2021 SMALL BUSINESS CREDIT SURVEY

# California State Report

Federal Reserve Bank of San Francisco

## Executive Summary

The Small Business Credit Survey (SBCS) is an annual survey that collects information about the business performance, financing needs and options, and borrowing experiences of firms with 500 or fewer employees. Responses to the SBCS provide insight into the dynamics behind aggregate lending trends and about noteworthy segments of small businesses.

This report analyzes data from the 2021 SBCS for the State of California.

The findings in this report reflect data for employer firms only (employer firms are firms with at least one employee in addition to the owner(s)). The results are weighted to reflect the full population of small businesses. The SBCS is not a random sample; therefore, results should be analyzed with awareness of potential methodological biases.

### Survey Response[1]

+ Results summarized below reflect small business trends in California. National results are included in the charts for comparison purposes.
+ In California, there were 744 responses for the 2021 SBCS. Nationwide, there were 10,914 responses.
+ The 2021 SBCS was fielded September 8 through November 19, 2021 and is the second SBCS conducted during the COVID-19 pandemic.

### Surveyed Firm Demographics

+ The majority of California firms surveyed have 1-4 employees (57%) and had 2020 revenues of $500,000 or less (64%).
+ Firms in California tend to be either well-established, with 37% in business for over 21 years, or newer, with 25% in business for five years or less.
+ 34% of California firms are owned by people of color (compared with 17% nationally).

[1] For a full discussion of the survey methodology, see Small Business Credit Survey 2022 Report, page 27.

## Firm Performance, Challenges, and Expectations

+ 70% of California firms reported their current financial condition as poor or fair at the time of the 2021 survey, compared with 60% of firms at the 2020 survey.
+ 73% of California firms have experienced decreases in revenue since 2019, but the majority (60%) expect revenues to increase in the next 12 months.
+ 86% of firms reported that the COVID-19 pandemic is currently having a negative effect on their business.

## Pandemic-related Financial Assistance

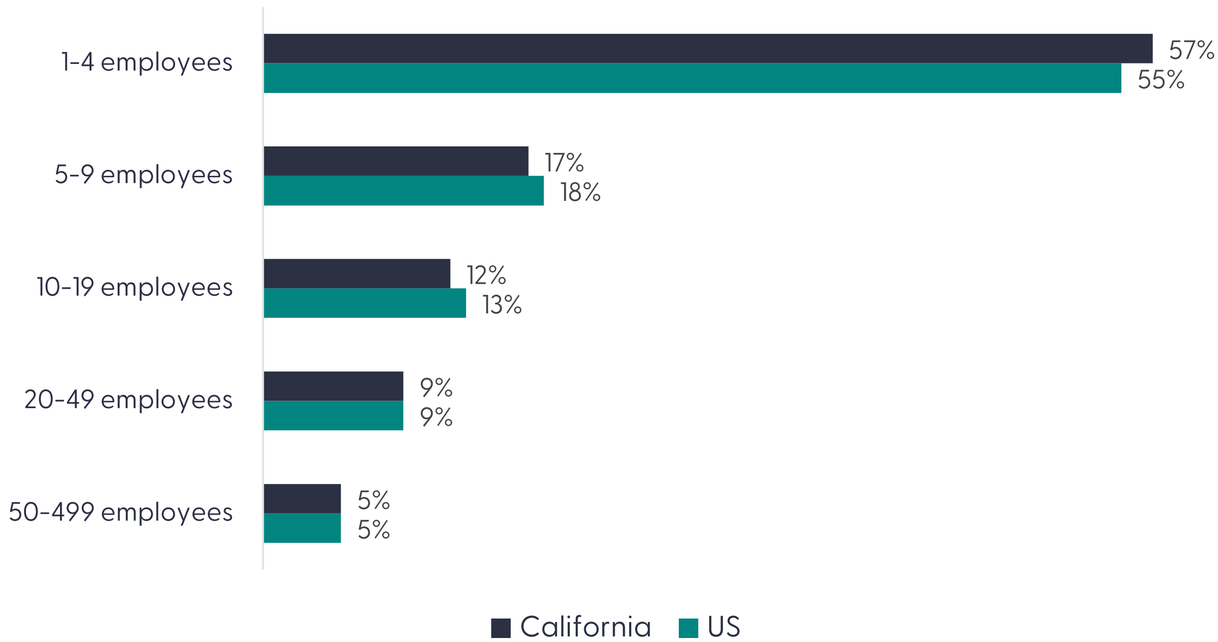
+ 87% of California firms surveyed sought some type of pandemic-related financial assistance in 2021, compared with 77% of firms nationally.
+ Of firms that sought pandemic-related financial assistance in 2021, California firms most often turned to the federal Economic Injury Disaster Loan (EIDL) and the federal Paycheck Protection Program (PPP).
+ 87% of firms that received PPP loans in 2021 expect full forgiveness, and 81% reported that they received full forgiveness on their PPP loans in 2020.

## Financing Need and Credit Products

+ 79% of firms had some level of debt outstanding at the time of the survey.
+ Of firms that applied for financing in the past 12 months, 80% applied for a loan or line of credit.
+ California firms that applied for financing most often did so to meet operating expenses (63%) and/or to expand their business (41%).

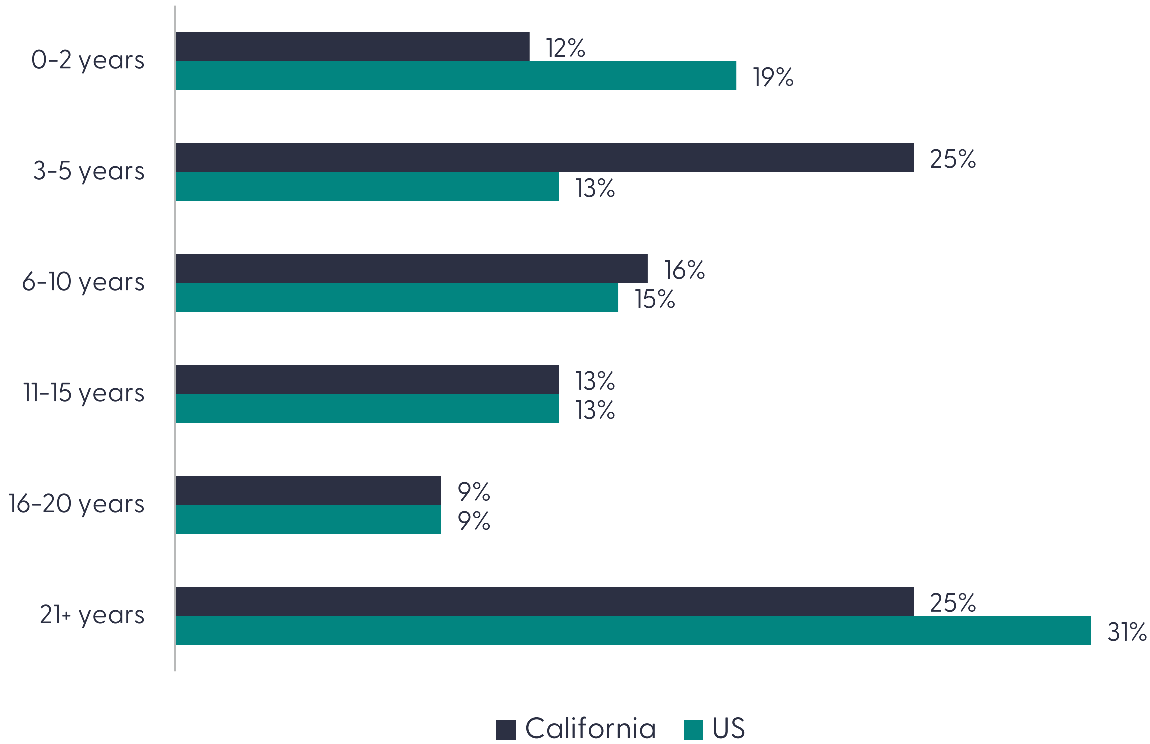
## Surveyed Firm Demographics

**Figure 1: Number of firm employees**

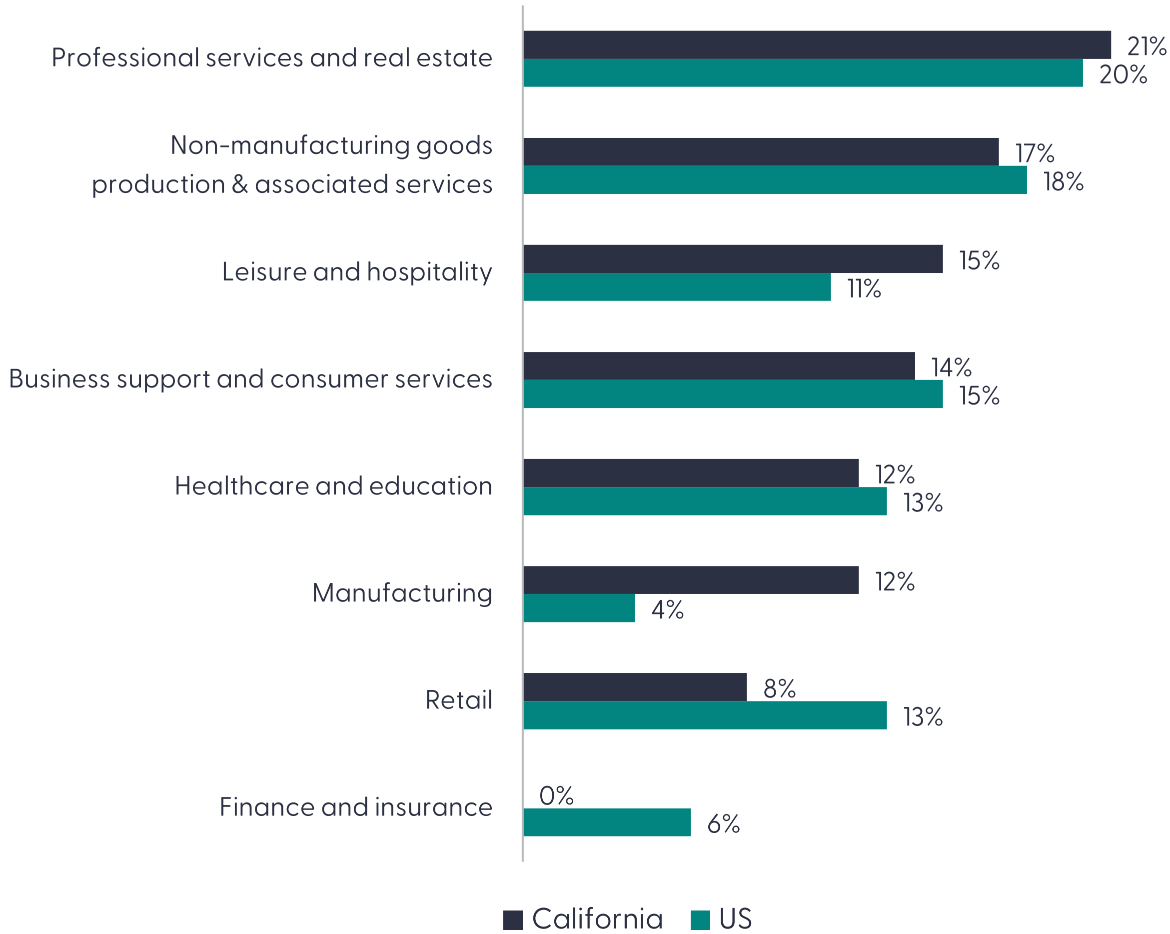



**36%** of California firms use contract workers compared to **39%** of firms nationally.

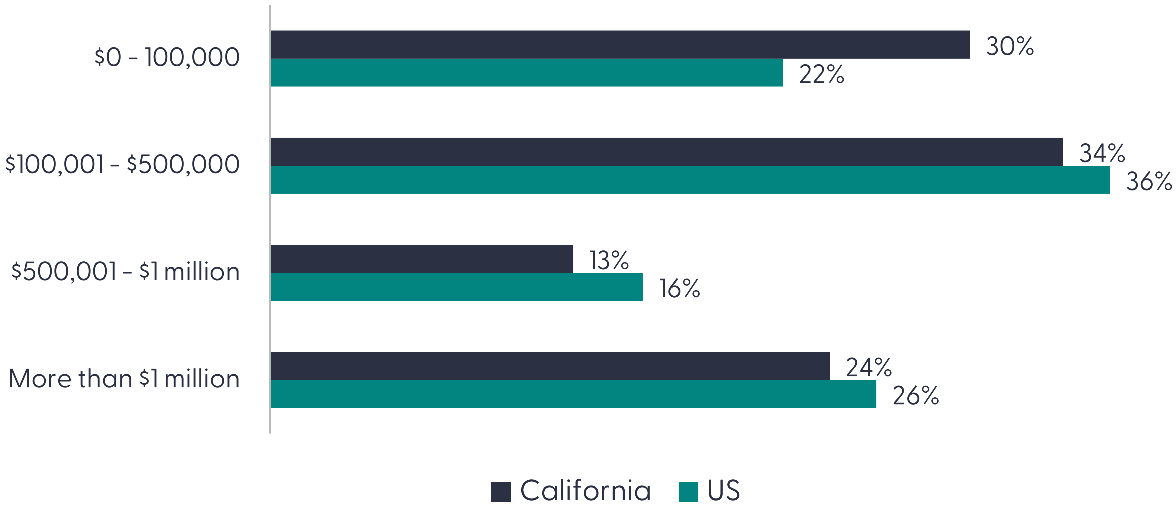
## Figure 2: Age of firm



## Figure 3: Industry



## Figure 4: Total firm revenues in 2020




## Figure 5: Credit risk of firm

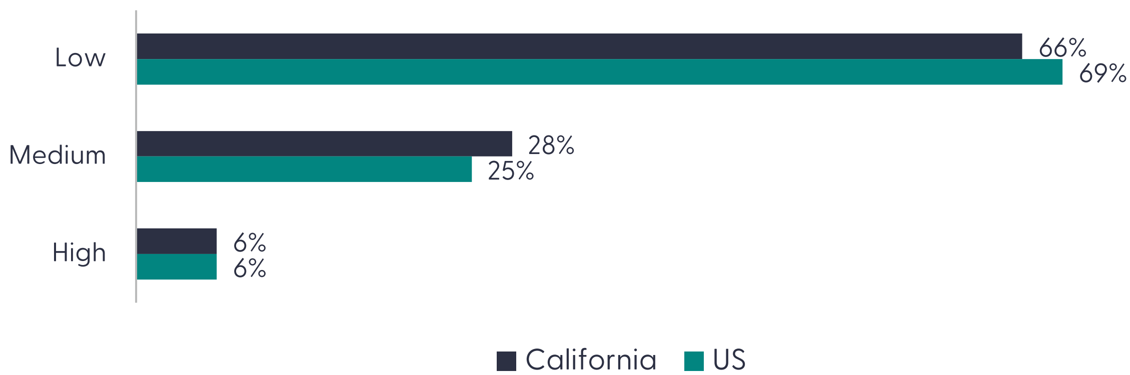
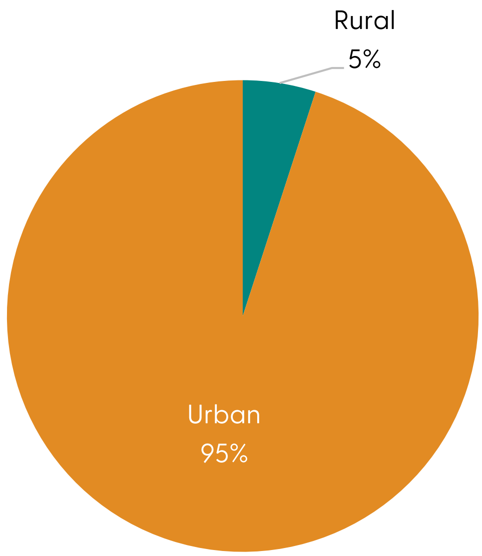


**Figure 6: Geographic location of firm**




In the national SBCS sample, **84%** of employer firms are headquartered in urban areas; **16%** are in rural areas.

**Figure 7: Race and ethnicity of the owner(s)**

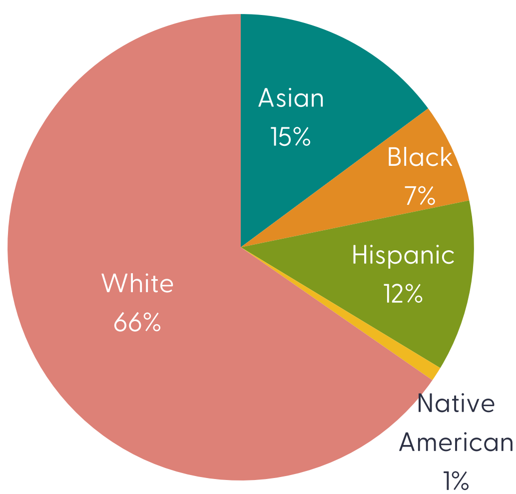


**Figure 8: Gender of owner(s)**

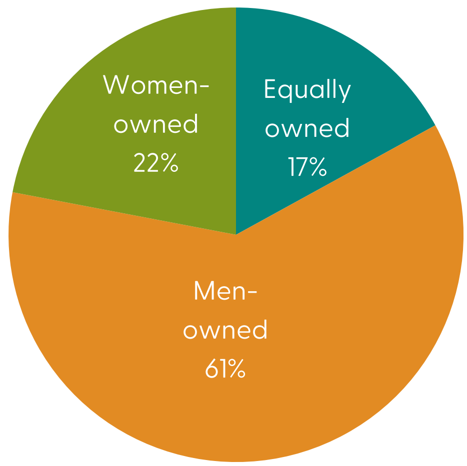
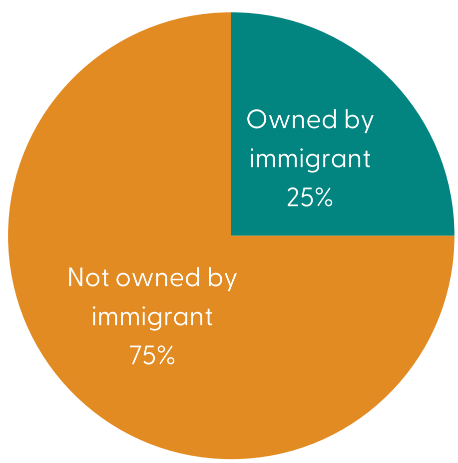
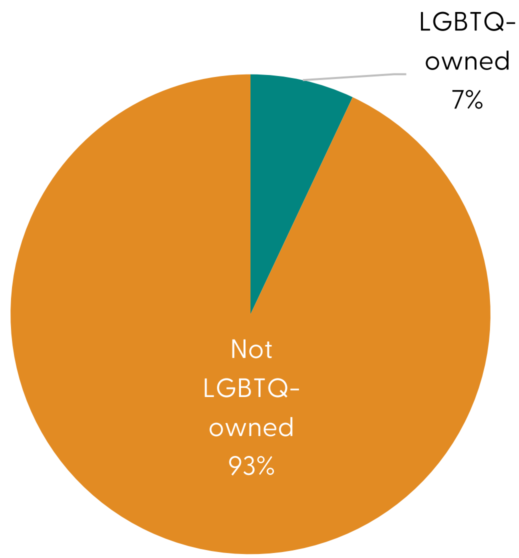


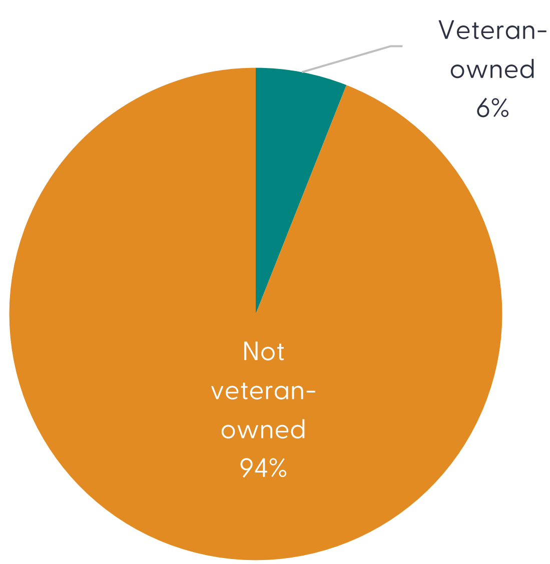

**Figure 9: Immigrant ownership**



## Figure 10: LGBTQ ownership

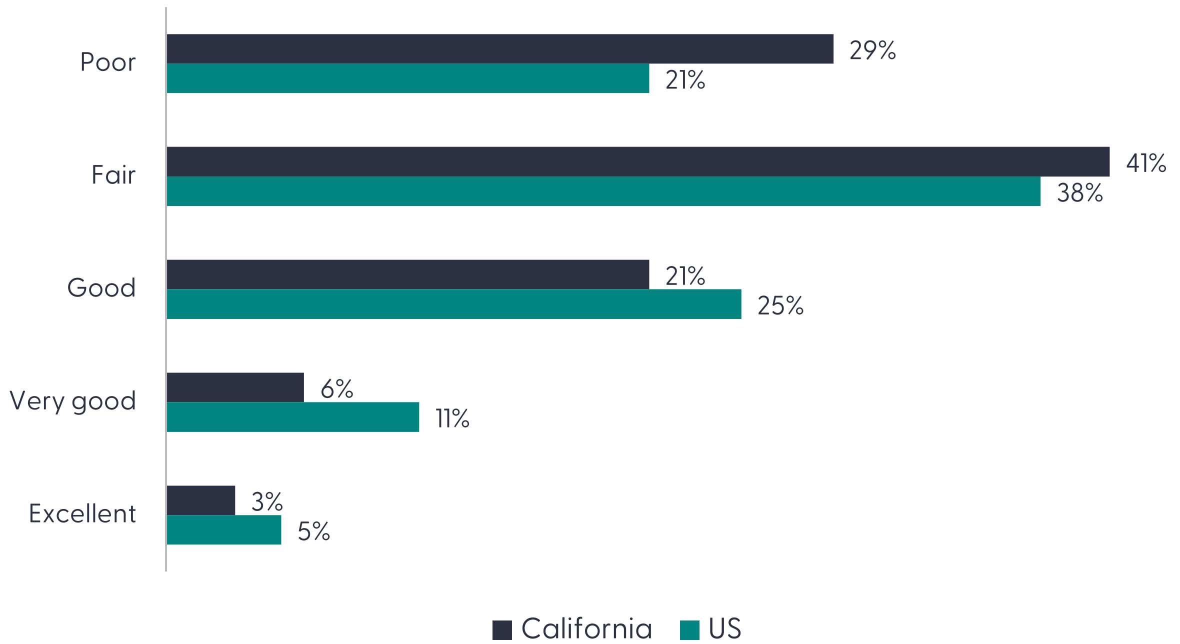



## Figure 11: Veteran ownership

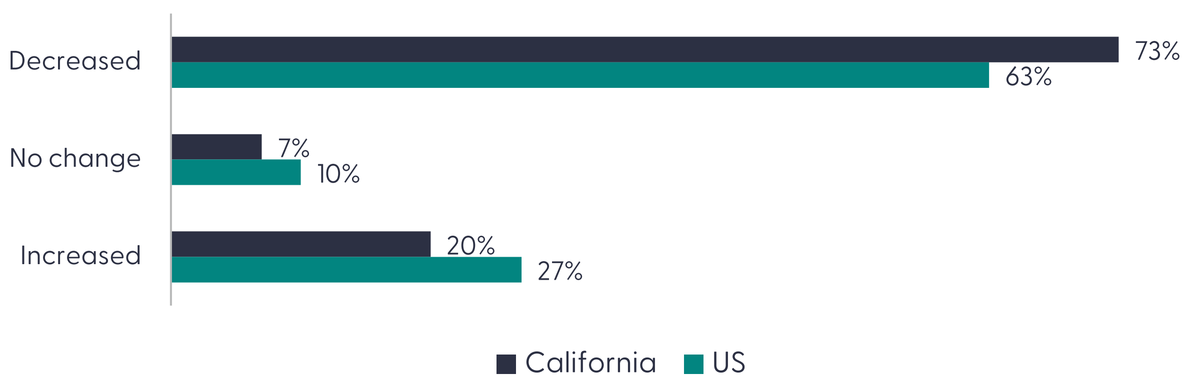


## Firm Performance, Challenges, and Expectations

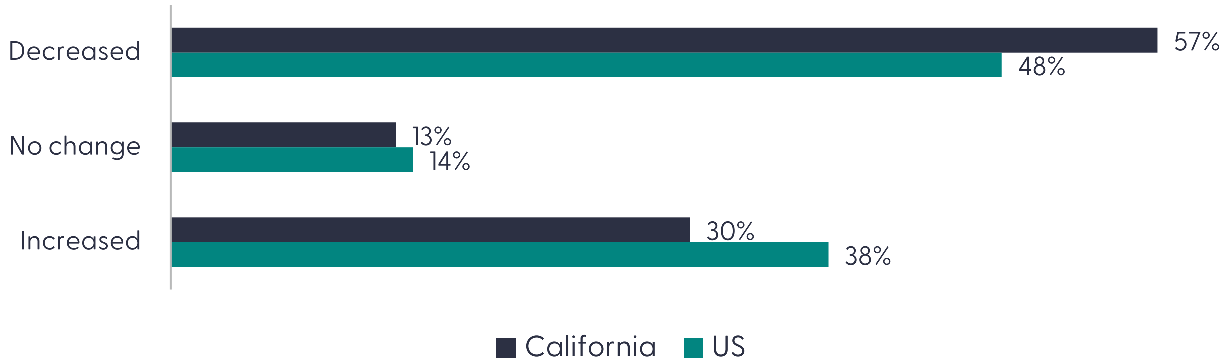
### Figure 12: Financial condition, at time of survey



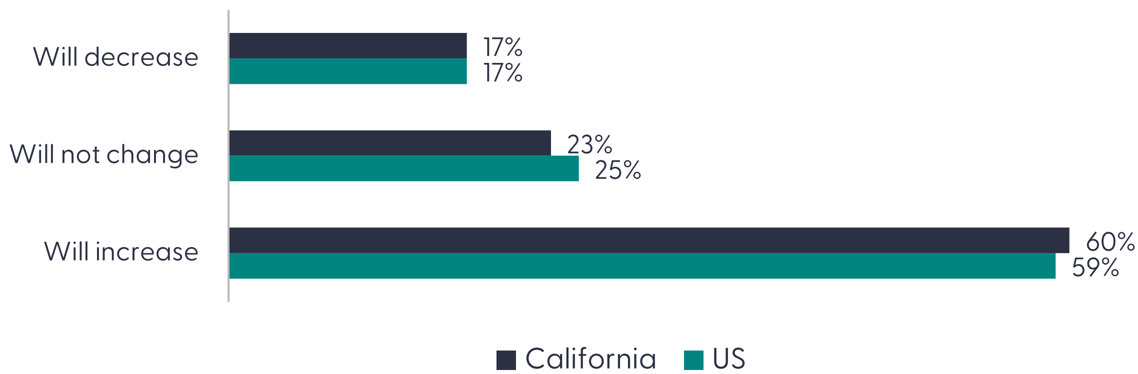

### Figure 13: Revenue change, since 2019



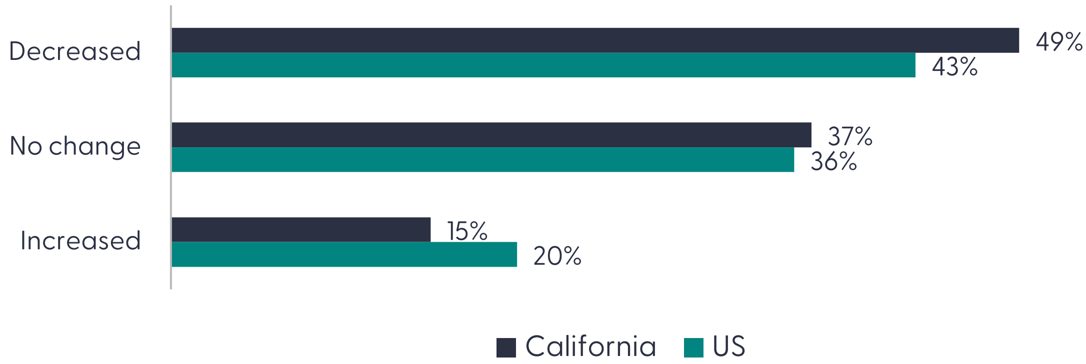
## Figure 14: Revenue change, past 12 months



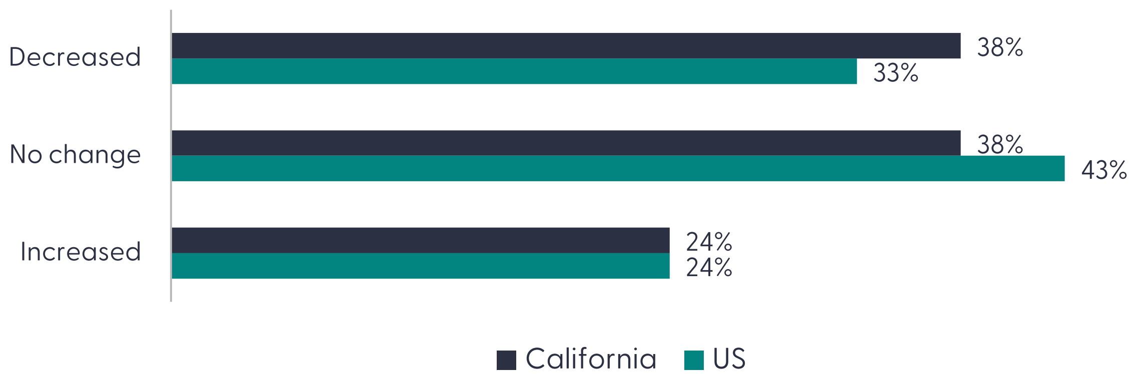

## Figure 15: Revenue expectations, next 12 months



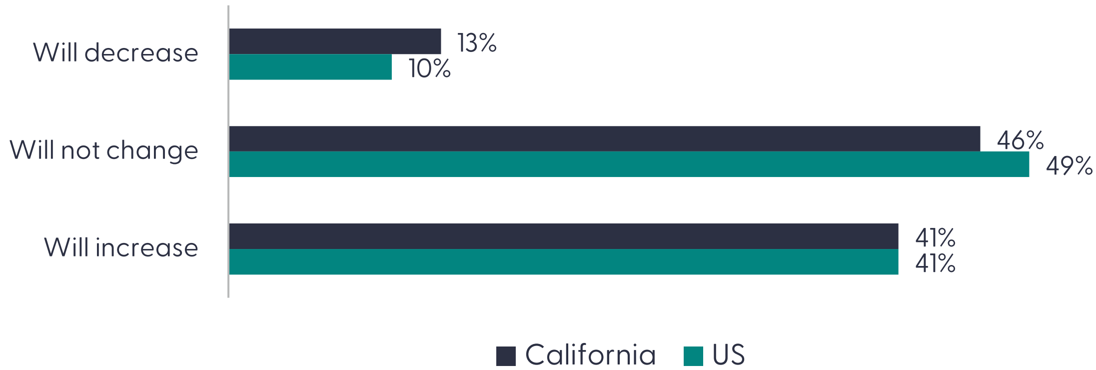
## Figure 16: Employment change, since 2019



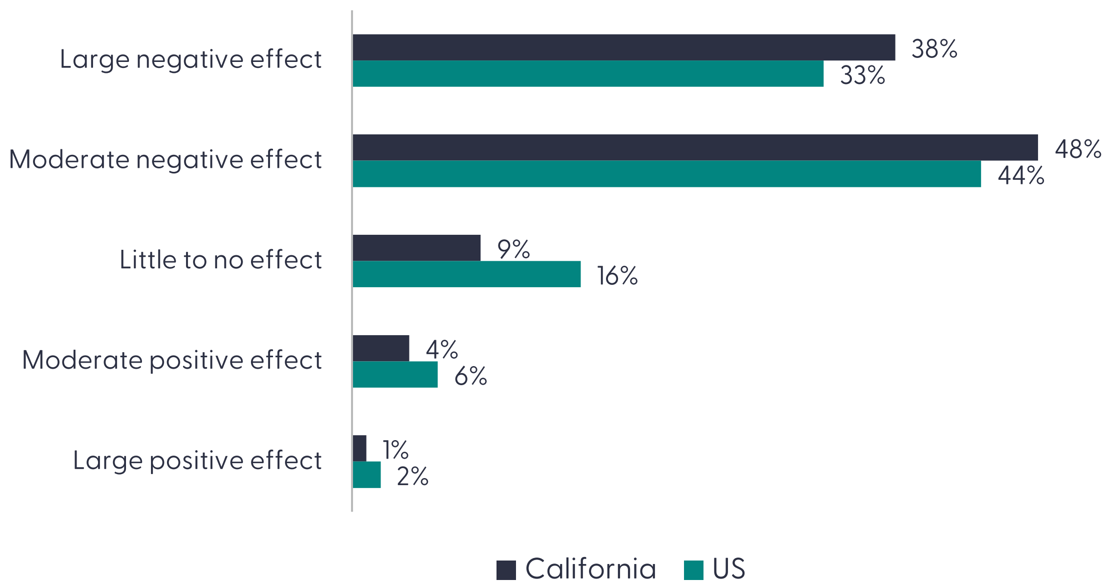

## Figure 17: Employment change, past 12 months



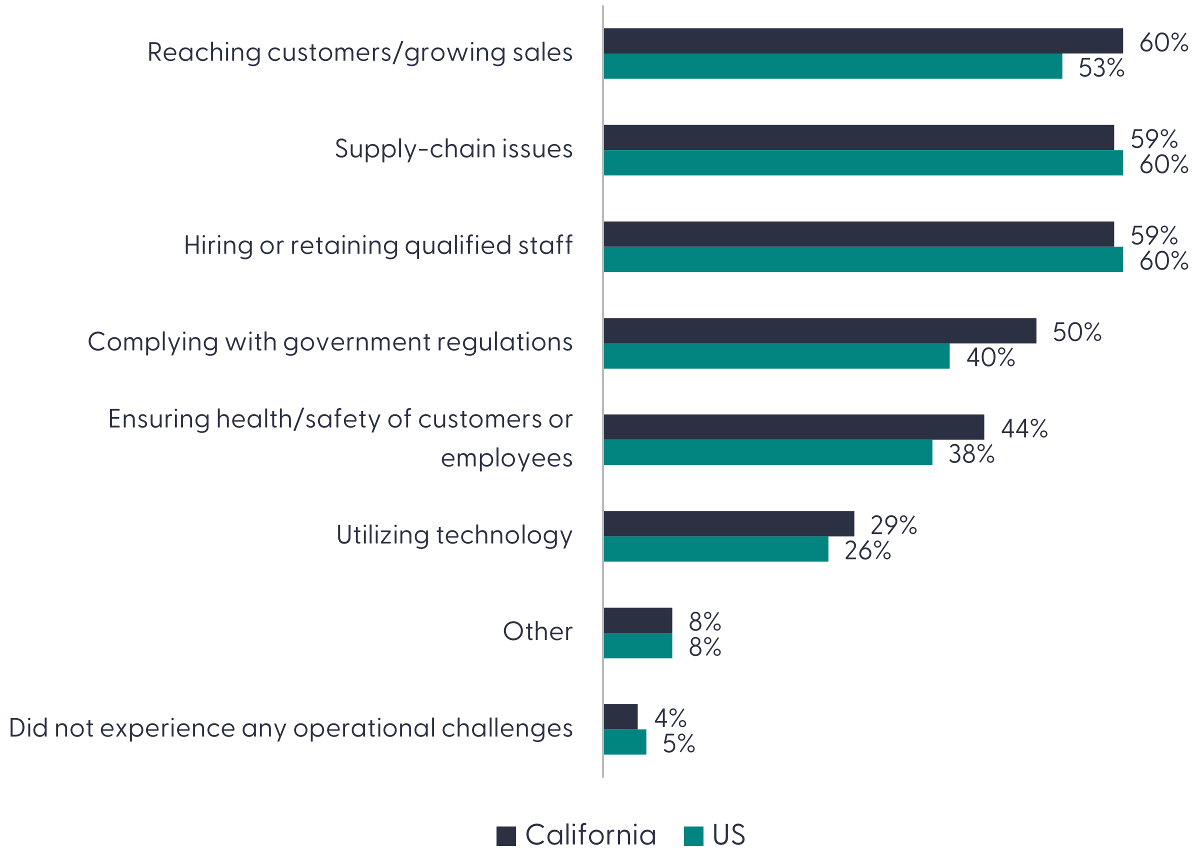
## Figure 18: Employment expectations, next 12 months




## Figure 19: Effects of the COVID-19 pandemic on firms, at time of survey

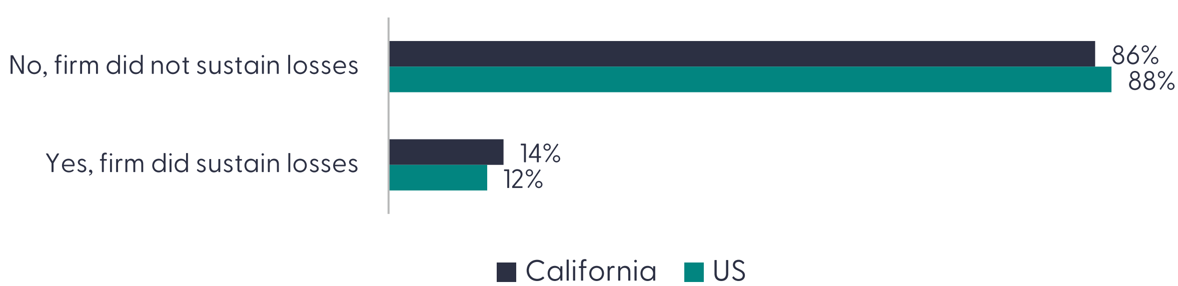


## Figure 20: Operational challenges, past 12 months

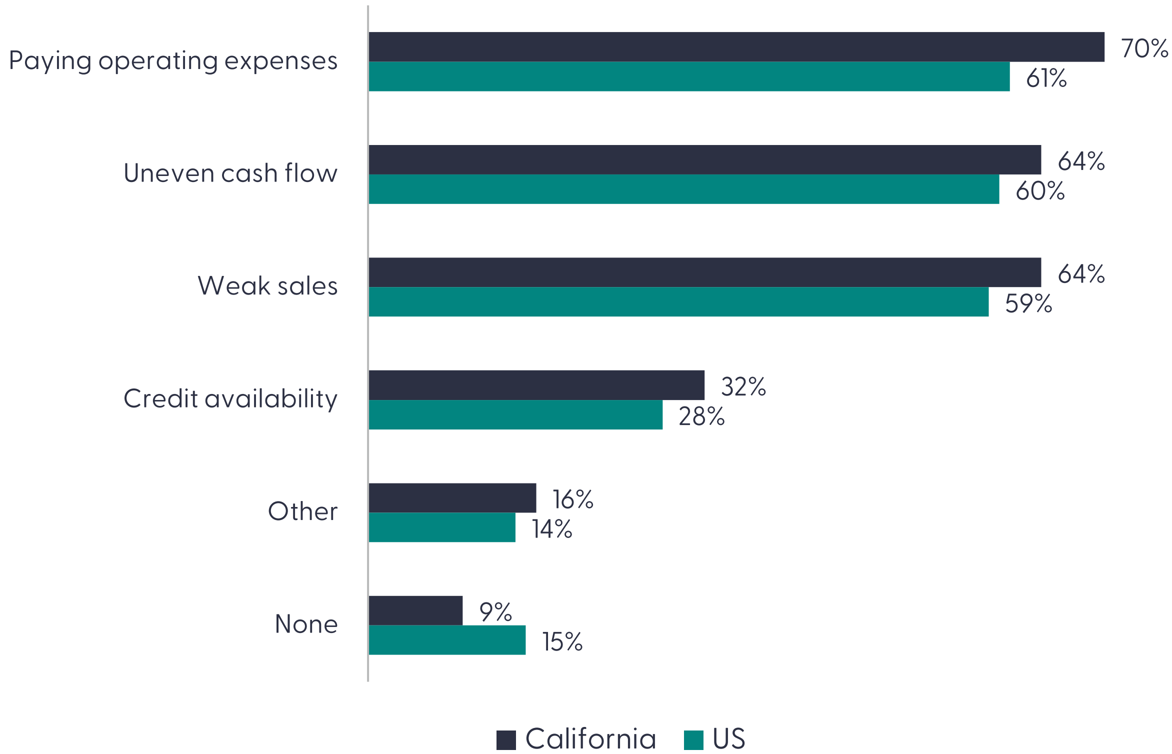



*Note: Firms selected all challenges that applied.*

## Figure 21: Natural disaster-related losses

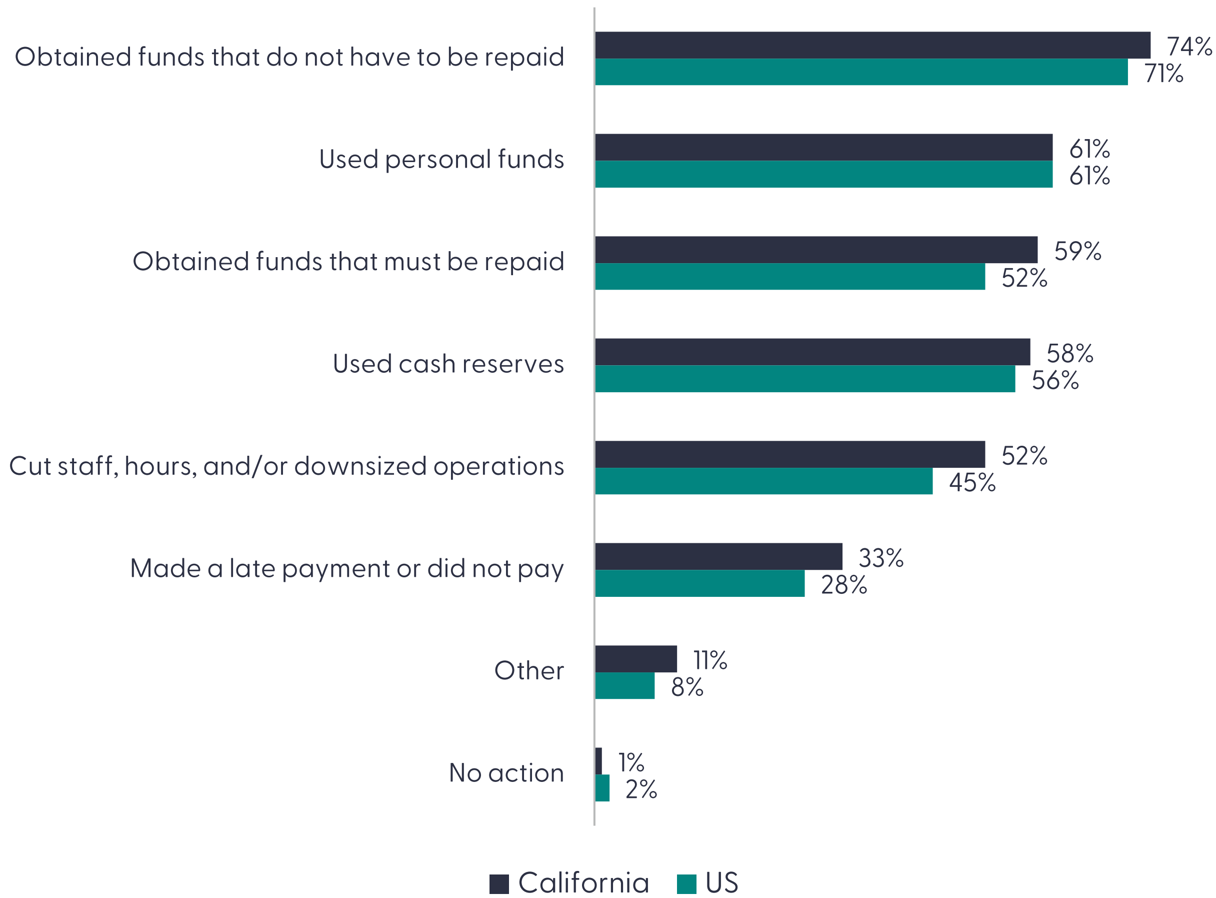


## Figure 22: Financial challenges, past 12 months




*Note: Firms selected all challenges that applied.*

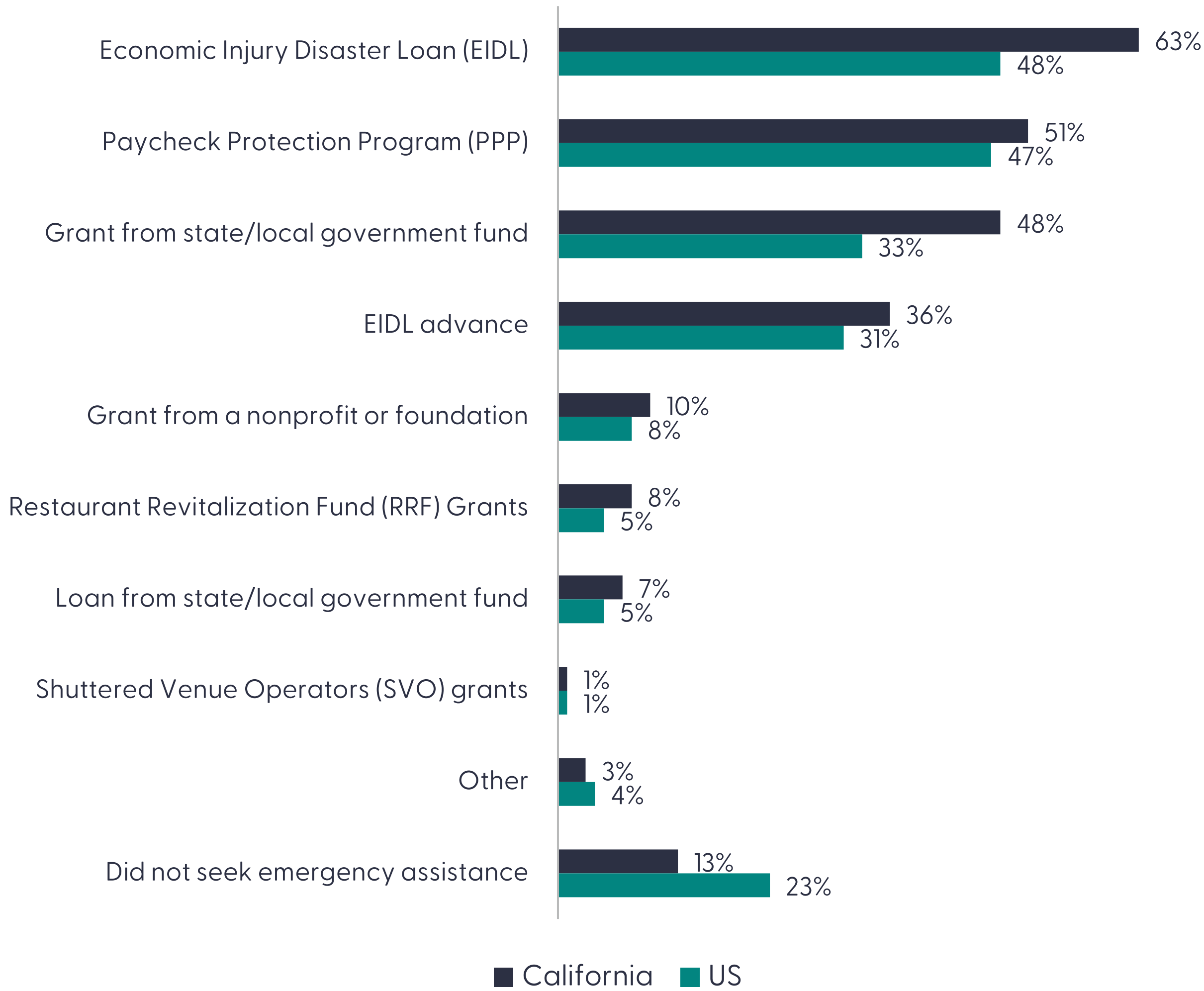
## Figure 23: Actions firm took to deal with financial challenges, past 12 months




*Note: Firms selected all actions that applied.*

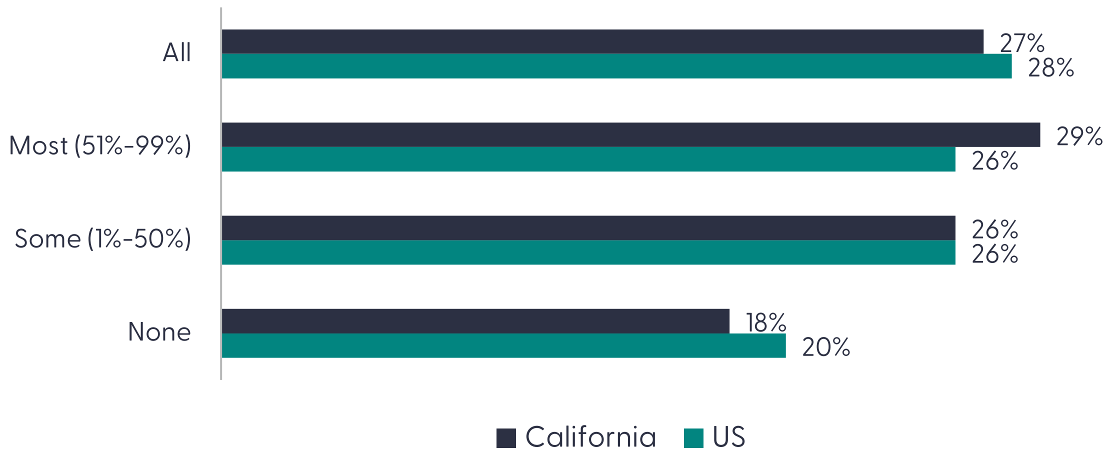
## Pandemic-Related Financial Assistance

### Figure 24: Applications for pandemic-related financial assistance

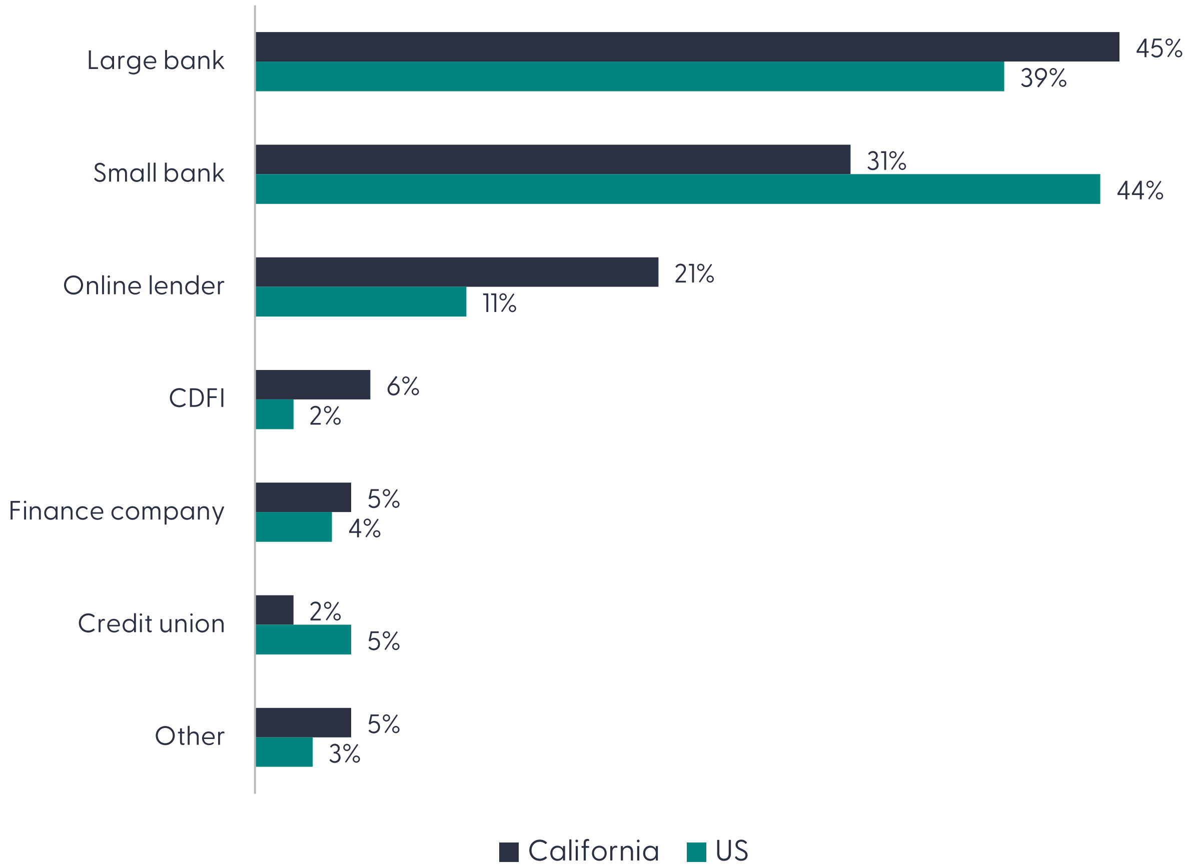



*Note: Firms selected all sources of assistance that applied.*

## Figure 25: Pandemic-related financial assistance received as share of amount sought (excluding PPP)

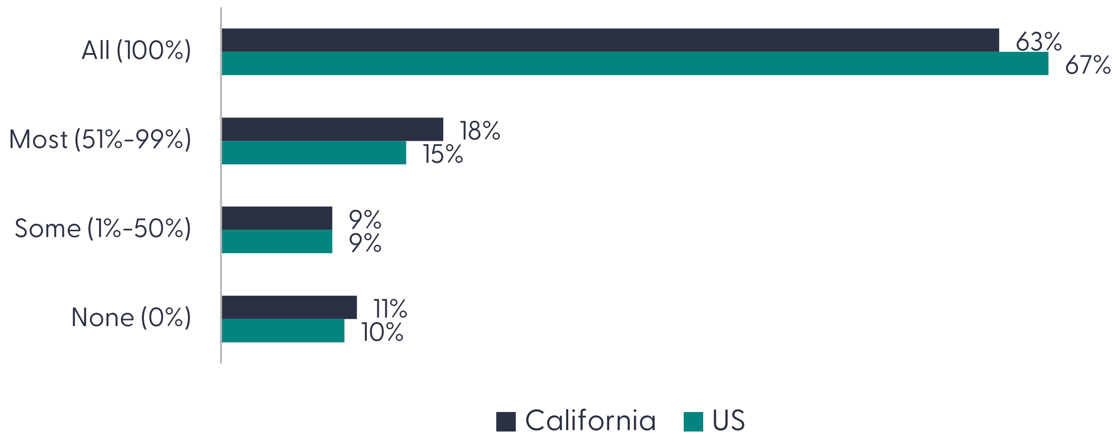


## Figure 26: Where firms applied for PPP

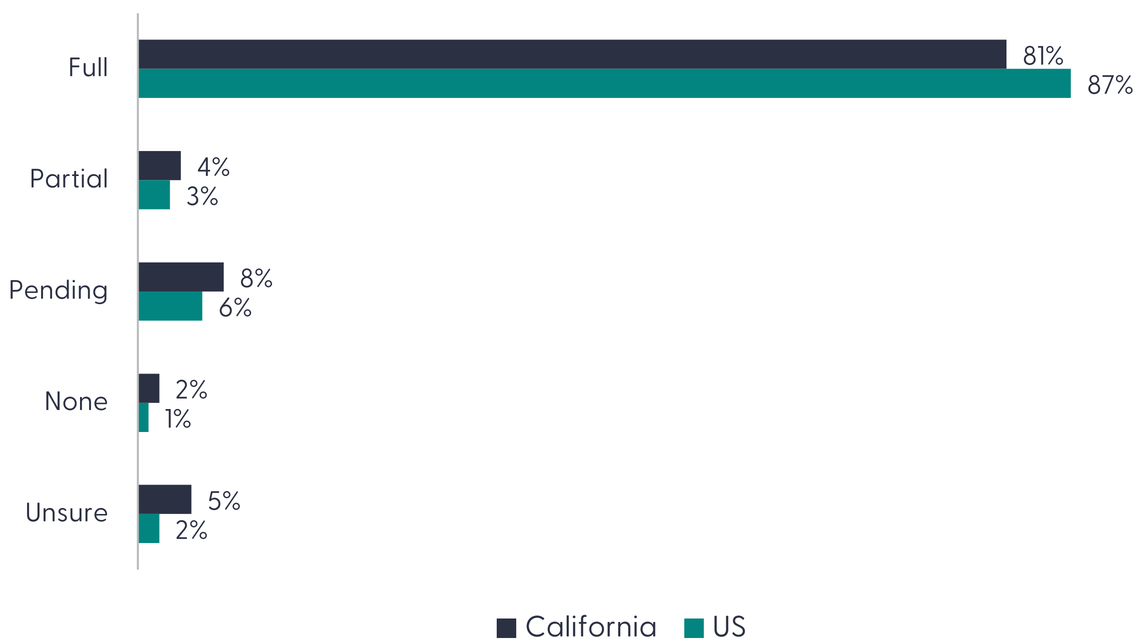



*Note: Firms selected all that applied.*

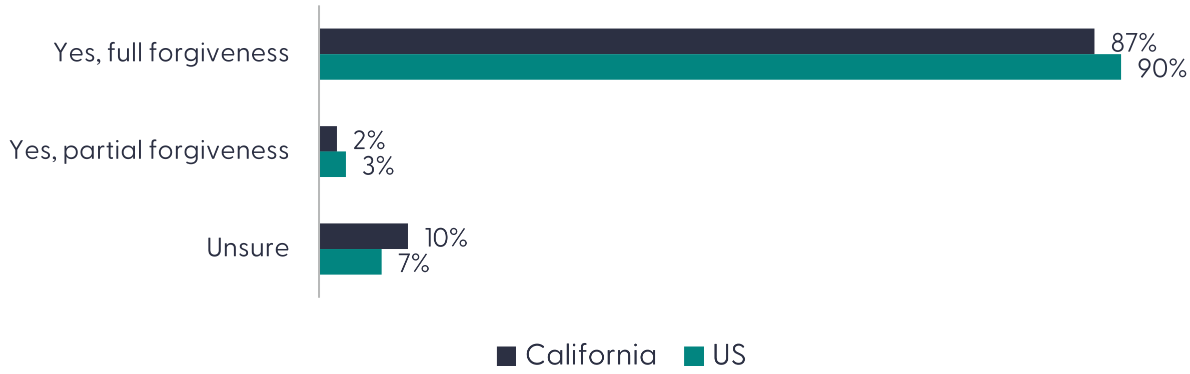
## Figure 27: PPP funding received as share of amount sought



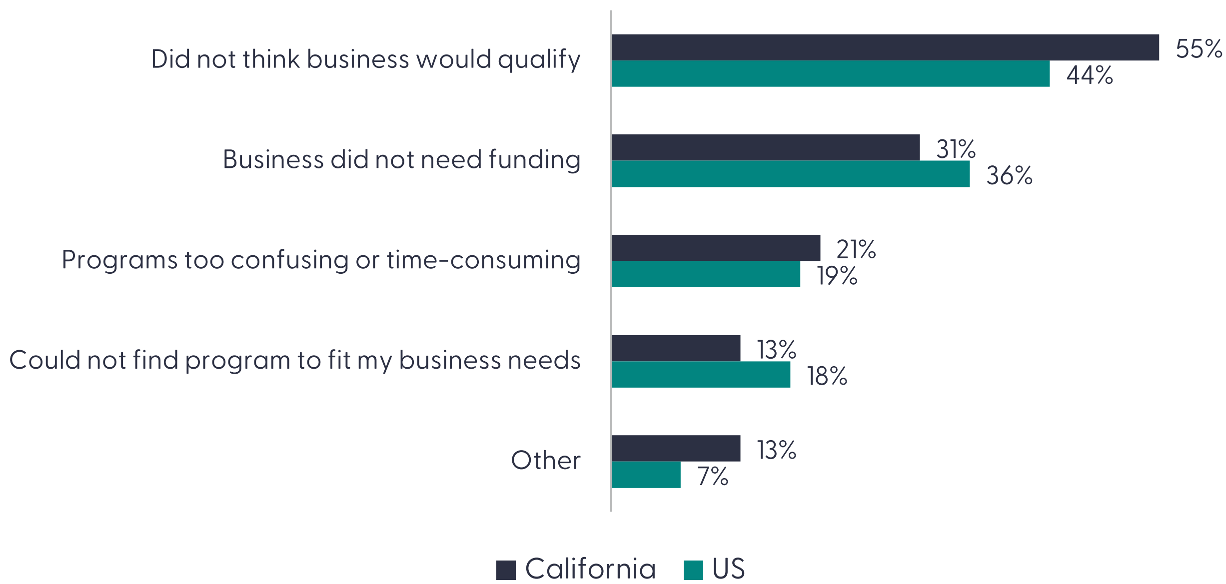

## Figure 28: Loan forgiveness received on 2020 PPP loans



## Figure 29: Expect loan forgiveness on 2021 PPP loan?



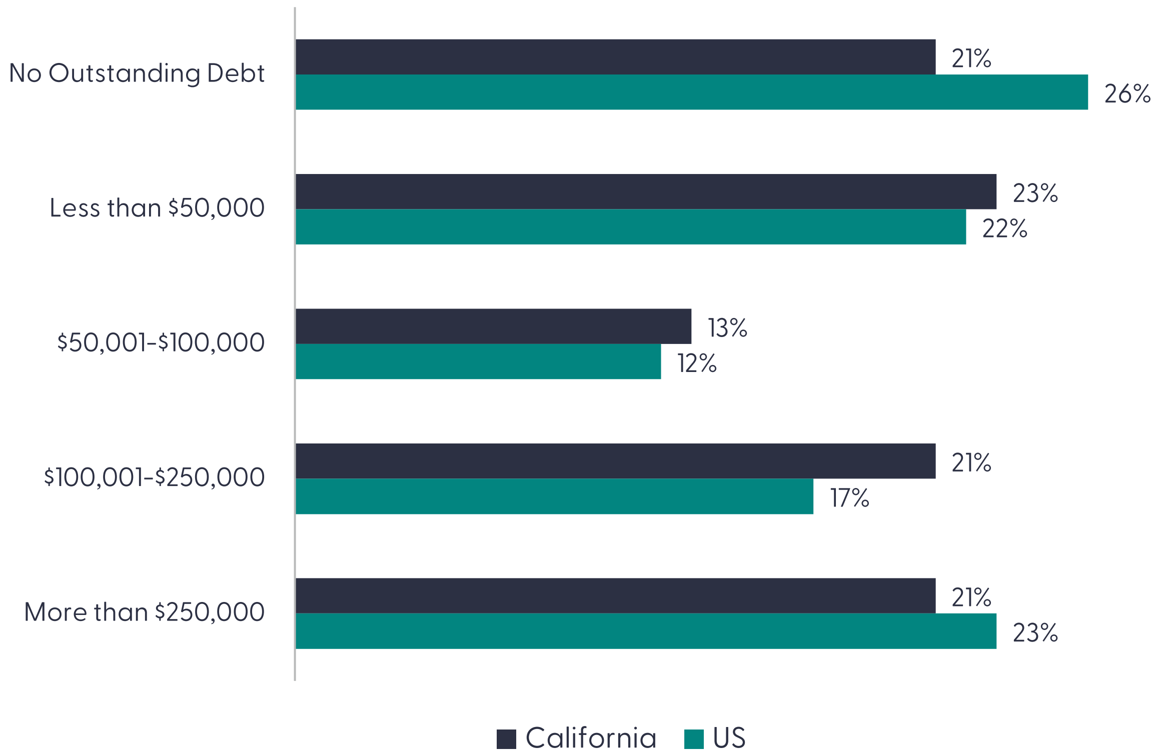

## Figure 30: Why firm did not seek assistance in the past 12 months



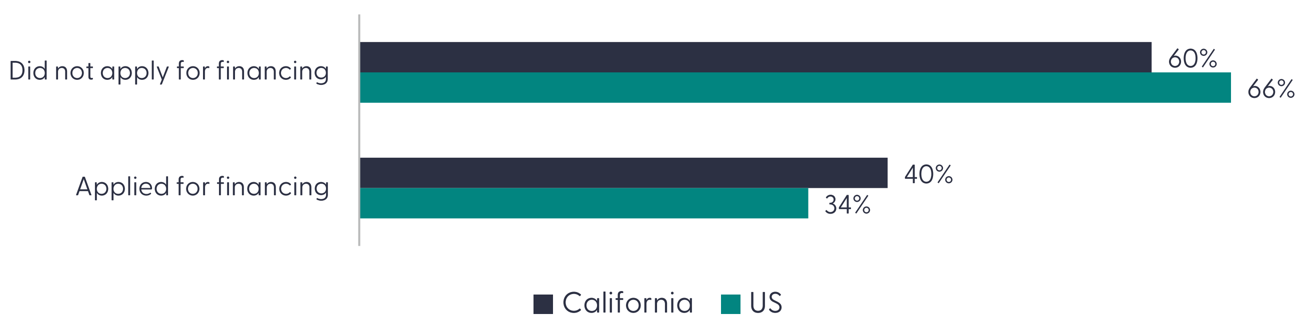

*Note: California question sample size was less than 100.*

## Financing needs and credit products

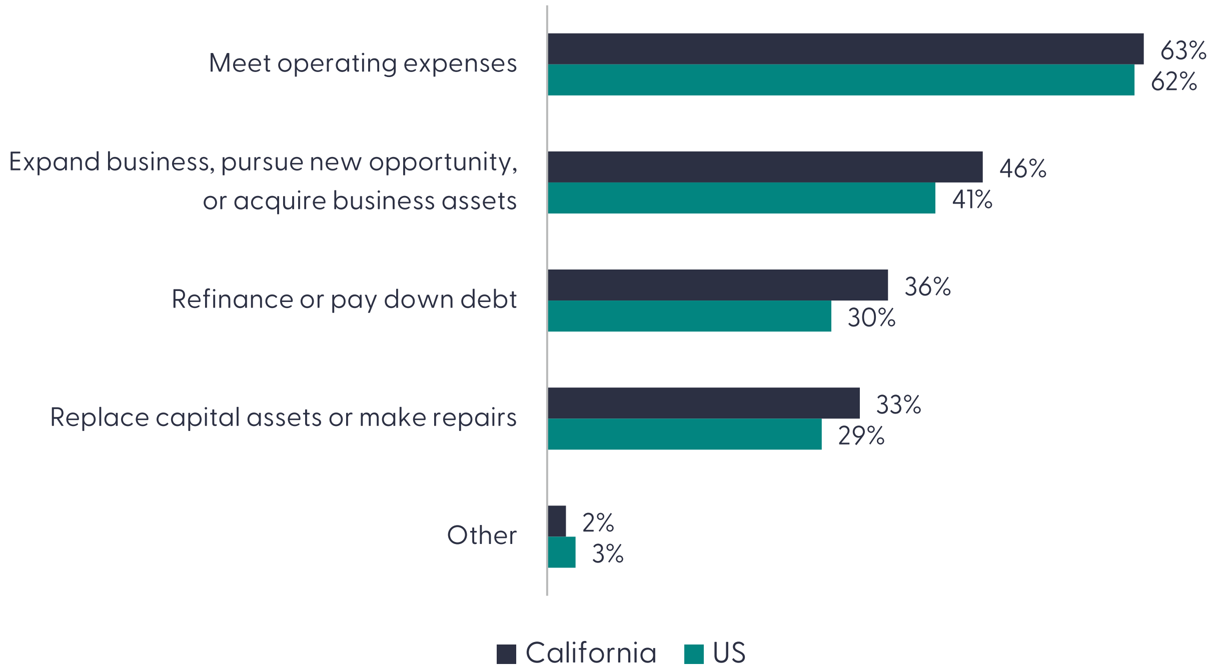
### Figure 31: Amount of debt outstanding, at time of survey




### Figure 32: Share of firms that applied for financing, past 12 months *(excludes applications for pandemic-related assistance)*

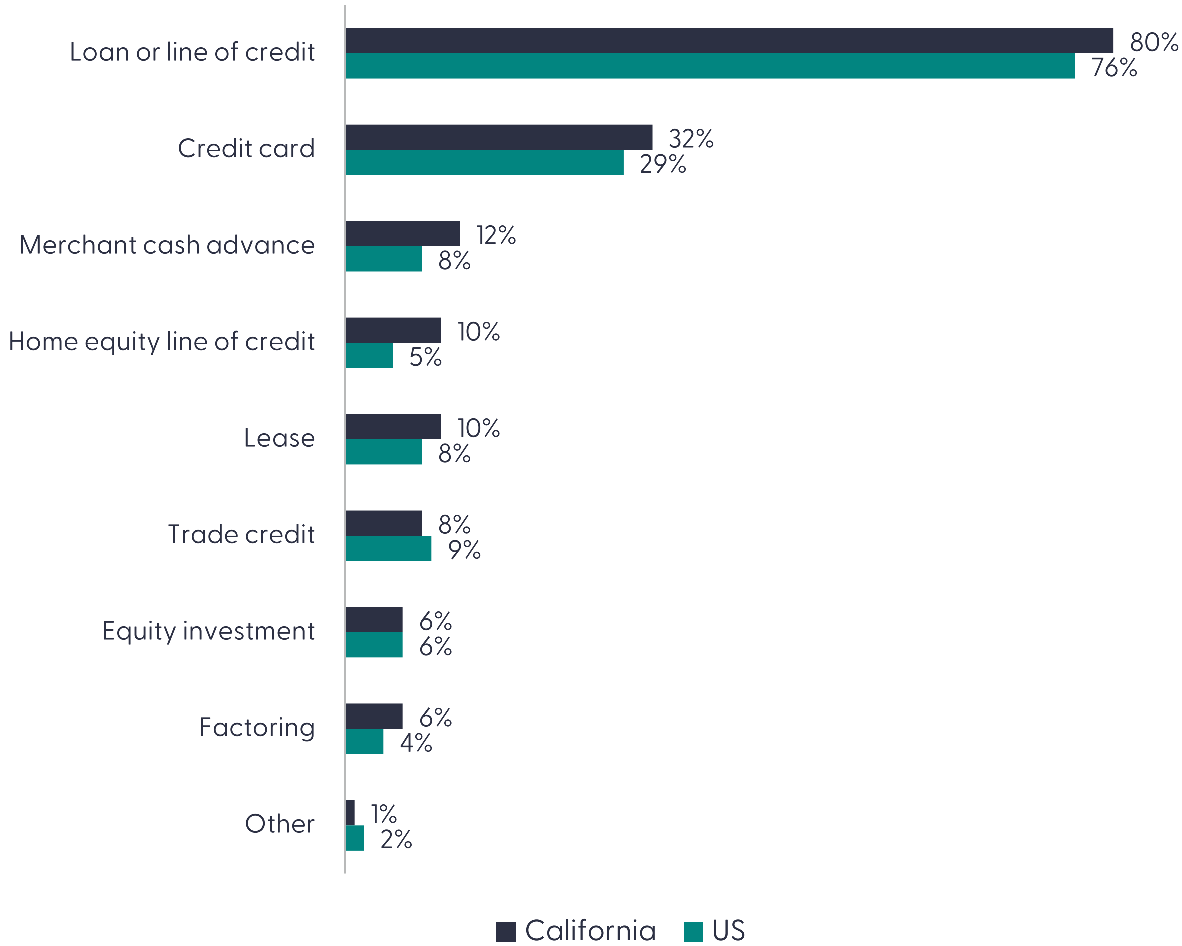


## Figure 33: Primary reason firm applied for financing



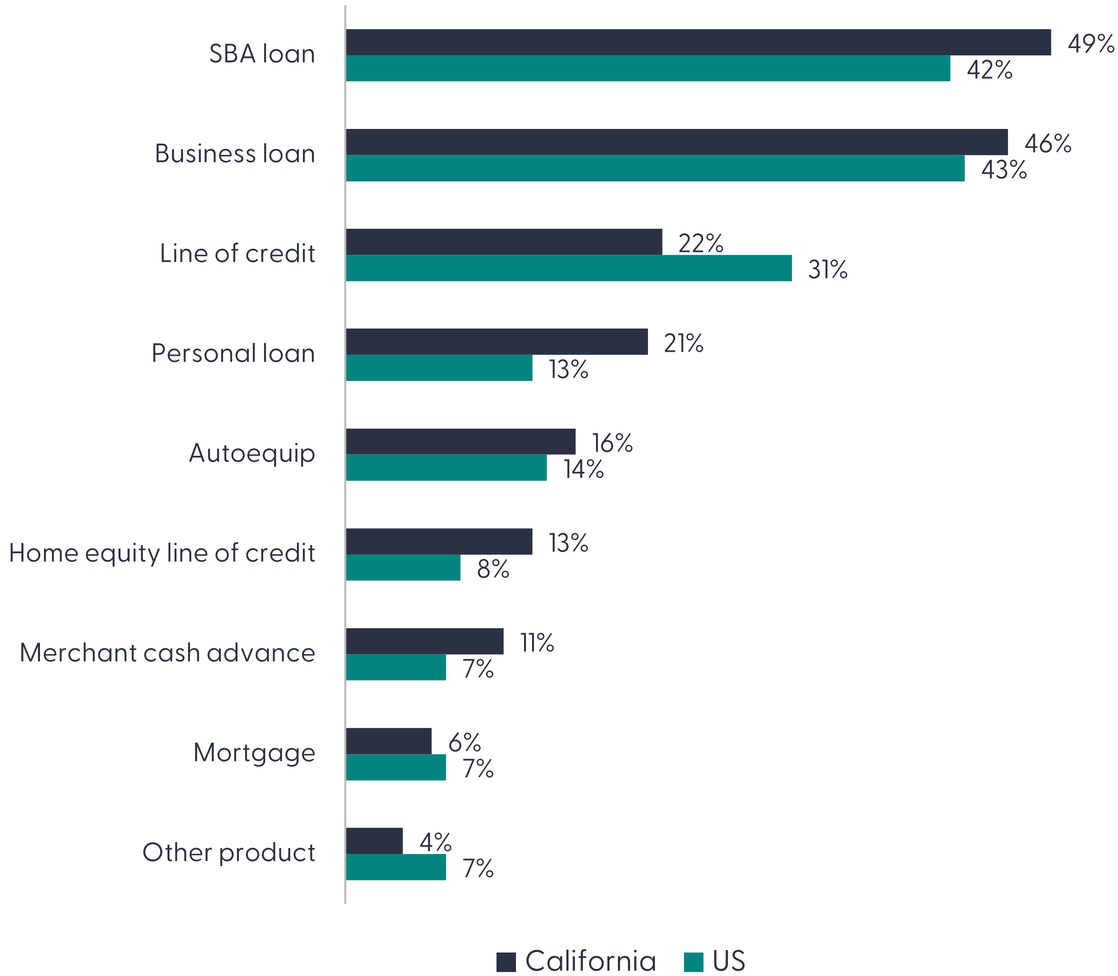

*Note: Firms selected all reasons that applied.*

## Figure 34: Types of financing firm applied for

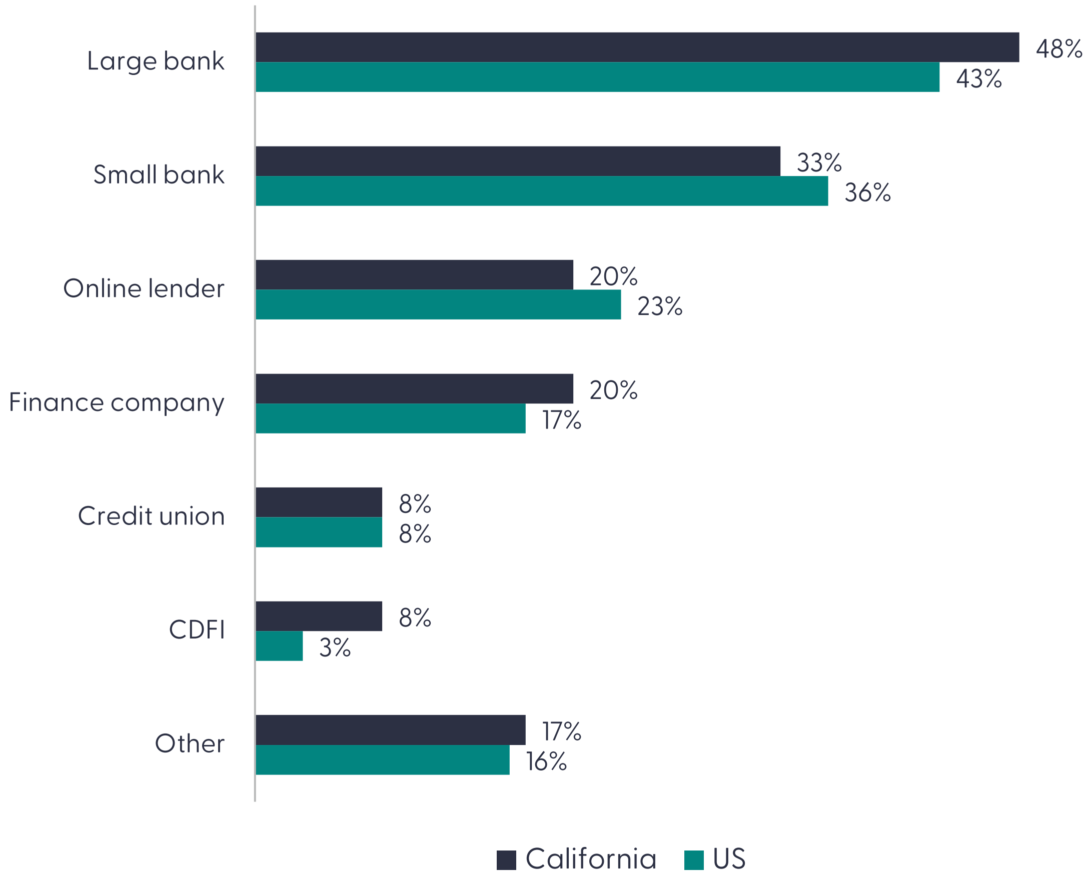



*Note: Firms selected all types of financing that applied.*

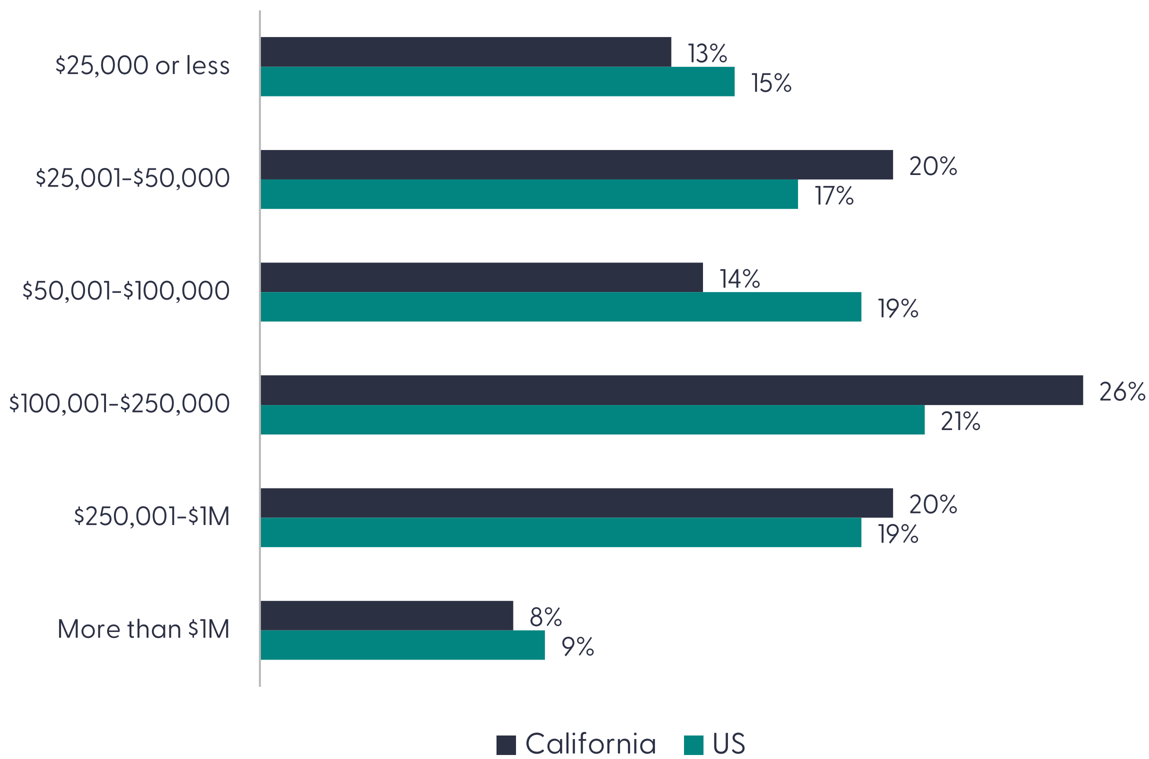
## Figure 35: Application rate by type of loan or line of credit



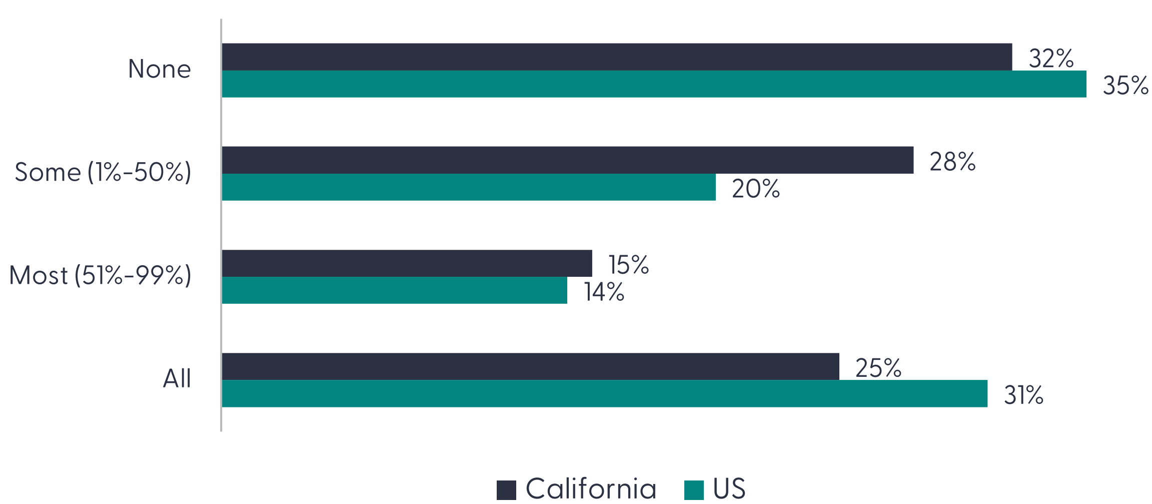
## Figure 36: Loan or line of credit source



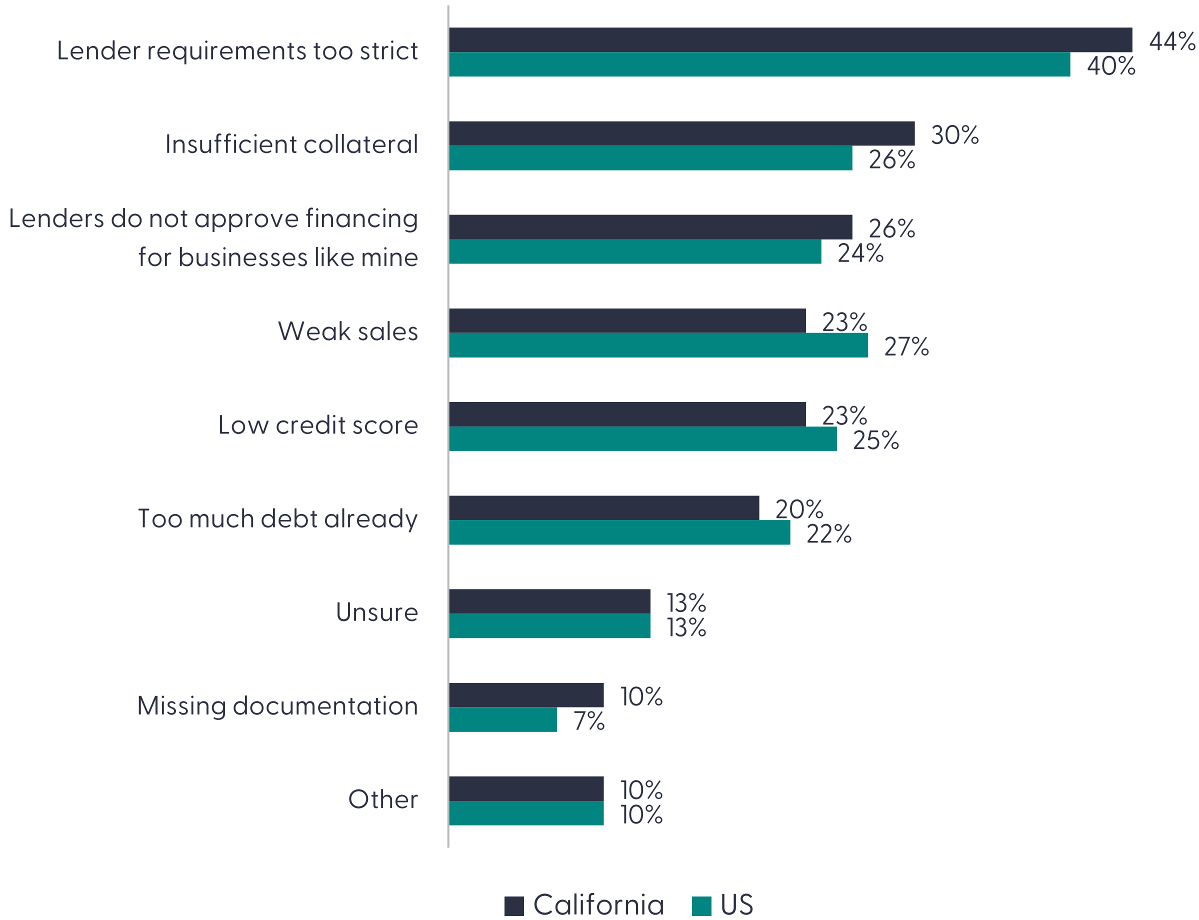
## Figure 37: Total financing firm applied for




## Figure 38: Total financing obtained



## Figure 39: Reasons business did not obtain all financing




*Note: Firms selected all reasons that applied.*

*Question sample size for California firms was less than 100.*

## Figure 40: Reason firm didn't apply for financing

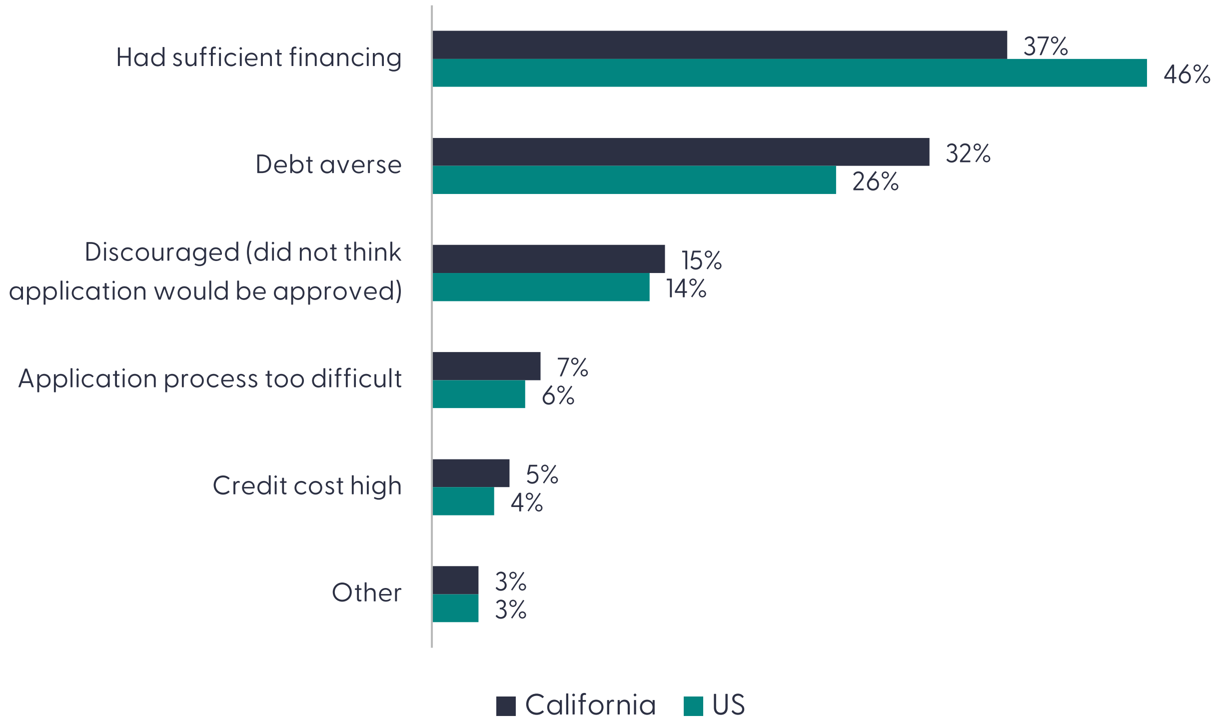
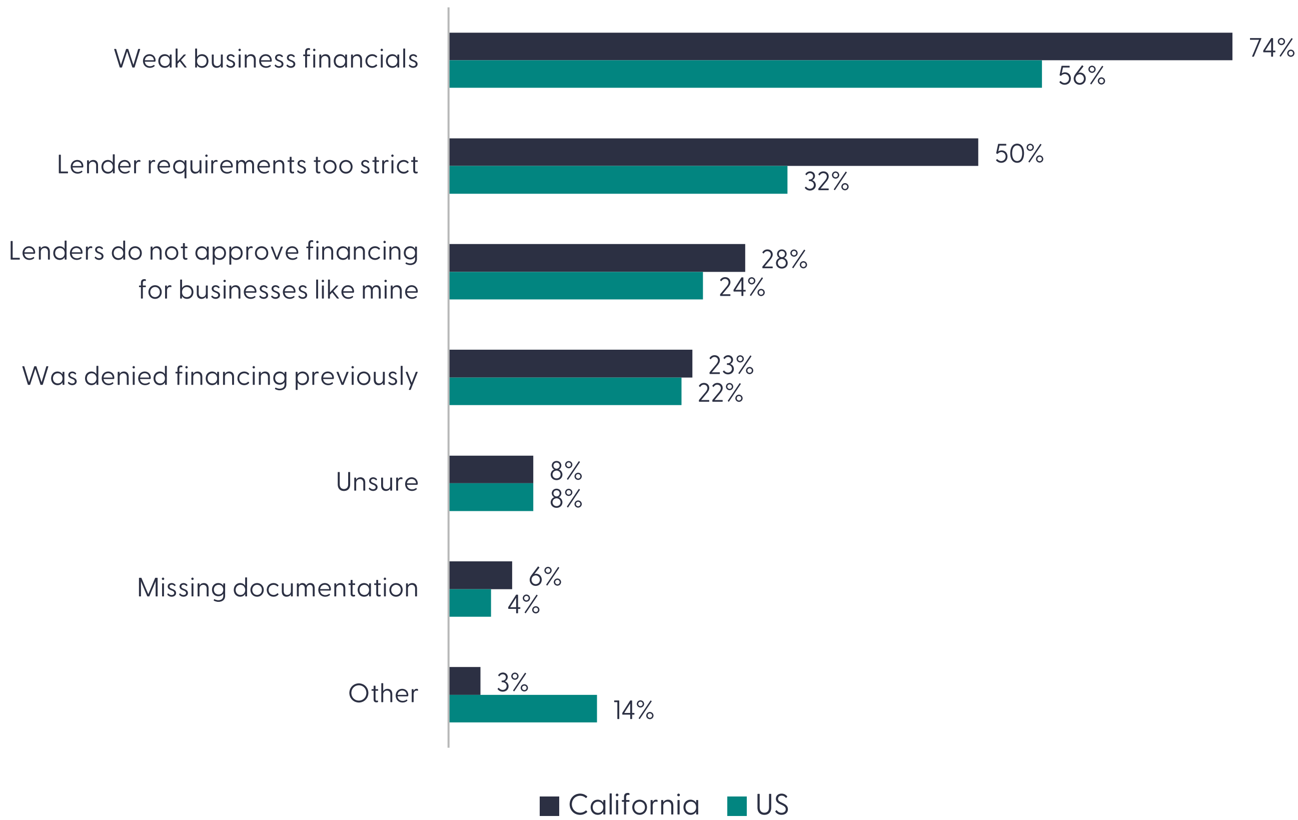


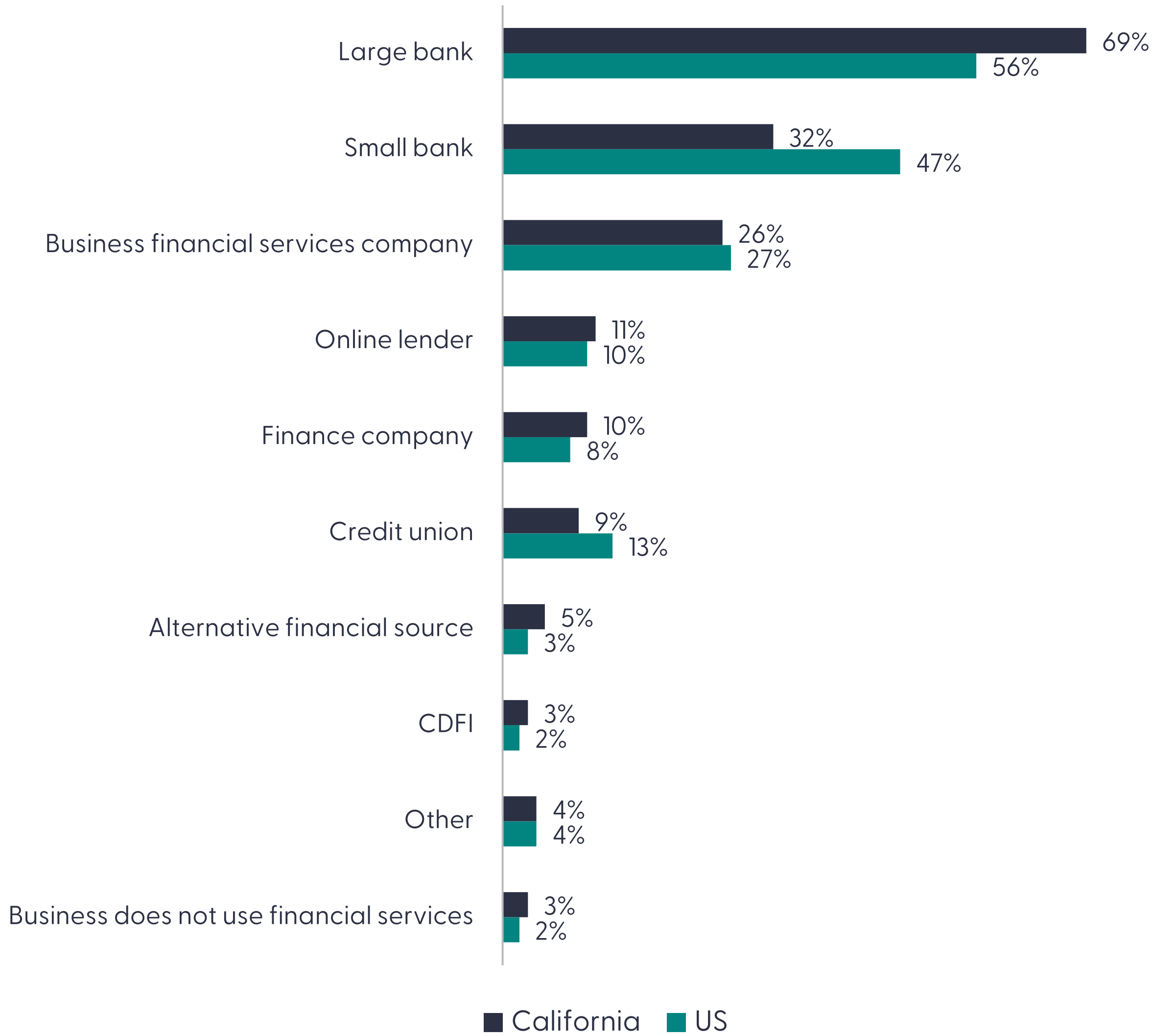
**Figure 41: If discouraged, likely reasons firm would not be approved?**




*Note: Firms selected all reasons that applied.*

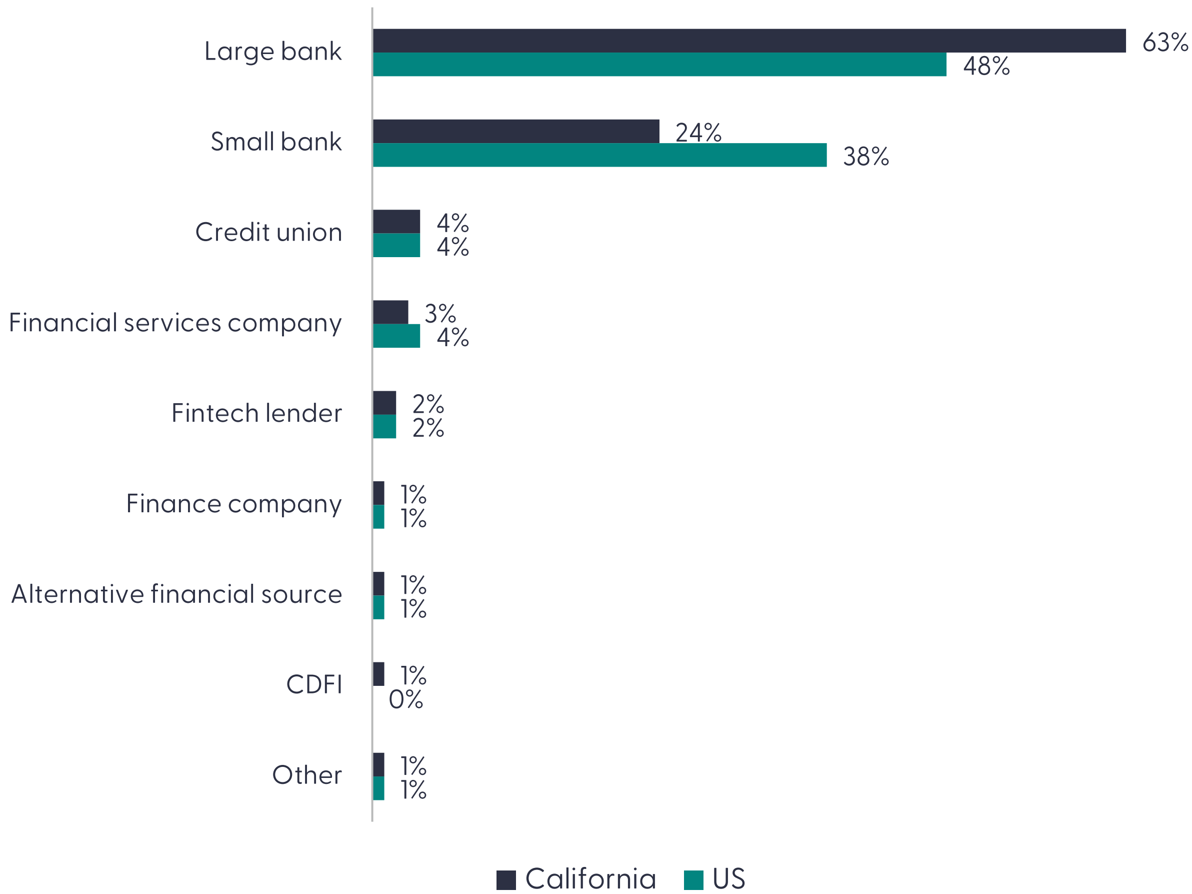
*Question sample size for California firms was less than 100.*

## Figure 42: Use of financial services providers

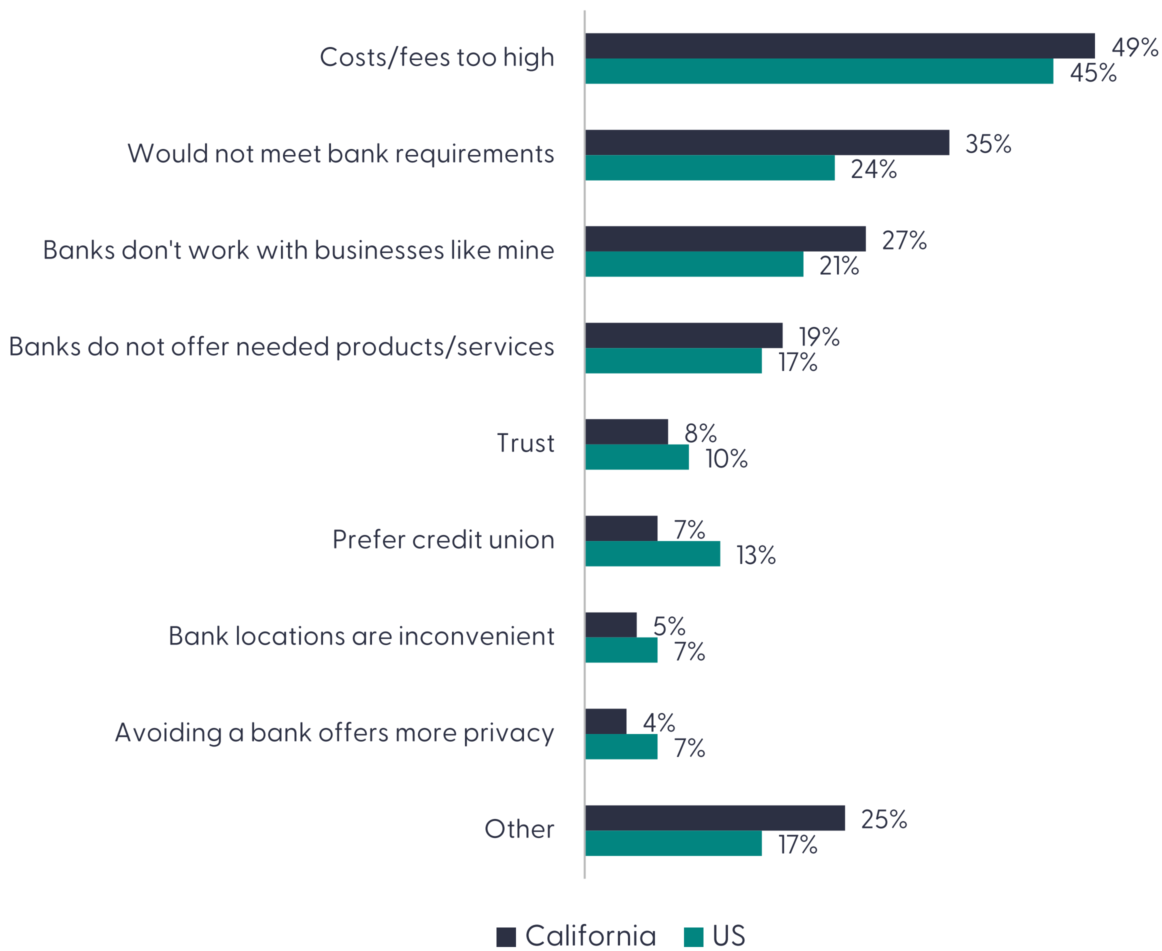



*Note: Firms selected all financial service providers used.*

## Figure 43: Primary financial services provider if use more than one



## Figure 44: Why firm doesn't use a bank




*Note: Firms selected all reasons that applied.*

*Question sample size for California firms was less than 100.*


### Author

Sarah Simms



### Acknowledgement

Thanks to Kelsey Brown for research assistance.


### Disclaimer

The views expressed here are those of the author and not necessarily those of the Federal Reserve Bank of San Francisco or the Federal Reserve System.