2023 SBCS Partner Report

Findings from the Federal Reserve's 2022 Small Business Credit Survey

What is the Small Business Credit Survey (SBCS)?

The SBCS is an annual survey of firms with fewer than 500 employees. The SBCS, a collaboration of all 12 Federal Reserve Banks, provides timely information about small business conditions to policymakers, service providers, and lenders. In 2022, the survey reached approximately 14,000 small businesses, gathering insights about the performance, challenges, and credit-seeking experiences of firms across the United States. The SBCS is not a random sample; results should be analyzed with awareness of potential biases that are associated with convenience samples.

How are SBCS responses weighted?

Because the SBCS is not a random sample, data for the United States and for each state are weighted in order to be more representative of the overall population of small businesses. Data are weighted so that the weighted distribution of firms in the SBCS matches the distribution of the small employer firm (1 to 499 employees) population by number of employees, age of firm, industry, geographic location, gender of owner(s), and race/ethnicity of owner(s). For more information about weighting, please see the Methodology section of the *2023 Report on Employer Firms*, which is available at https://www.fedsmallbusiness.org/survey/2023/report-on-employer-firms.

Note: The SBCS weighting methodology cannot be applied to organization-level data, so the data for firms from your organization in this report are unweighted.

Usage of partner reports

Organization-level data may be shared throughout your organization, including with boards of directors and advisory committees. <u>Please do not share organization-level data outside of your organization.</u>

The 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. To control for potential biases, we weight national- and state-level data so the weighted distribution of firms in the SBCS matches the distribution of the small firm (1 to 499 employees) population in the given geographic area 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 SBCS weighting methodology cannot be applied to organization-level data, so the data in this report are unweighted. As such, organization-level data is for use internal to your organization only.

All small employer and nonemployer firms from your organization that responded to the 2022 Small Business Credit Survey are included in the sample for your organization. Small employer firms have between one and 499 employees in addition to the owner(s). Nonemployer firms have no employees other than the owner(s). Percentages of employer and nonemployer firms are provided in the Demographics section of this report. Within this report, your organization's data are displayed alongside data for the national SBCS sample of employer firms.

Table of Contents

Firm Performance

Data on revenue and employment change in the prior 12 months and expectations for the next 12 months

Revenue change, prior 12 months
(% of firms)
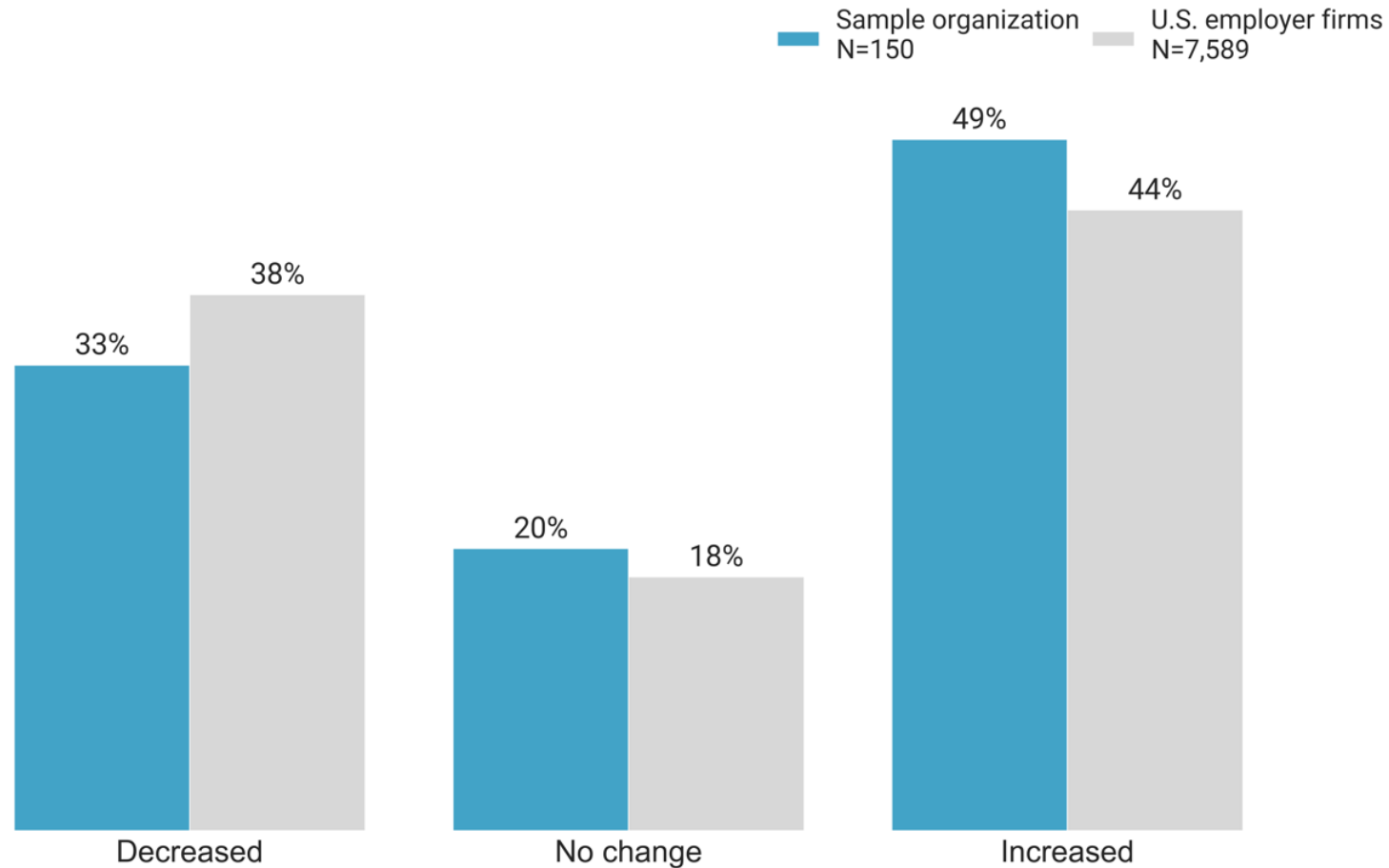
Legend: Sample organization N=150 (blue), U.S. employer firms N=7,589 (gray)

Category	Sample organization	U.S. employer firms
Decreased	33%	38%
No change	20%	18%
Increased	49%	44%

Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. Prior 12 months is approximately September–November 2021 through September–November 2022. See Appendix B for definitions of SBCS time references.

2023 Partner Report: Findings from the 2022 Small Business Credit Survey

Employment change, prior 12 months
(% of firms)
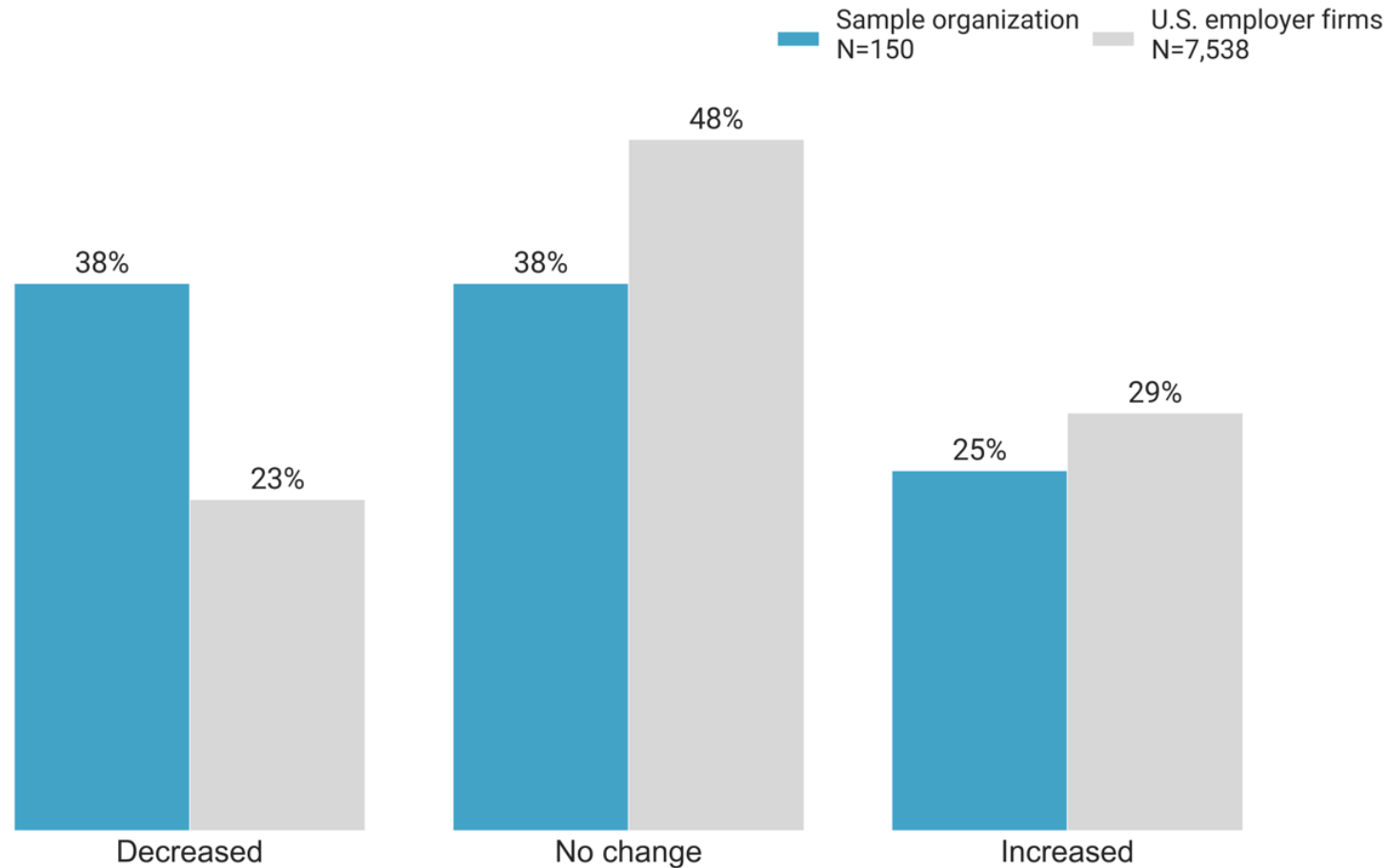
Legend:
- Sample organization N=150
- U.S. employer firms N=7,538

	Decreased	No change	Increased
Sample organization	38%	38%	25%
U.S. employer firms	23%	48%	29%

Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. Prior 12 months is approximately September–November 2021 through September–November 2022. See Appendix B for definitions of SBCS time references.

Profitability, end of 2021
(% of firms)

Legend: ■ Sample organization N=150   ░ U.S. employer firms N=7,503

- Operating at a loss: 35% / 37%
- Operating at break-even: 25% / 18%
- Operating at a profit: 40% / 45%

Expected revenue change, next 12 months
(% of firms)

Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. Next 12 months is approximately September–November 2022 through September–November 2023. See Appendix B for definitions of SBCS time references.

Expected employment change, next 12 months
(% of firms)

Sample organization N=150

U.S. employer firms N=7,599

	Will decrease	Will not change	Will increase
Sample organization	14%	45%	41%
U.S. employer firms	12%	50%	39%

Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. Next 12 months is approximately September–November 2022 through September–November 2023. See Appendix B for definitions of SBCS time references.
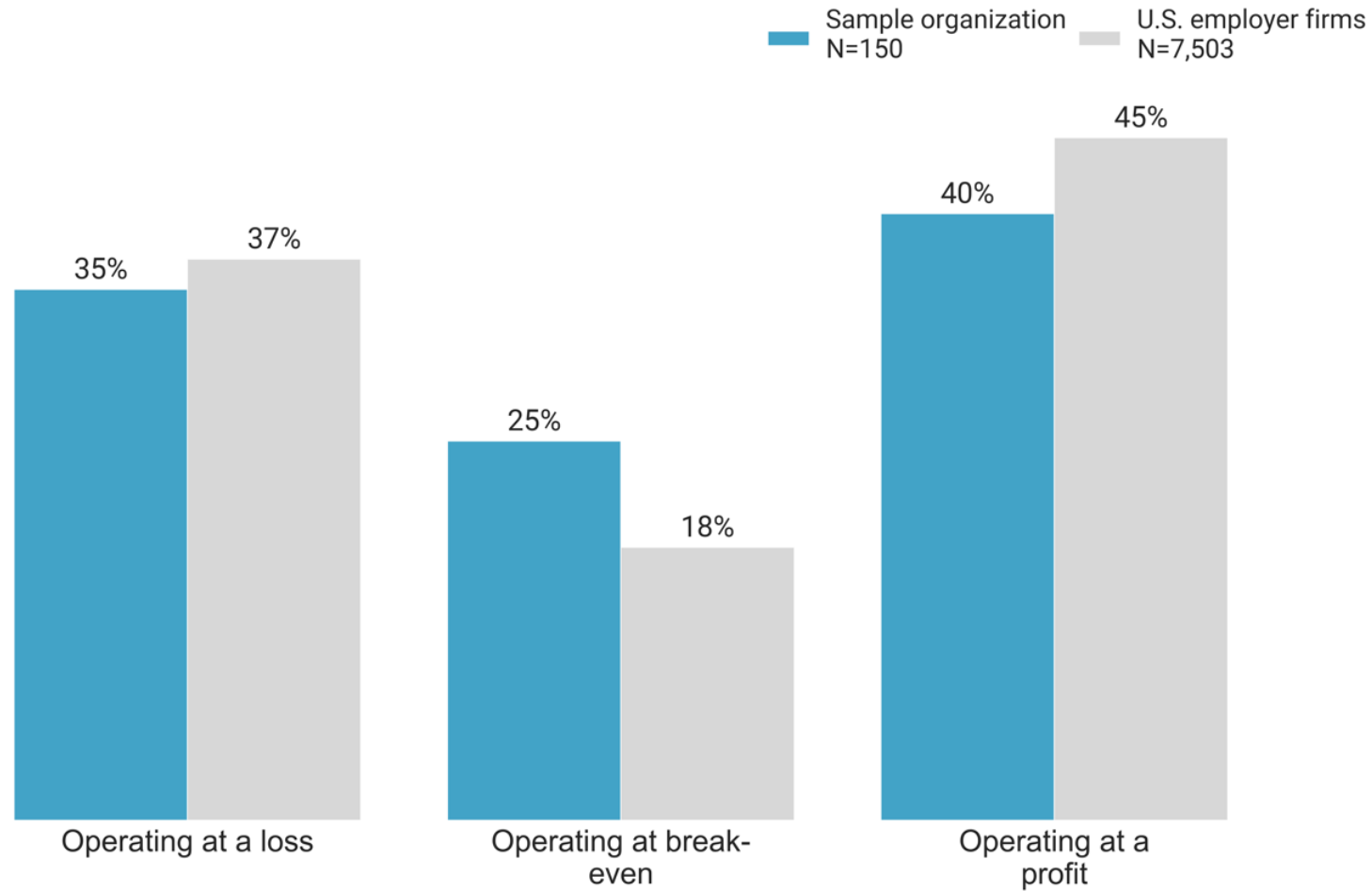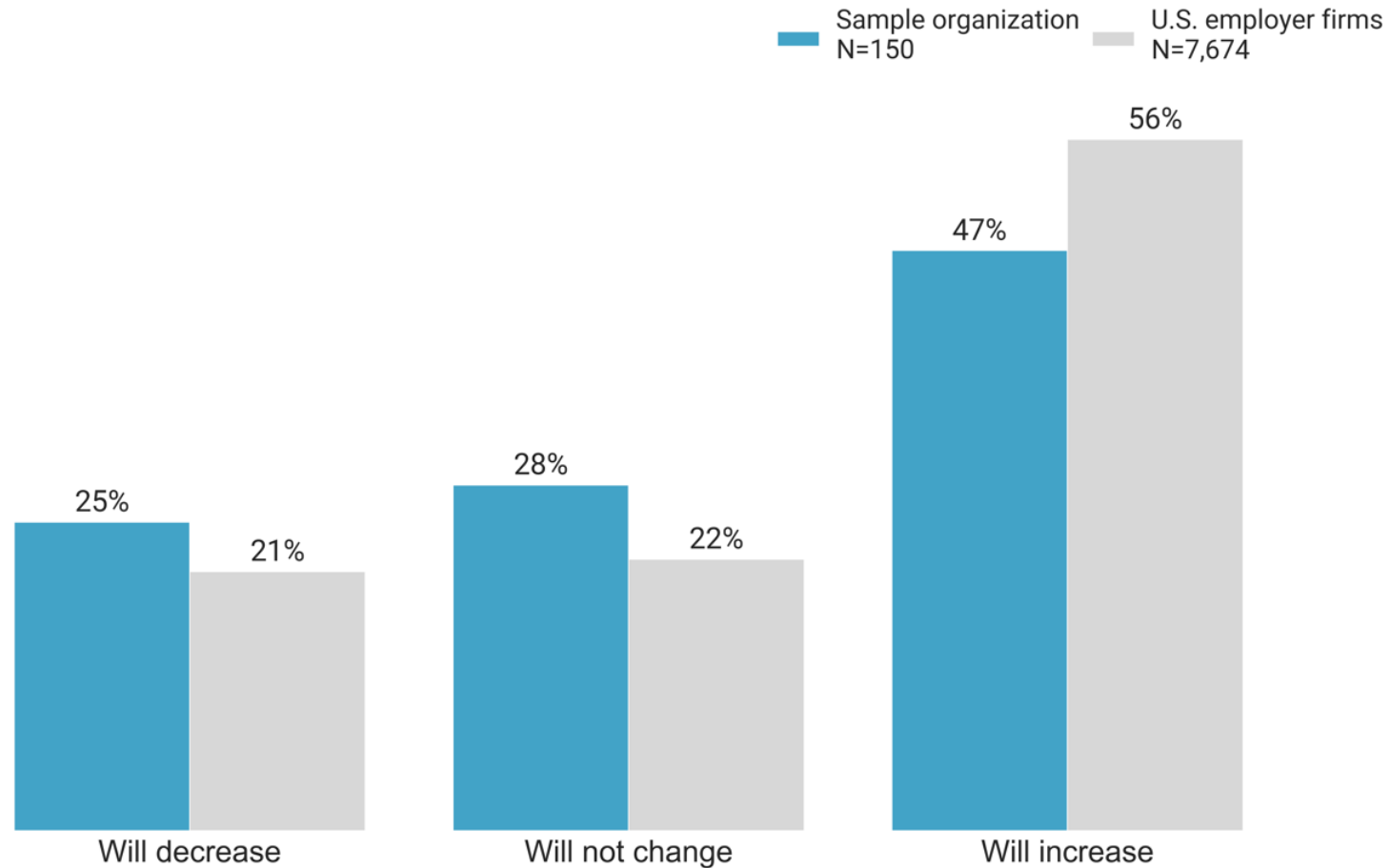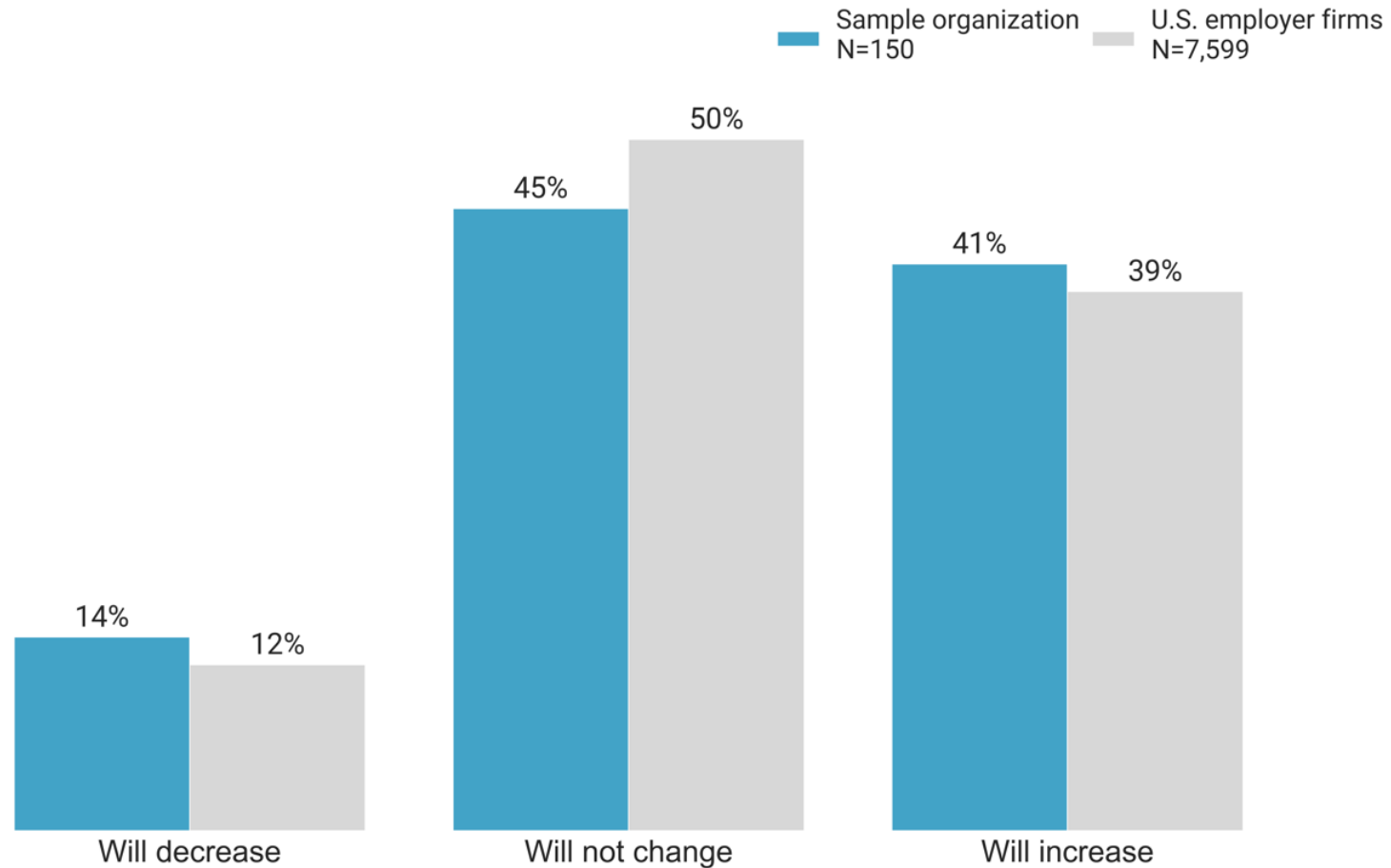
2023 Partner Report: Findings from the 2022 Small Business Credit Survey

Financial condition, at time of survey
(% of firms)

Legend: Sample organization N=150 (blue) — U.S. employer firms N=7,864 (gray)

	Poor	Fair	Good	Very good	Excellent
Sample organization	12%	49%	33%	6%	1%
U.S. employer firms	19%	38%	27%	11%	6%

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

2023 Partner Report: Findings from the 2022 Small Business Credit Survey

Challenges

Data on financial challenges, operational challenges, and actions taken by firms in response to challenges

Operational challenges, prior 12 months
(% of firms)

Legend: Sample organization N=150 (blue), U.S. employer firms N=7,817 (gray)

Category	Sample organization	U.S. employer firms
Hiring or retaining qualified staff	63%	60%
Supply chain issues	63%	60%
Reaching customers/growing sales	49%	51%
Complying with government regulations	29%	29%
Ensuring health/safety of customers or employees	26%	18%
Utilizing technology	22%	27%

Notes: Respondents could select multiple options. Select response options shown. Prior 12 months is approximately September–November 2021 through September–November 2022. See Appendix B for definitions of SBCS time references.
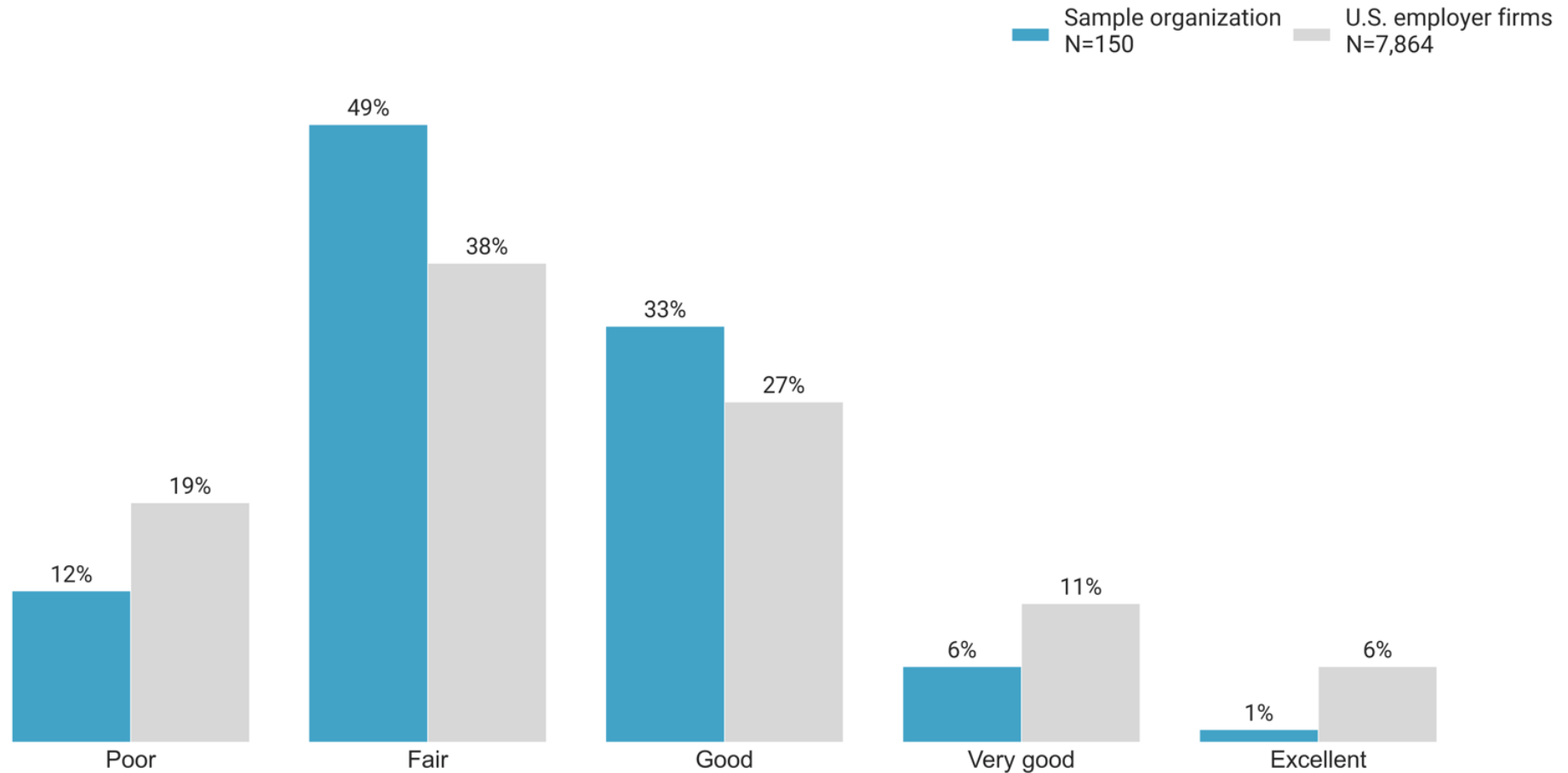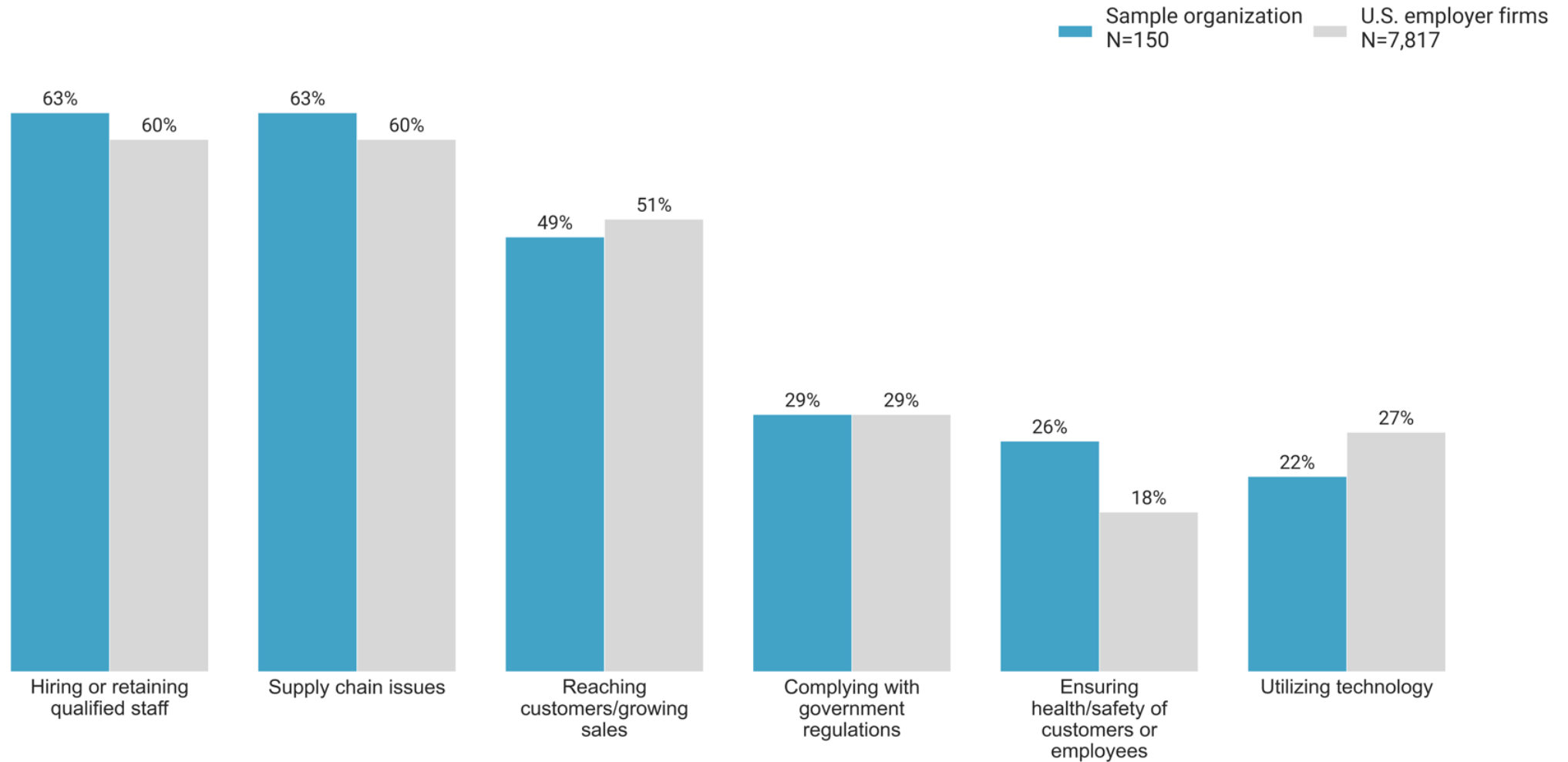
2023 Partner Report: Findings from the 2022 Small Business Credit Survey

Financial challenges, prior 12 months
(% of firms)

Legend: Sample organization N=150 (blue); U.S. employer firms N=7,837 (gray)

Category	Sample organization	U.S. employer firms
Increased costs of goods, services, and/or wages	88%	81%
Paying operating expenses	56%	54%
Weak sales	49%	47%
Uneven cash flow	49%	54%
Making payments on debt	29%	32%
Credit availability	21%	27%

Notes: Respondents could select multiple response options. Select response options shown. Prior 12 months is approximately September–November 2021 through September–November 2022.

14

2023 Partner Report: Findings from the 2022 Small Business Credit Survey
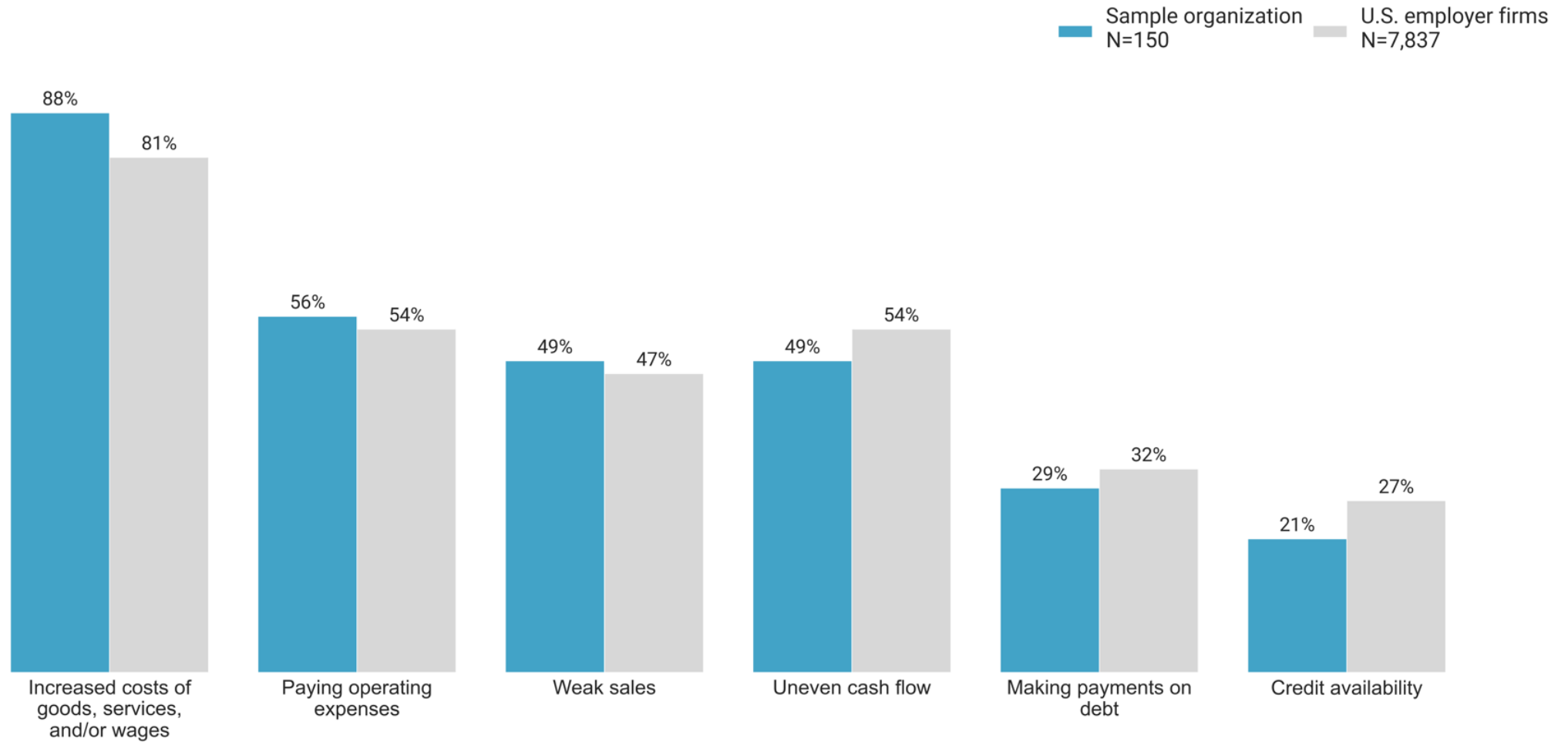
Actions taken in response to financial challenges
(% of firms with financial challenges)
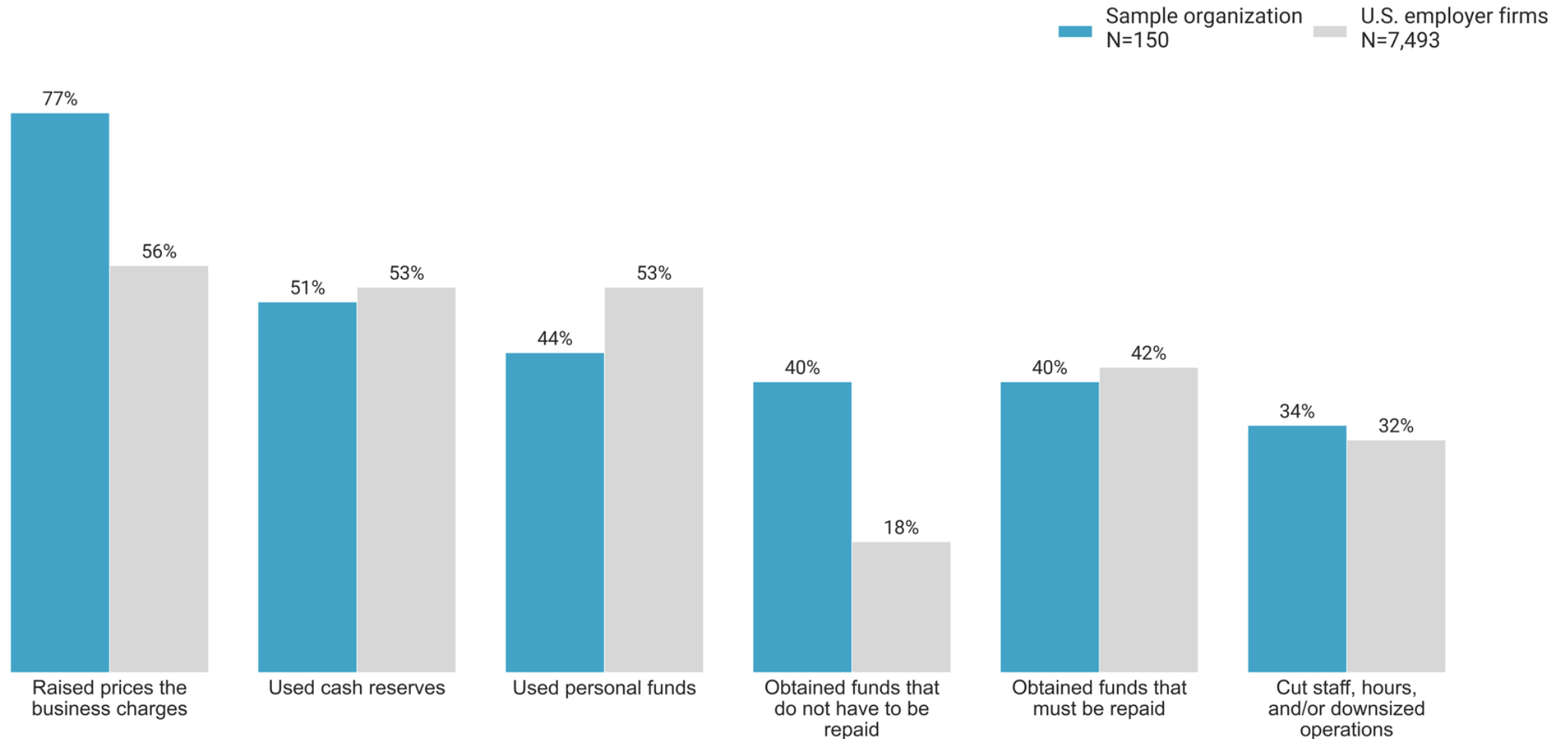
Legend: Sample organization N=150 | U.S. employer firms N=7,493

Category	Sample organization	U.S. employer firms
Raised prices the business charges	77%	56%
Used cash reserves	51%	53%
Used personal funds	44%	53%
Obtained funds that do not have to be repaid	40%	18%
Obtained funds that must be repaid	40%	42%
Cut staff, hours, and/or downsized operations	34%	32%

Notes: Respondents could select multiple response options. Select response options shown.

2023 Partner Report: Findings from the 2022 Small Business Credit Survey

Debt and Financing

Data on outstanding debt, use of financial services, and firms' credit-seeking experiences

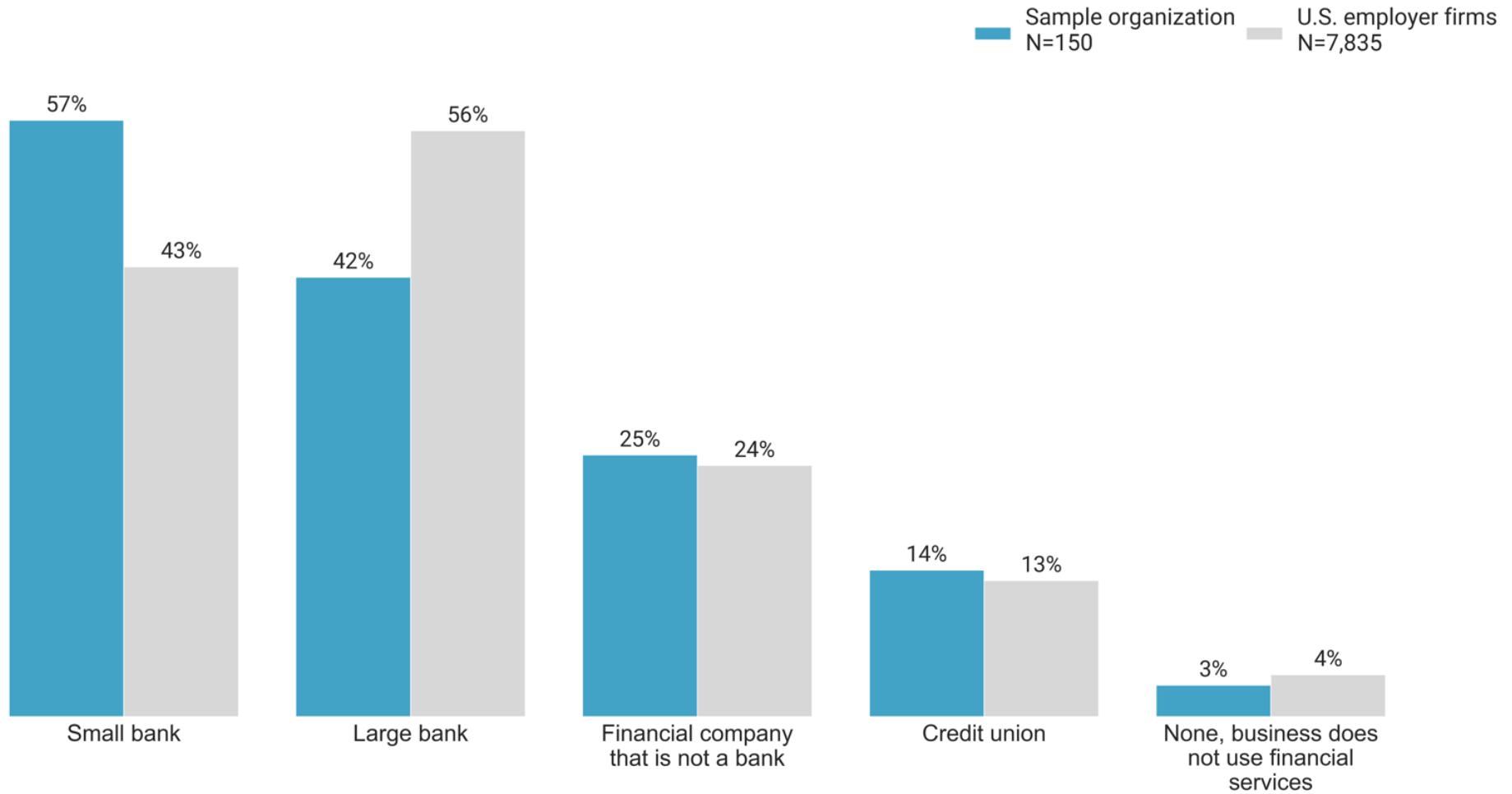# Amount of outstanding debt, at time of survey (% of firms)
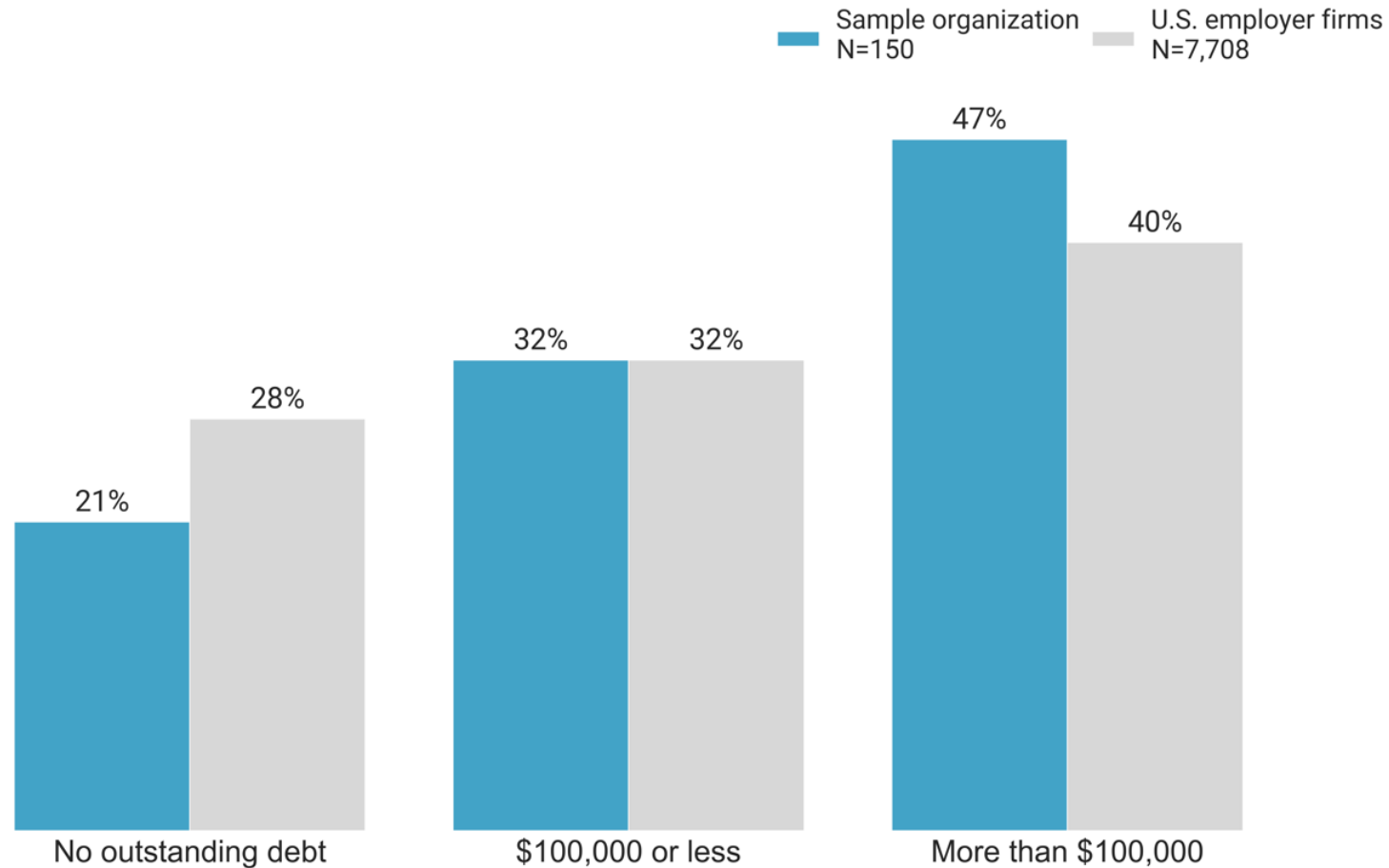
Legend: ■ Sample organization N=150 ■ U.S. employer firms N=7,708

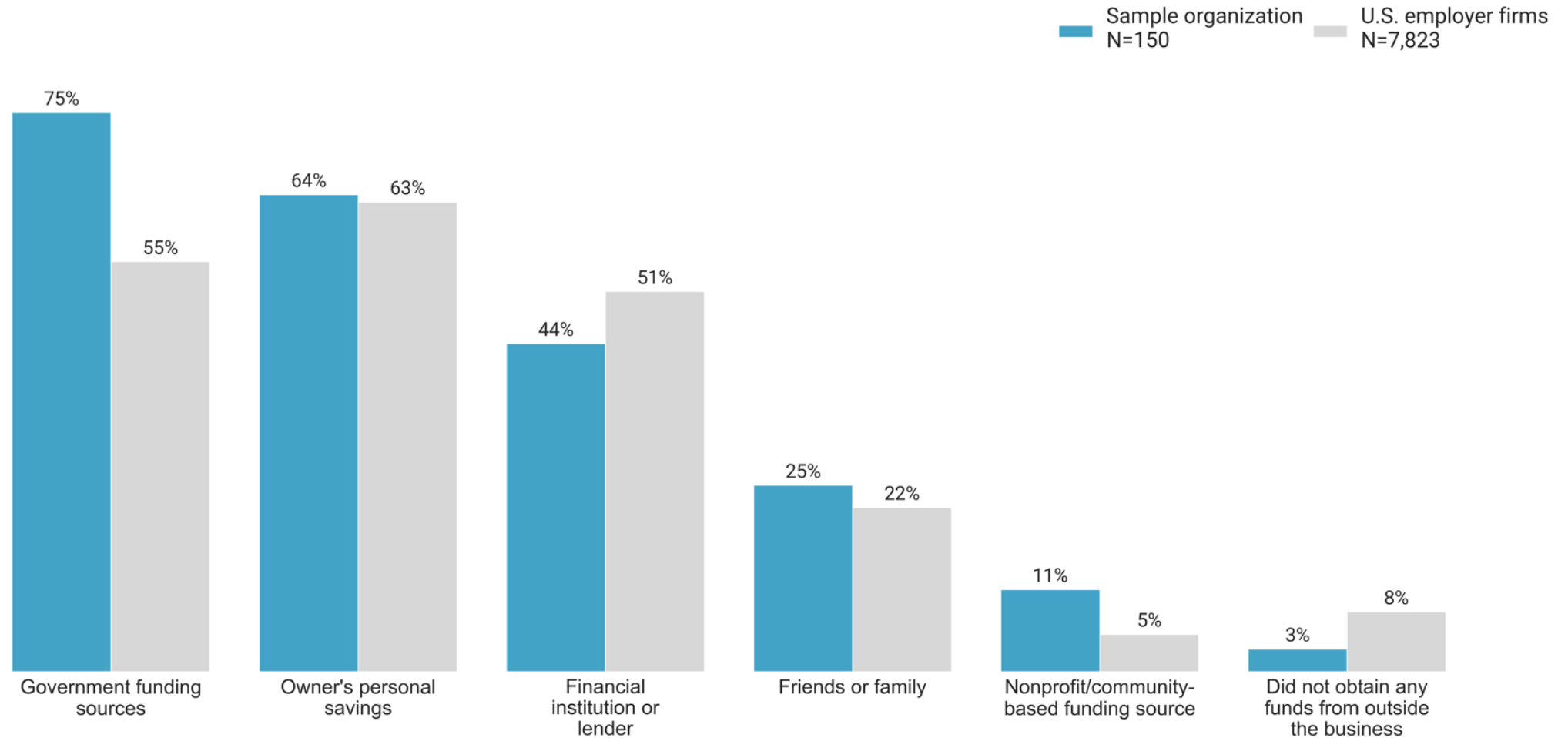| Category	Sample organization	U.S. employer firms
No outstanding debt	21%	28%
$100,000 or less	32%	32%
More than $100,000	47%	40%

Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. Categories have been condensed and simplified for readability.

2023 Partner Report: Findings from the 2022 Small Business Credit Survey

Use of financial services providers
(% of firms)

Legend: Sample organization N=150 (blue) — U.S. employer firms N=7,835 (gray)

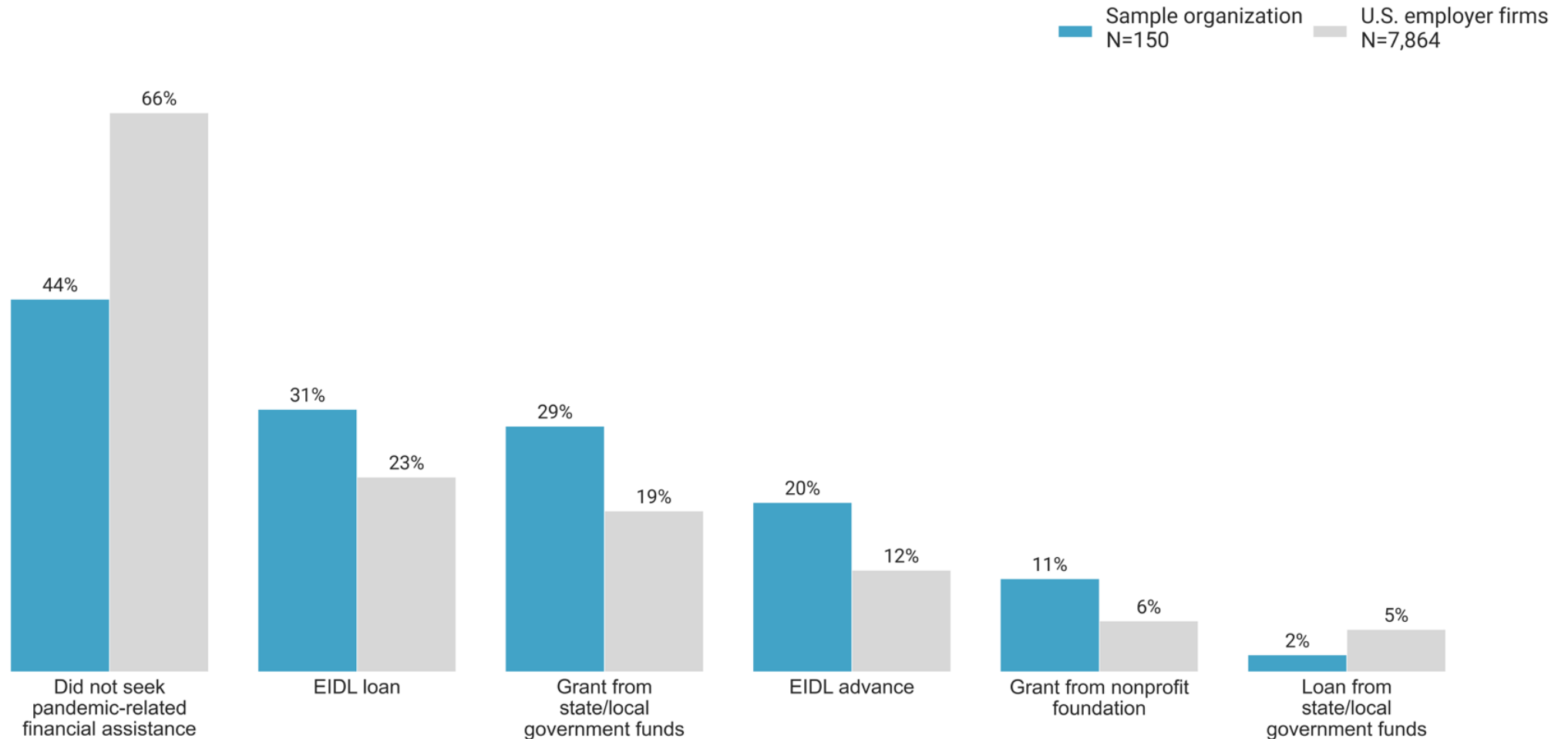| Provider	Sample organization	U.S. employer firms
Small bank	57%	43%
Large bank	42%	56%
Financial company that is not a bank	25%	24%
Credit union	14%	13%
None, business does not use financial services	3%	4%

Notes: Respondents could select multiple response options. Select response options shown. Financial services providers are those at which the firm has an account or uses other financial services, including loans and payments processing. See Appendix B for lender definitions.

2023 Partner Report: Findings from the 2022 Small Business Credit Survey

Sources of funding, past five years
(% of firms)

Legend: ■ Sample organization N=150   ■ U.S. employer firms N=7,823

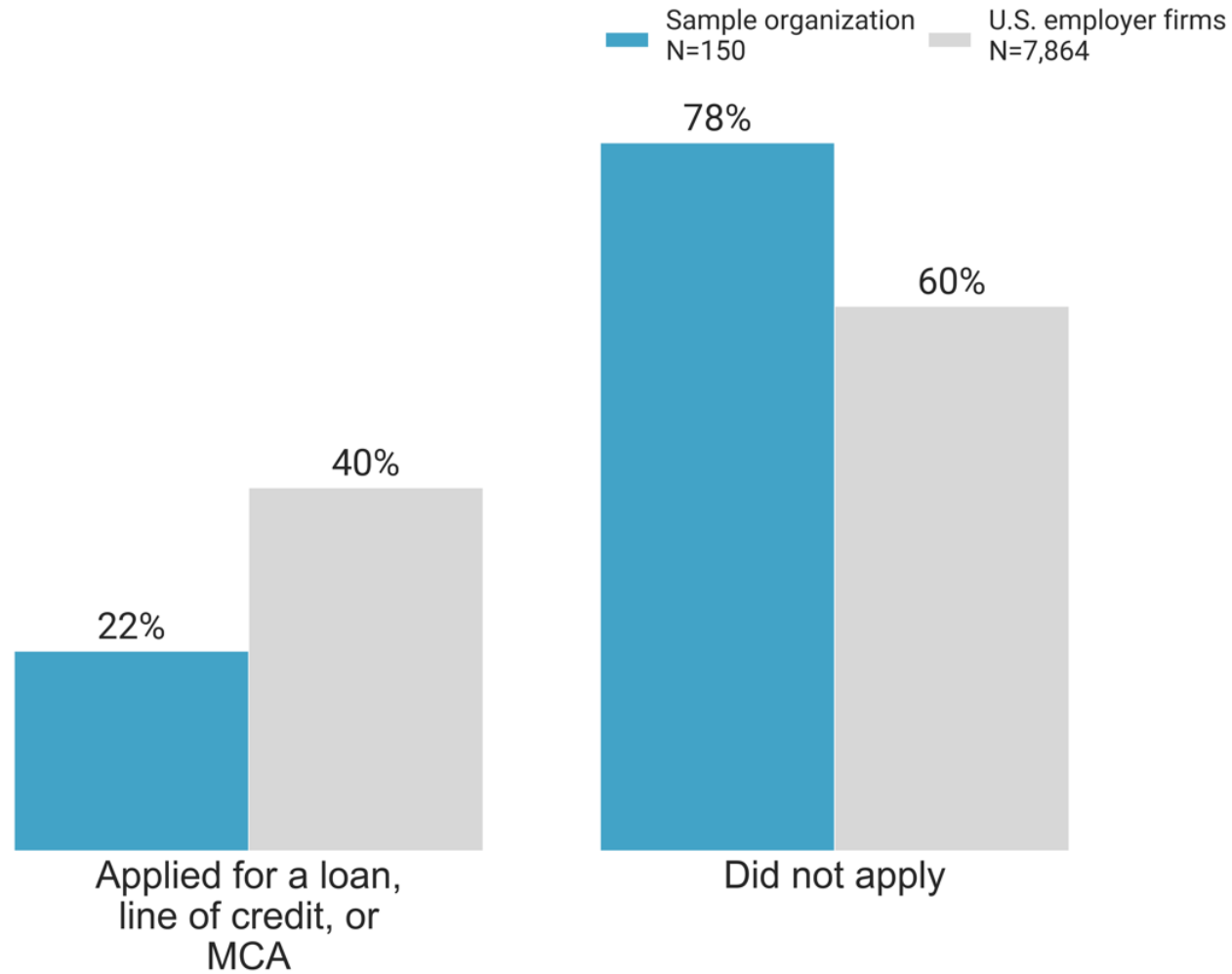| Source	Sample organization	U.S. employer firms
Government funding sources	75%	55%
Owner's personal savings	64%	63%
Financial institution or lender	44%	51%
Friends or family	25%	22%
Nonprofit/community-based funding source	11%	5%
Did not obtain any funds from outside the business	3%	8%

Notes: Respondents could select multiple response options. Select response options shown. See Appendix B for lender definitions.

Types of pandemic-related financial assistance sought, prior 12 months (% of firms)

Legend: ■ Sample organization N=150 ■ U.S. employer firms N=7,864

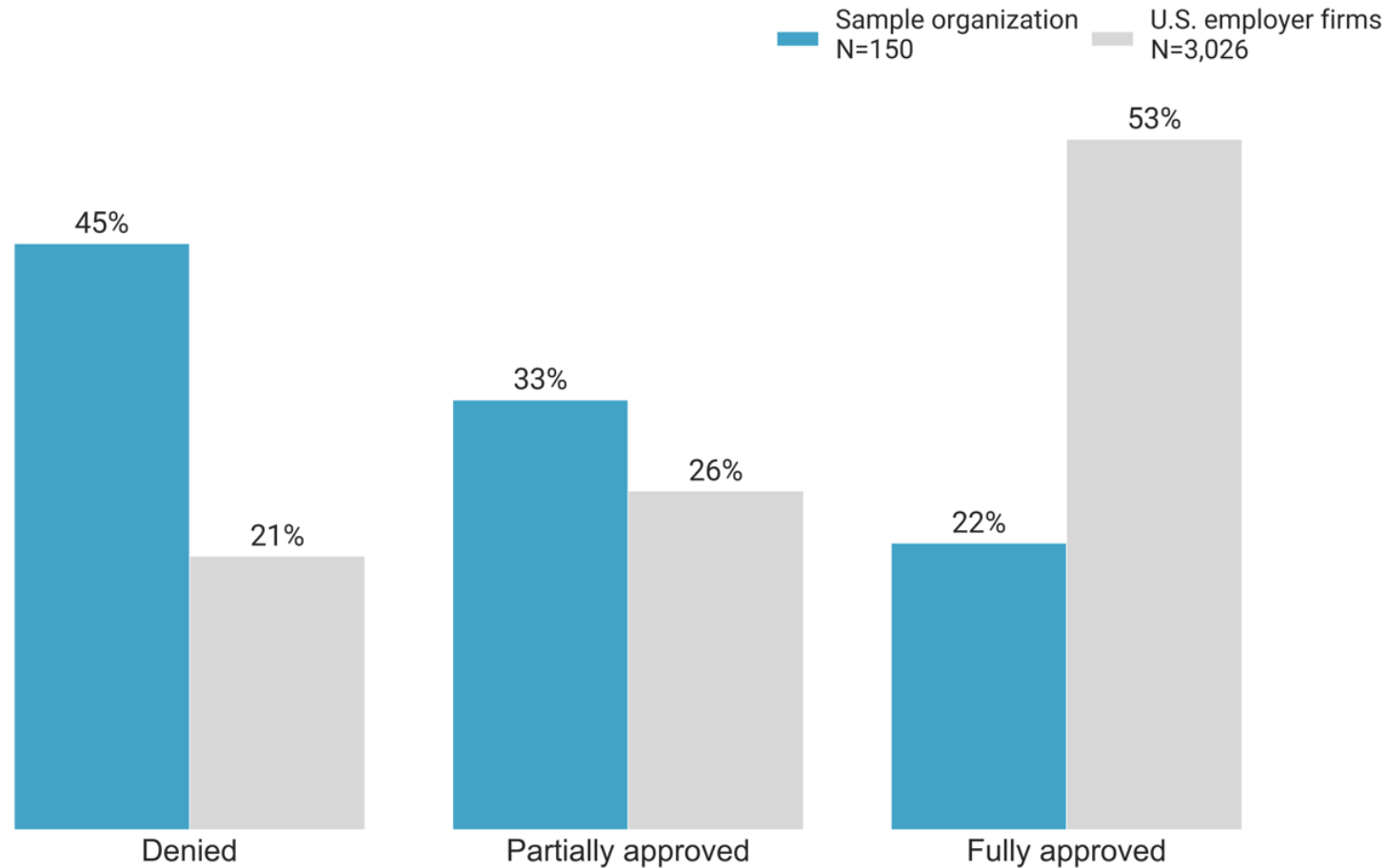| Category	Sample organization	U.S. employer firms
Did not seek pandemic-related financial assistance	44%	66%
EIDL loan	31%	23%
Grant from state/local government funds	29%	19%
EIDL advance	20%	12%
Grant from nonprofit foundation	11%	6%
Loan from state/local government funds	2%	5%

Notes: Respondents could select multiple response options. "Financial assistance" includes all forms of pandemic-related financial assistance available in the 12 months prior to the survey (for example, EIDL, state/local loan and grant programs). See Appendix B for definitions of SBCS time references.

Applications for loans, lines of credit, and merchant cash advances
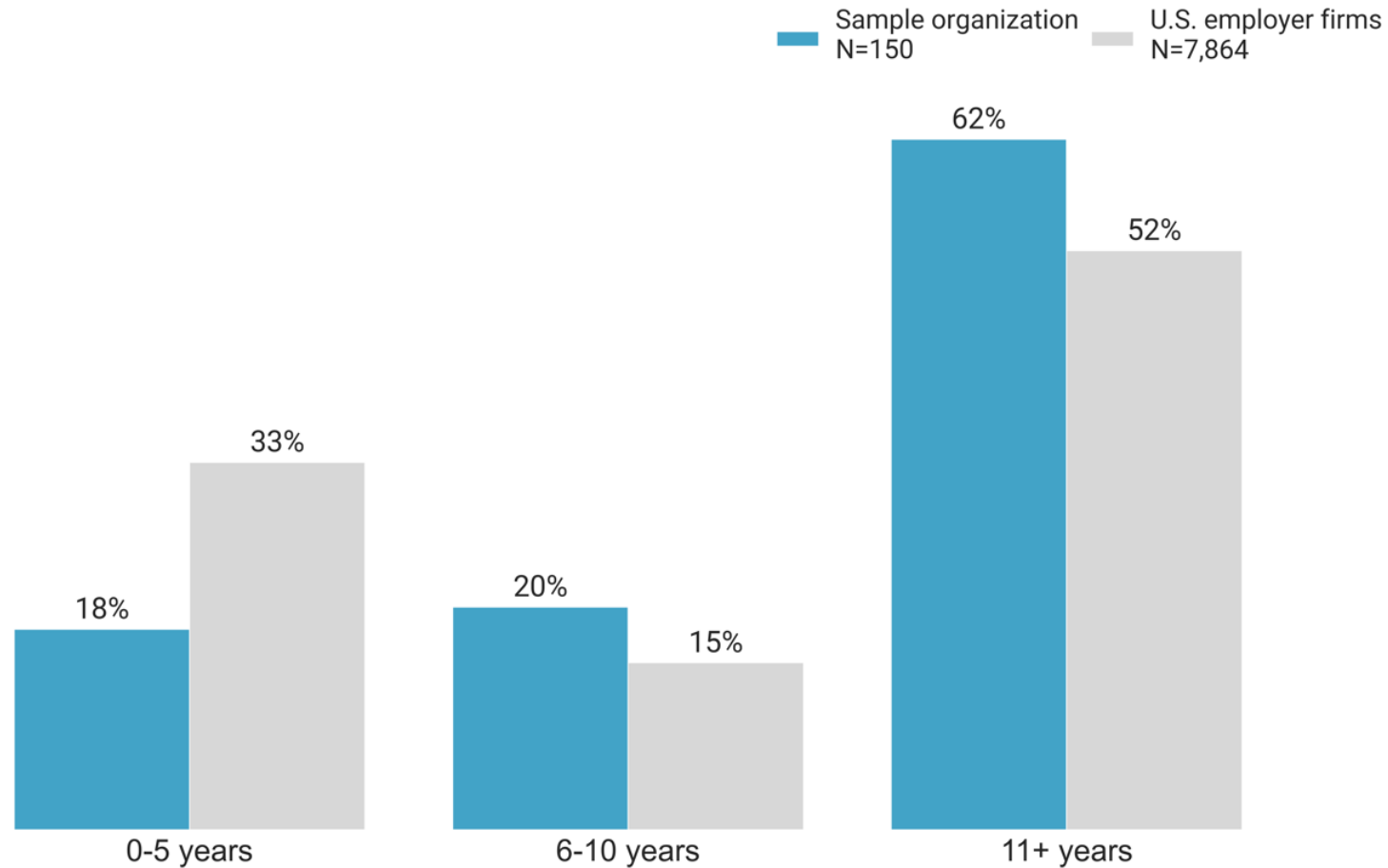(% of firms)

Legend:
- Sample organization N=150
- U.S. employer firms N=7,864

Applied for a loan, line of credit, or MCA: 22% (Sample organization), 40% (U.S. employer firms)

Did not apply: 78% (Sample organization), 60% (U.S. employer firms)

21

Approval rate for loans, lines of credit, and merchant cash advances
(% of loan, line of credit, and cash advance applicants)

Sample organization
N=150

U.S. employer firms
N=3,026

	Denied	Partially approved	Fully approved
Sample organization	45%	33%	22%
U.S. employer firms	21%	26%	53%

Demographics

Data on firm and owner characteristics

Age of firm
(% of firms)

Legend: Sample organization N=150 (blue) / U.S. employer firms N=7,864 (gray)

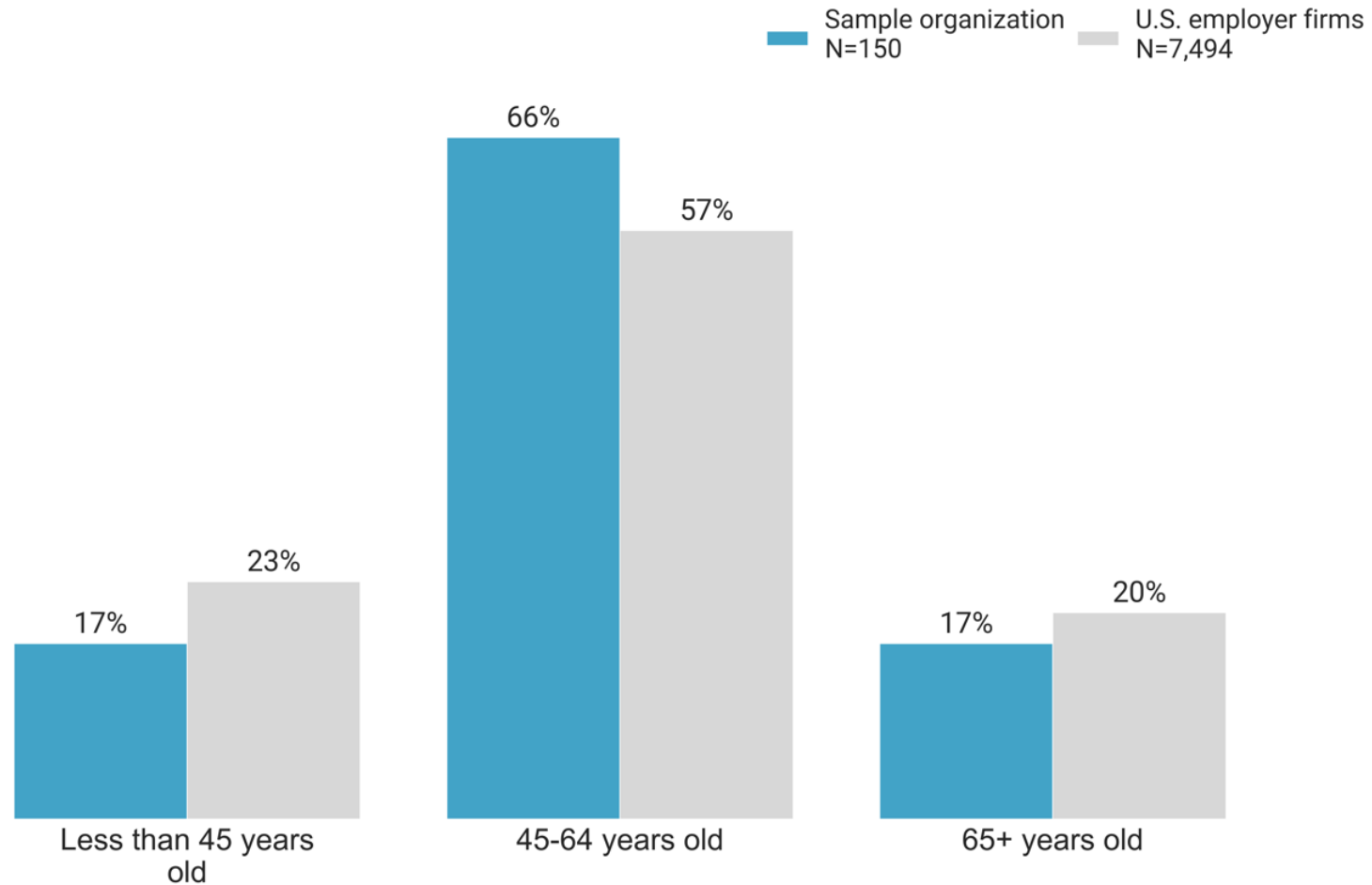| Age	0-5 years	6-10 years	11+ years
Sample organization	18%	20%	62%
U.S. employer firms	33%	15%	52%

Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. SBCS responses throughout the report are weighted using census data to represent the U.S. small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner.
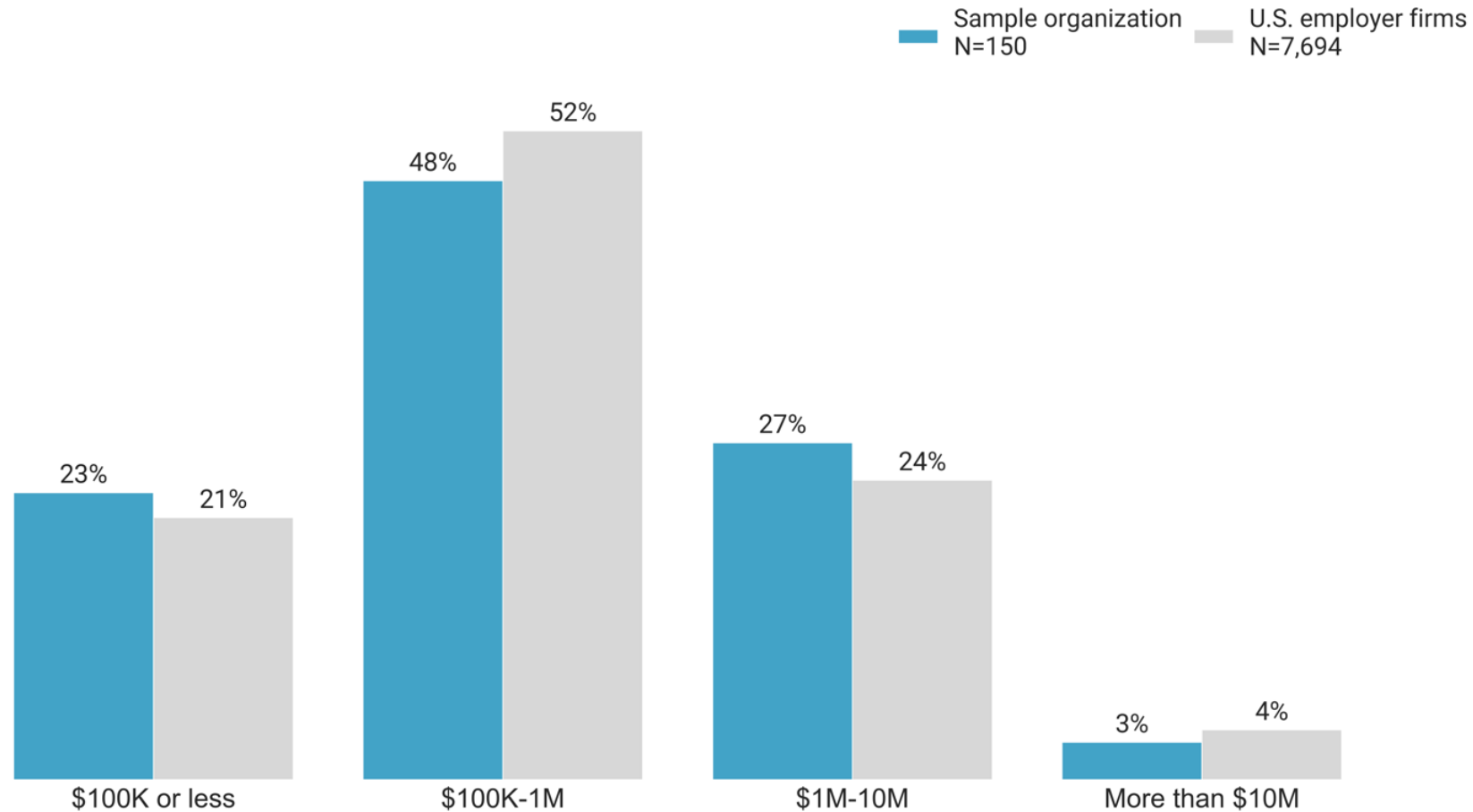
Age of primary owner
(% of firms)

Legend: Sample organization N=150 (blue) — U.S. employer firms N=7,494 (gray)

- Less than 45 years old: 17% / 23%
- 45-64 years old: 66% / 57%
- 65+ years old: 17% / 20%

Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. Age categories have been condensed and simplified for readability.

2023 Partner Report: Findings from the 2022 Small Business Credit Survey

Annual revenues
(% of firms)

Legend: Sample organization N=150 | U.S. employer firms N=7,694

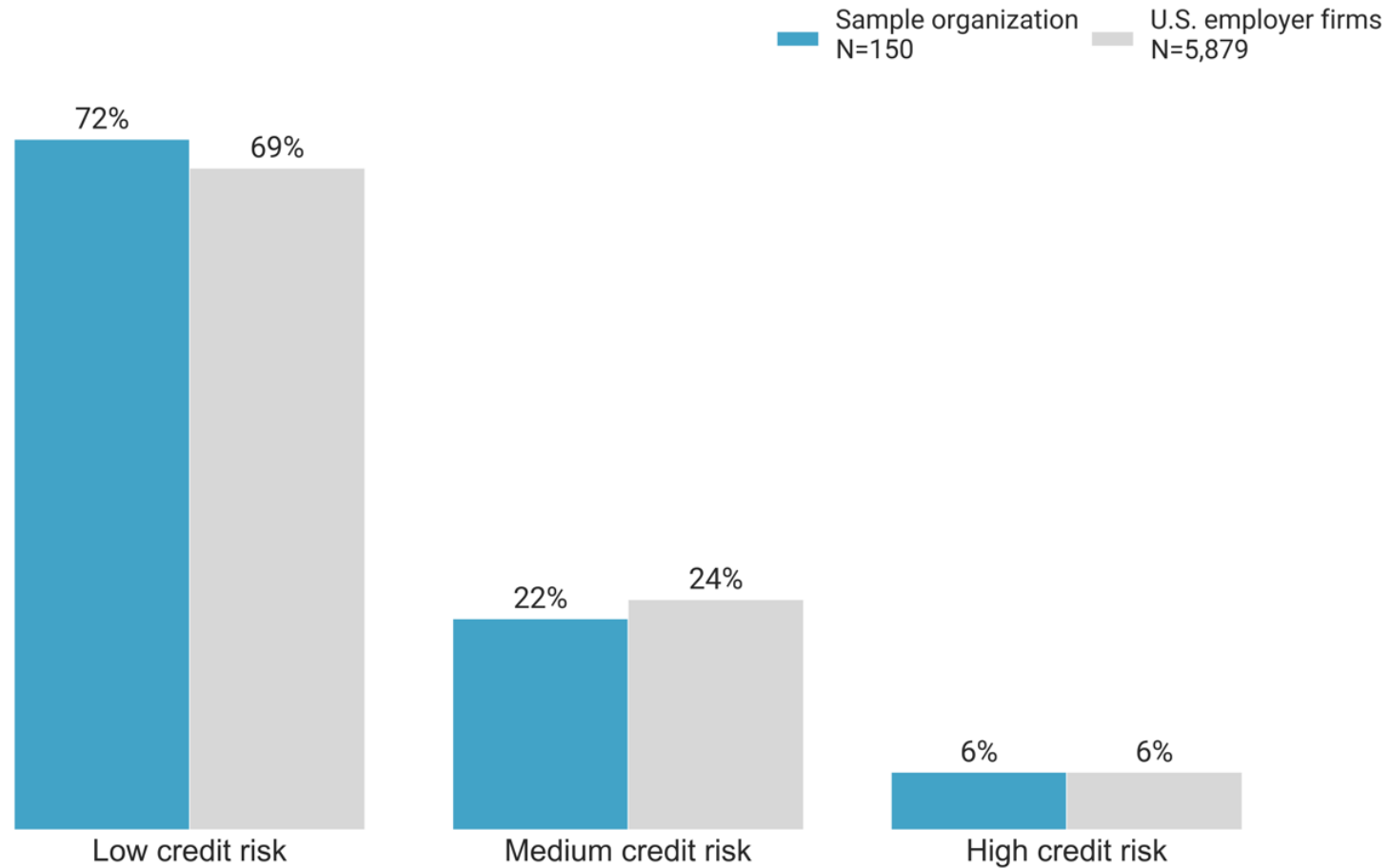| Revenue category	Sample organization	U.S. employer firms
$100K or less	23%	21%
$100K-1M	48%	52%
$1M-10M	27%	24%
More than $10M	3%	4%

Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. Revenue size categories have been condensed and simplified for readability. Actual categories are ≤$25K, $25,001–$50K, $50,001–$100K, $100,001–$250K, $250,001–$500K, $500,001–$1M, $1,000,001–$5M, $5,000,001–$10M, and >$10M.
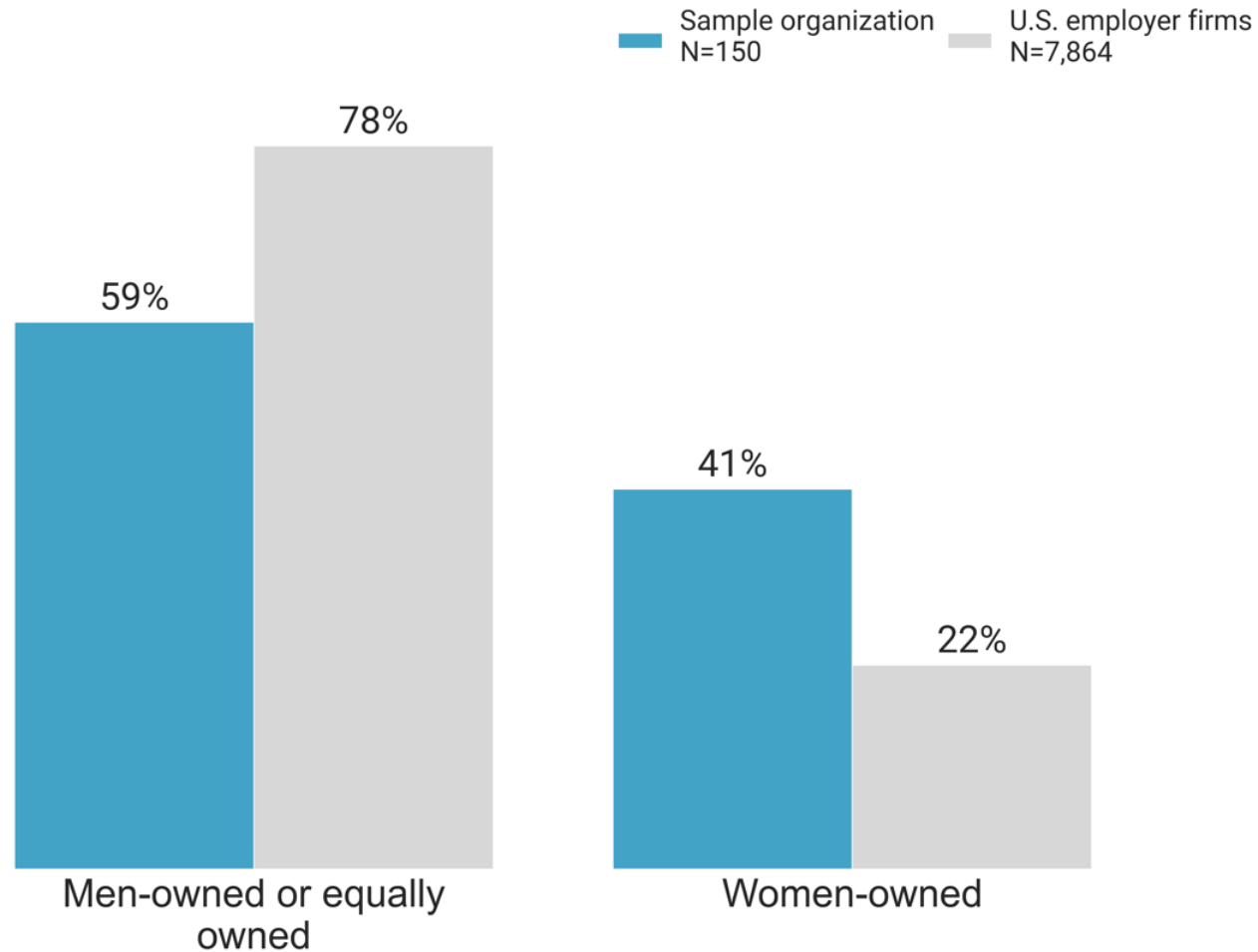
2023 Partner Report: Findings from the 2022 Small Business Credit Survey

Credit risk
(% of firms)

Sample organization
N=150

U.S. employer firms
N=5,879

|	Low credit risk	Medium credit risk	High credit risk
Sample organization	72%	22%	6%
U.S. employer firms	69%	24%	6%

Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. See Appendix B for credit risk definitions.

2023 Partner Report: Findings from the 2022 Small Business Credit Survey

Gender of owner(s)
(% of firms)

Sample organization
N=150

U.S. employer firms
N=7,864

78%

59%

41%

22%

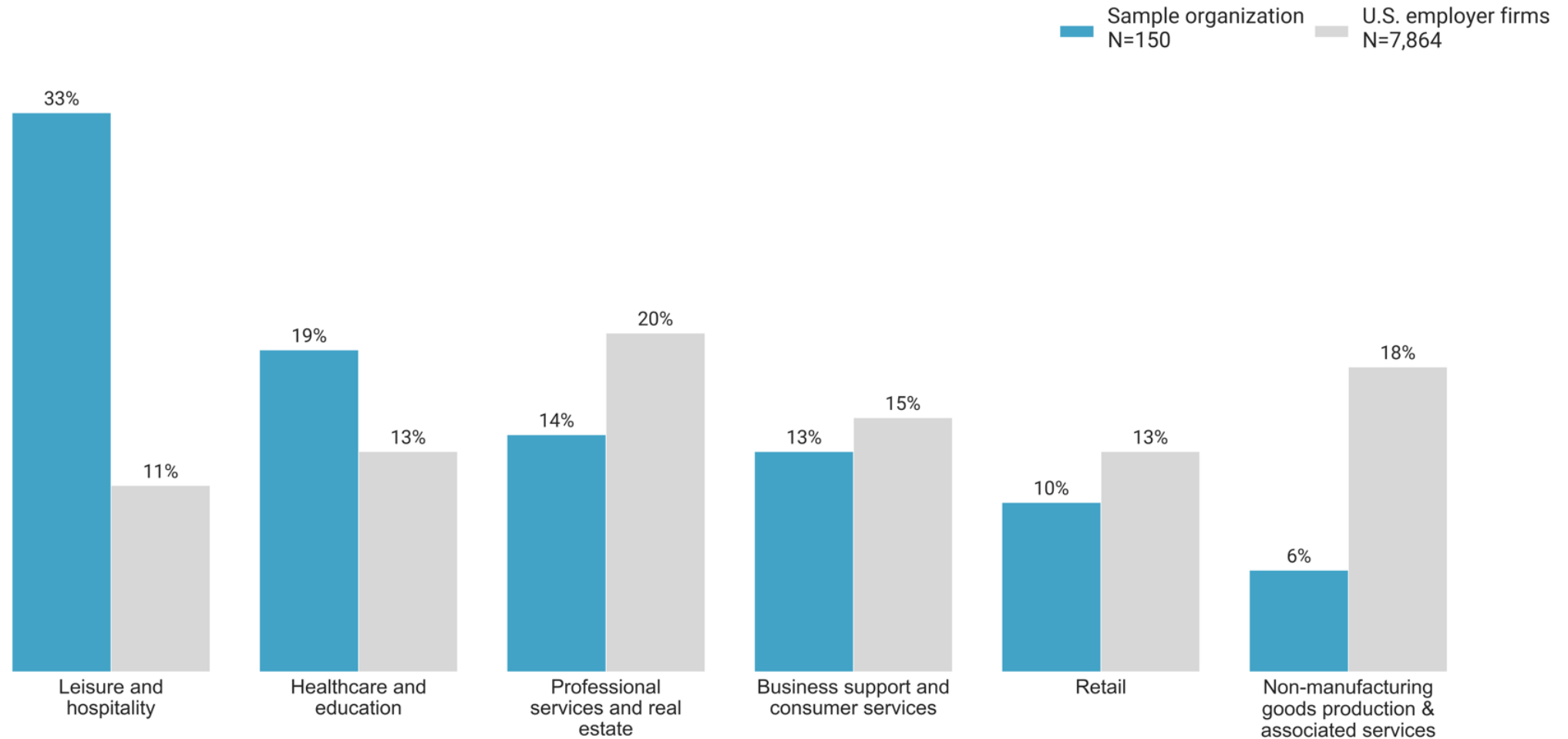Men-owned or equally owned

Women-owned

Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. SBCS responses throughout the report are weighted using census data to represent the U.S. small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner.

2023 Partner Report: Findings from the 2022 Small Business Credit Survey

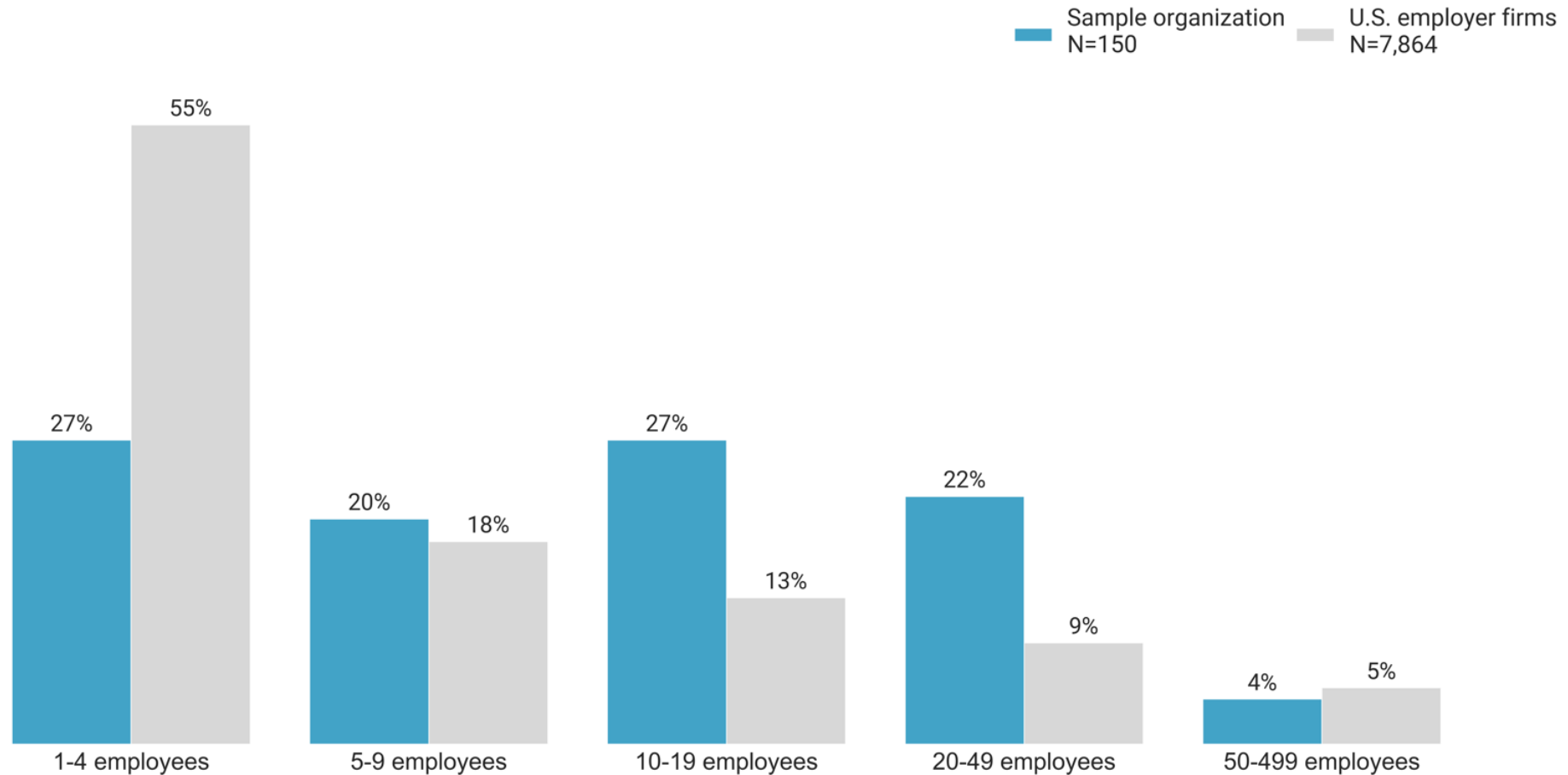# Geographic location
(% of firms)
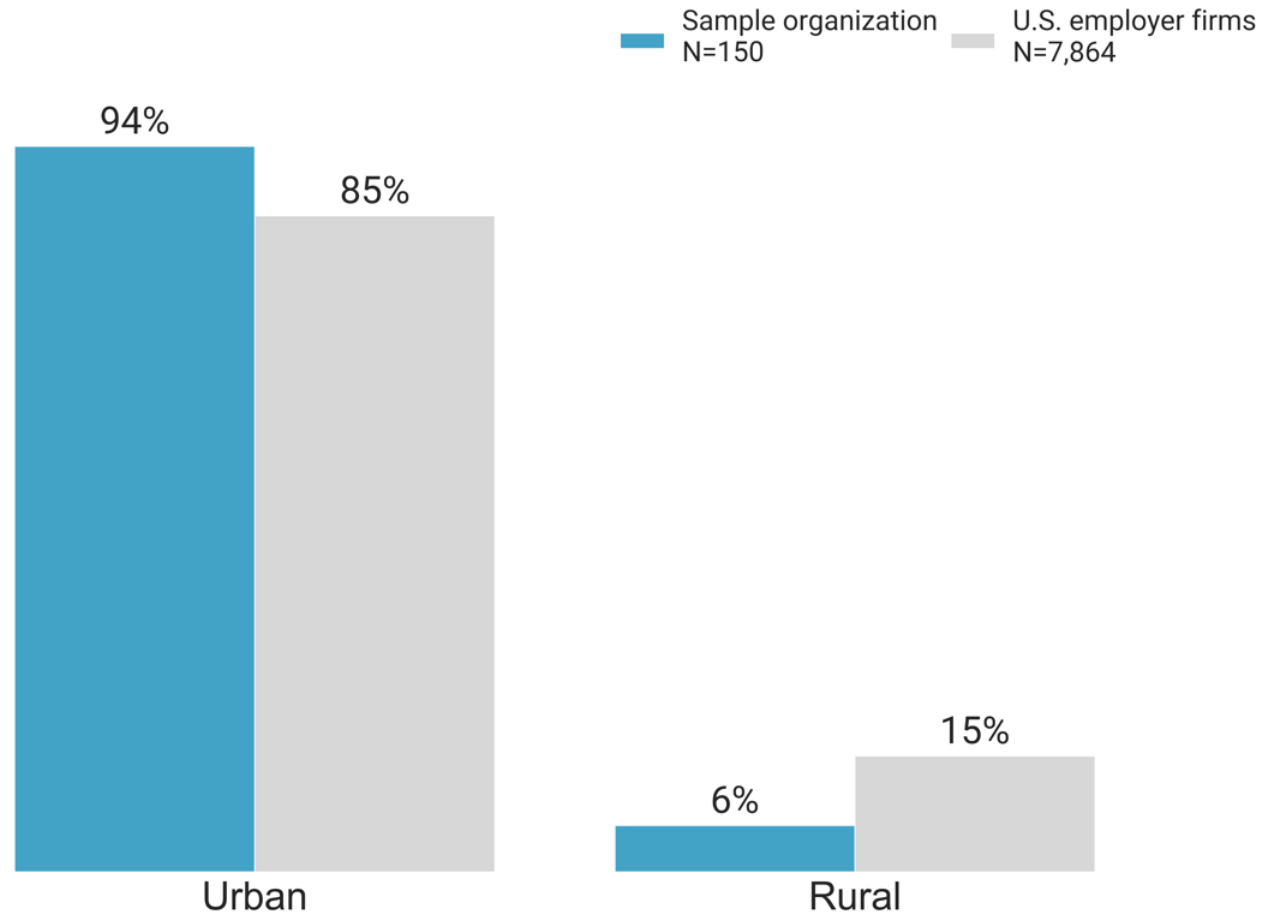
Notes: Urban and rural definitions come from U.S. Department of Agriculture Rural-Urban Commuting Area codes. SBCS responses throughout the report are weighted using census data to represent the U.S. small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner.

2023 Partner Report: Findings from the 2022 Small Business Credit Survey

Industry
(% of firms)

Legend: Sample organization N=150 (blue) · U.S. employer firms N=7,864 (gray)

Industry	Sample organization	U.S. employer firms
Leisure and hospitality	33%	11%
Healthcare and education	19%	13%
Professional services and real estate	14%	20%
Business support and consumer services	13%	15%
Retail	10%	13%
Non-manufacturing goods production & associated services	6%	18%

Notes: Select response options shown. Percentages across response options may not sum to 100 within firm categories because of rounding. SBCS responses throughout the report are weighted using census data to represent the U.S. small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner. See Appendix B for industry definitions.
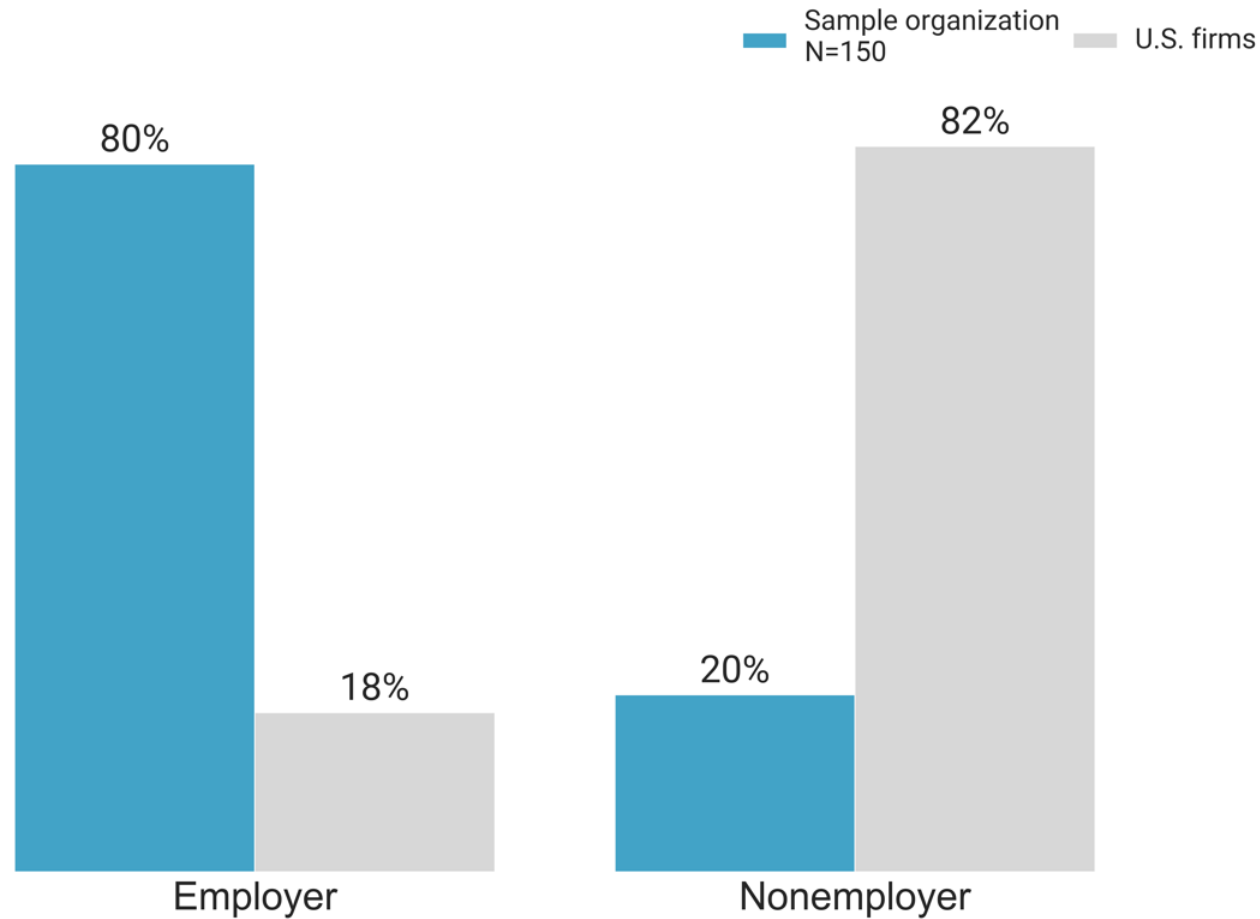
2023 Partner Report: Findings from the 2022 Small Business Credit Survey

Number of employees
(% of firms)

Legend: Sample organization N=150 (blue) — U.S. employer firms N=7,864 (gray)

Category	Sample organization	U.S. employer firms
1-4 employees	27%	55%
5-9 employees	20%	18%
10-19 employees	27%	13%
20-49 employees	22%	9%
50-499 employees	4%	5%

Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. SBCS responses throughout the report are weighted using census data to represent the U.S. small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner.

2023 Partner Report: Findings from the 2022 Small Business Credit Survey

Race/ethnicity of owner(s)
(% of firms)
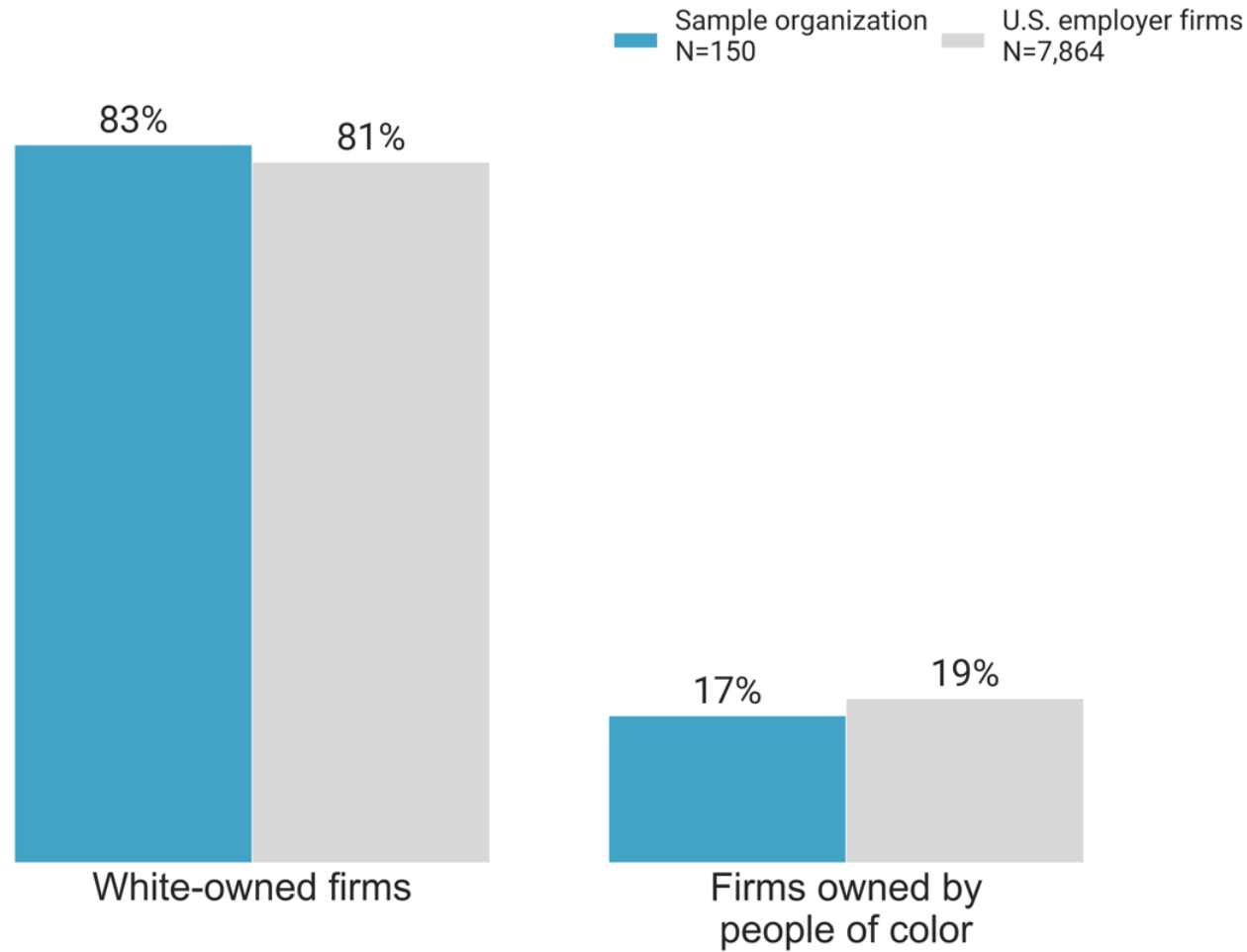
Notes: Percentages across response options may not sum to 100 within firm categories because of rounding. See Appendix for definitions of race and ethnicity. SBCS responses throughout the report are weighted using census data to represent the U.S. small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner.

Type of firm
(% of firms)

Legend: Sample organization N=150 (blue), U.S. firms (gray)

	Sample organization N=150	U.S. firms
Employer	80%	18%
Nonemployer	20%	82%

Notes: *See Appendix B for definitions of employer and nonemployer firms.*

2023 Partner Report: Findings from the 2022 Small Business Credit Survey

Appendix A

Partner Report FAQ

How many responses are needed to show data?

A question (or category) must have at least 30 responses in order to show the data for that question. When the sample size is below 30, data are not shown.

Why do the subcategories within a category not always add up to 100 percent?

Possibility 1: Respondents could select more than one option.

In some cases, a question will ask respondents to select all answer choices that apply. As a result, answer choices are not mutually exclusive, since some firms will select more than one option. This causes the sum of the subcategory percentages to exceed 100 percent.

Possibility 2: Percentages are rounded to whole numbers.

In other cases, a question's answer choices are mutually exclusive, but the sum of the percentages equals 99 percent or 101 percent. This is due to rounding the percentages to a whole number; the sum of the actual, unrounded percentages is 100 percent. For example, if answer choice "A" has 10.4% of responses, answer choice "B" has 70.3% of responses, and answer choice C has 19.3% of responses, the sum of theses percentages is 100%. Yet, the sum of the rounded percentages (10+70+19) is 99 percent.

Frequently Asked Questions (FAQ)

Which firms are included in my organization's data?

All small employer and nonemployer firms from your organization that responded to the Small Business Credit Survey are included in the sample for your organization. Small employer firms have between one and 499 employees in addition to the owner(s). Nonemployer firms have no employees other than the owner(s).

Which firms are included in comparison geographies?

Within this report, your organization's data are displayed alongside data for the national SBCS sample of employer firms. However, within the accompanying Excel file, comparisons to SBCS responses at both the national and state level are included. While nonemployer firms are included in the organization's sample, only employer firms are included in the data for comparison geographies.

Appendix B

SBCS definitions

Definitions: Credit risk

In the SBCS, "credit risk" refers to a self-reported business credit score or personal credit score, depending on which is used to obtain financing for the business. When firms use both, the weaker credit score is used to categorize the firm.

Low credit risk	Medium credit risk	High credit risk
Firms with either a business credit score of 80-100 or a personal credit score of 720 or greater.	Firms with either a business credit score of 50-79 or a personal credit score of 620-719.	Firms with either a business credit score of 1-49 or a personal credit score of less than 620.

Definitions: Financial services providers & lenders

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

Category	Definition
Large bank, small bank	Large banks are defined as those with at least $10B in total deposits; small banks are those with less than $10B in total deposits. 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.
Finance company that is not a bank	Examples include payroll services and payments processing companies, fintech lenders, and finance companies.
Financial institution or lender	This category includes all bank or nonbank financial intermediaries, such as banks, finance companies, online lenders, and credit unions.
Government funding sources	Examples include the Small Business Administration (SBA), the U.S. Department of Agriculture (USDA), and state agencies.
Online lender/fintech lender	Online lenders/fintech lenders are nonbanks that operate online. Examples include OnDeck, CAN Capital, Paypal Working Capital, and Kabbage.
CDFI	Community development financial institutions, or CDFIs, are financial institutions that provide credit and financial services to underserved markets and populations. CDFIs are certified by the CDFI Fund at the U.S. Department of the Treasury.

Definitions: Industry categories

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 codes: 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 codes: 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

Definitions: Race and ethnicity

The SBCS uses U.S. Census-defined categories of race and ethnicity. We use simplified, mutually exclusive race/ethnicity labels to indicate that more than 50% of the business is held by owner(s) of the given race/ethnicity. As such:

- "Firms owned by people of color" refers to businesses majority-owned by owners who identified themselves in the SBCS as American Indian or Alaskan Native, Asian, Black or Hispanic.

- "White-owned firms" refers to businesses majority-owned by owners who identified themselves as non-Hispanic in the SBCS and who identified their race as white, Middle Eastern, or Northern African.

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. Finally, some questions ask about respondents' expectations in the 12 months following the time of their response. The time periods referenced in the survey are defined as follows throughout this report:

Prior 12 Months	At Time of Survey	Next 12 Months
The 12 months prior to the fielding of the survey. For the 2022 SBCS, this is approximately September-November 2021 through September-November 2022.	September through November 2022.	The 12 months following the fielding of the survey. For the 2022 SBCS, this is approximately September-November 2022 through September-November 2023.

Definitions: Type of firm

Employer firms

Employer firms have between one and 499 employees in addition to the owner(s).

Nonemployer firms

Nonemployer firms have no employees other than the owner(s) of the firm. Nonemployer firms may employ contract workers.