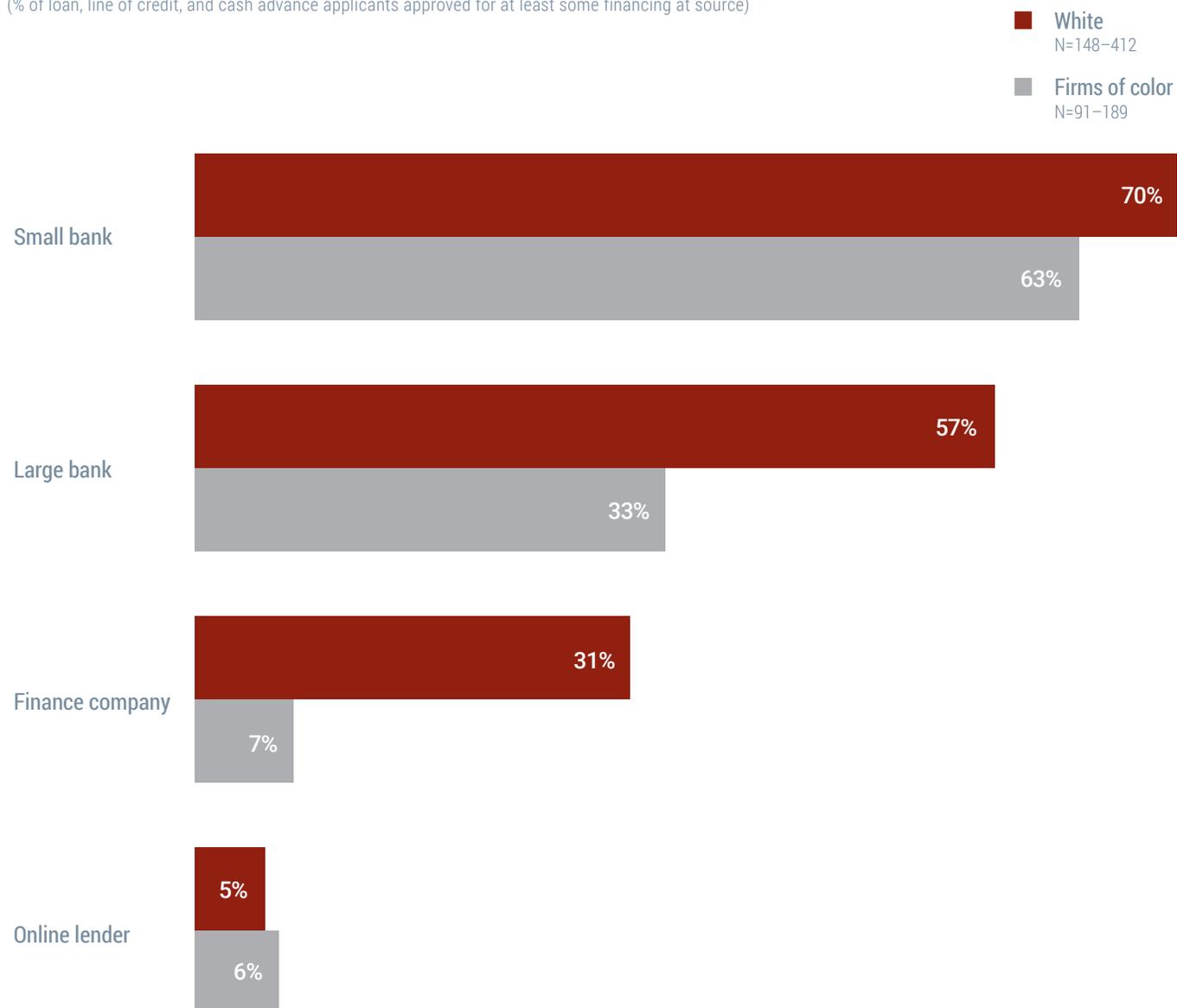
FINANCING APPLICATIONS

Satisfaction with Lenders

Among successful applicants, firms owned by people of color were generally less satisfied with their experiences with their lenders than were white-owned firms. Firms were most satisfied with small banks and least satisfied with online lenders.

NET SATISFACTION WITH LENDERS, By Source¹

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

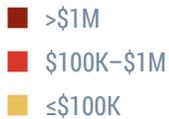
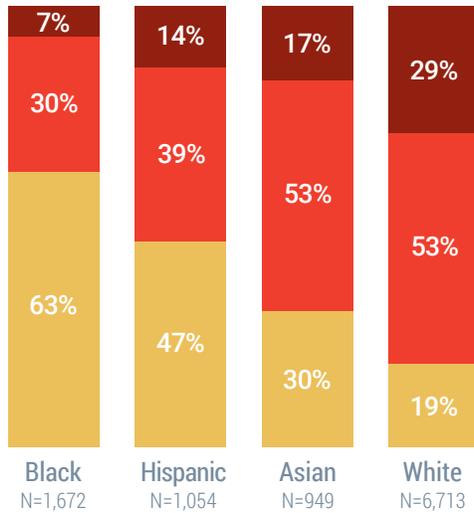


¹ For this chart, "firms of color" includes Native American-owned firms, in addition to Black-, Asian-, and Hispanic-owned firms. Net satisfaction is the share of firms satisfied minus the share of firms dissatisfied. Credit union and CDFI net satisfaction not included because of insufficient sample size. See [Notes and Definitions](#) on page iv for details on lender descriptions used in the SBCS. Excludes pandemic-related financial assistance applications.

DEMOGRAPHICS

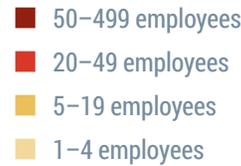
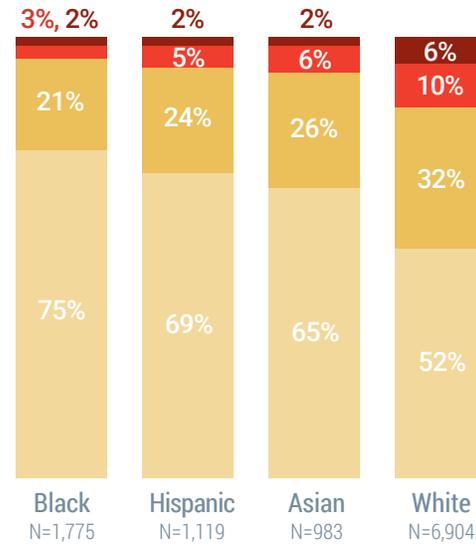
REVENUE SIZE OF FIRM¹

(% of employer firms)

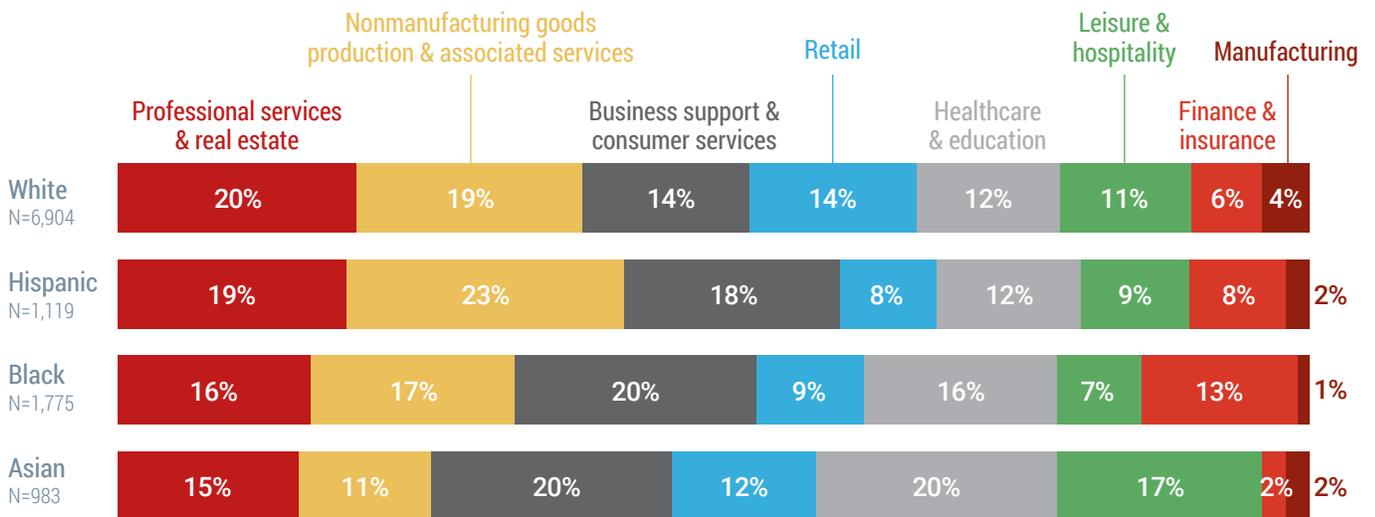


NUMBER OF EMPLOYEES¹

(% of employer firms)



INDUSTRY^{1,2} (% of employer firms)



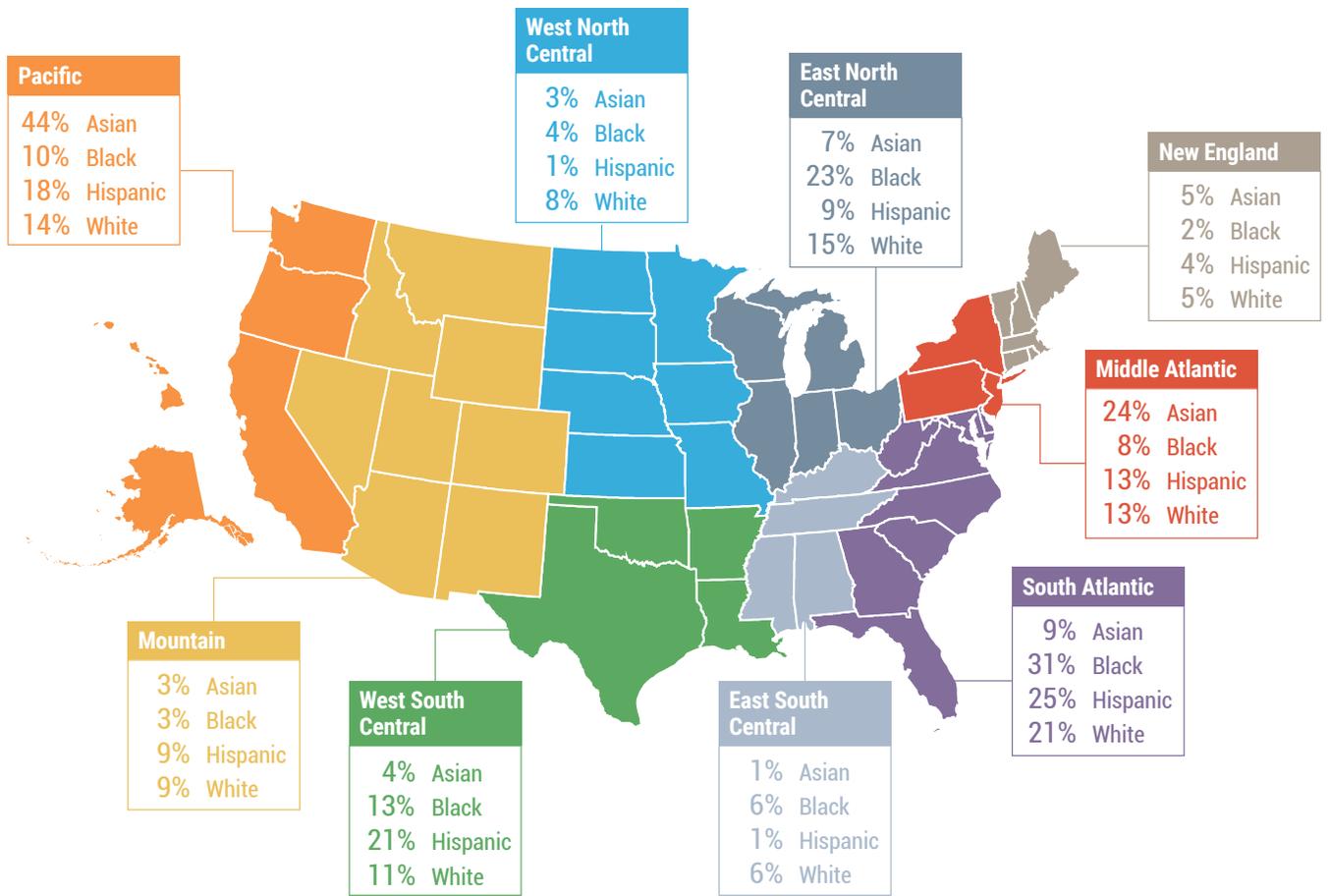
¹ Percentages may not sum to 100 because of rounding.

² The percentages shown in this graphic may differ from those reported by the US Census because our weighting methodology does not incorporate cross tabulations of demographic variables. Therefore, the figures in this graphic are a closer representation of our survey respondents rather than the most precise estimate of the national small business population. Firm industry is classified based on the description of what the business does, as provided by the survey participant. See [Appendix](#) for definitions of each industry.

DEMOGRAPHICS (Continued)

CENSUS DIVISION¹ (% of employer firms)

Asian, N=983; Black, N=1,775; Hispanic, N=1,119; White, N=6,904



CREDIT RISK OF FIRM² (% of employer firms)

	Low credit risk	Medium credit risk	High credit risk
Asian N=688	68%	28%	4%
Black N=1,334	32%	45%	23%
Hispanic N=852	47%	38%	15%
White N=4,973	71%	23%	6%

While this report includes findings on financing approval rates by credit risk of firm, we acknowledge that questions remain around the use of credit scores in decisions to approve financing given the structural limitations that disadvantage people of color and the firms they own.

1 The percentages represent the share of firms in their respective race/ethnicity categories that are located in each census division. Percentages sum within race and ethnicity categories rather than within census divisions. Percentages may not sum to 100 because of rounding. The percentages shown in this graphic may differ from those reported by the US Census because our weighting methodology does not incorporate cross tabulations of demographic variables. Therefore, the figures in this graphic are a closer representation of our survey respondents rather than the most precise estimate of the national small business population.

2 See [Notes and Definitions](#) on page iv for details on credit risk definitions used in the SBCS.